

CAMBODIAN CHILDREN'S FUND
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2011)

BEDINGER & COMPANY

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
THE CENTER FOR PUBLIC COMPANY AUDIT FIRMS,
AND THE CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS.
REGISTERED WITH THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD.

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B E D I N G E R & C O M P A N Y
C E R T I F I E D P U B L I C A C C O U N T A N T S
I N D E P E N D E N T A U D I T O R S ' R E P O R T

March 26, 2013

Board of Directors
Cambodian Children's Fund
Venice, California

We have audited the financial statements of Cambodian Children's Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the 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 of 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.

Cambodian Children's Fund
March 26, 2013
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cambodian Children's Fund as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Cambodian Children's Fund's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bedinger & Company

Certified Public Accountants
Concord, CA
March 26, 2013

CAMBODIAN CHILDREN'S FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF DECEMBER 31, 2011)

	December 31	
	2012	2011
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents (Note B)	\$2,954,072	\$ 2,400,977
Accounts receivable	19,320	979
Loans receivable	63,916	90,350
Prepaid expenses	58,005	82,235
Inventory	3,220	113,658
TOTAL CURRENT ASSETS	3,098,533	2,688,199
Investments (Note C)	500,000	250,000
Fixed assets, net of accumulated depreciation (Note D)	729,408	479,838
Other assets	128,295	45,202
TOTAL ASSETS	\$4,456,236	\$ 3,463,239
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 97,670	\$ 49,657
TOTAL CURRENT LIABILITIES	97,670	49,657
TOTAL LIABILITIES	97,670	49,657
Commitments and contingency (Notes F & G)		
<u>NET ASSETS</u>		
Unrestricted	4,358,566	3,413,582
Temporarily restricted (Note H)	-	-
TOTAL NET ASSETS	4,358,566	3,413,582
TOTAL LIABILITIES AND NET ASSETS	\$4,456,236	\$ 3,463,239

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

			Total	
			Year Ended December 31	
	Unrestricted	Temporarily Restricted	2012	2011
REVENUE AND SUPPORT				
Contributions	\$ 4,905,618	\$ -	\$ 4,905,618	\$ 4,882,576
Program revenue	162,859		162,859	121,353
In-Kind supplies	277,343		277,343	2,155,047
Investment income	16,536		16,536	8,594
Realized gains <losses>	4,199		4,199	-
	<u>5,366,555</u>	<u>-</u>	<u>5,366,555</u>	<u>7,167,570</u>
 TOTAL REVENUE AND SUPPORT	 <u>5,366,555</u>	 <u>-</u>	 <u>5,366,555</u>	 <u>7,167,570</u>
EXPENSES				
Program services	3,441,732		3,441,732	4,832,063
General and administrative	592,884		592,884	383,884
Fundraising	386,955		386,955	299,907
TOTAL EXPENSES	<u>4,421,571</u>	<u>-</u>	<u>4,421,571</u>	<u>5,515,854</u>
 CHANGE IN NET ASSETS	 944,984	 -	 944,984	 1,651,716
NET ASSETS, beginning of year	<u>3,413,582</u>	<u>-</u>	<u>3,413,582</u>	<u>1,761,866</u>
NET ASSETS, end of year	<u>\$ 4,358,566</u>	<u>\$ -</u>	<u>\$ 4,358,566</u>	<u>\$ 3,413,582</u>

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

EXPENSES	Program	General and Administrative	Fundraising	Total	
				Year Ended December 31	
				2012	2011
Compensation	\$ 1,222,682	\$ 145,554	\$ 96,365	\$ 1,464,601	\$ 1,188,225
Employee benefits	41,014	6,505	831	48,350	43,557
Payroll taxes	20,664	13,998	12,116	46,778	22,674
Fundraising fees	-	-	90,741	90,741	38,798
Professional fees	18,777	37,554	6,259	62,590	103,973
Supplies	31,481	6,281	9,311	47,073	28,618
Communications	61,006	10,916	3,966	75,888	161,595
Postage and shipping	31,851	11,267	7,203	50,321	43,470
Occupancy	246,399	48,436	-	294,835	466,025
Equipment rental and maintenance	68,127	10,890	4,775	83,792	38,868
Travel	158,547	46,087	40,932	245,566	244,502
Conference and meetings	11,121	4,965	26,897	42,983	2,107
Depreciation	62,907	2,041	-	64,948	41,927
Direct program expenses	1,120,750	-	-	1,120,750	759,806
Advertising and marketing	2,580	7,473	11,176	21,229	1,626
Bank and management fees	1,387	50,392	-	51,779	46,632
Insurance	8,344	38,753	8,640	55,737	51,435
Other expenses	12,958	14,446	102	27,506	14,722
Staff development	16,731	1,347	-	18,078	25,496
Contract labor costs	57,981	135,979	67,641	261,601	104,652
In-Kind supplies	246,425	-	-	246,425	2,087,146
TOTAL EXPENSES	\$ 3,441,732	\$ 592,884	\$ 386,955	\$ 4,421,571	\$ 5,515,854

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND**STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2012****(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)**

	Total	
	Year Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING		
ACTIVITIES:		
Increase <decrease> in Net Assets	\$ 944,984	\$ 1,651,716
Adjustment to reconcile excess (deficiency) of revenue over expenses to cash provided by operating activities:		
Depreciation	64,948	41,927
Realized and unrealized gains <losses> on investments	-	-
CHANGES IN CURRENT ASSETS AND		
CURRENT LIABILITIES:		
(Increase) decrease in accounts receivable	(18,341)	33
(Increase) decrease in other assets	(83,093)	(5,842)
Increase (decrease) in accounts payable and accrued expenses	48,012	18,979
(Increase) decrease in inventory	110,438	(47,751)
(Increase) decrease in prepaid expenses	24,230	(56,015)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>1,091,178</u>	 <u>1,603,047</u>
 CASH FLOWS FROM INVESTING		
ACTIVITIES:		
Acquisition of certificates of deposit	(250,000)	(250,000)
Acquisition of fixed assets	(314,518)	(385,828)
 NET CASH PROVIDED (USED) BY		
INVESTING ACTIVITIES	 <u>(564,518)</u>	 <u>(635,828)</u>
 CASH FLOWS FROM FINANCING		
ACTIVITIES:		
(Increase) decrease in loans receivable	26,435	18,508
 NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	 <u>26,435</u>	 <u>18,508</u>
 NET INCREASE (DECREASE) IN CASH	 553,095	 985,727
 CASH, beginning of period	 2,400,977	 1,415,250
 CASH, end of period	 <u>\$ 2,954,072</u>	 <u>\$ 2,400,977</u>

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011)

NOTE A – GENERAL AND NATURE OF ACTIVITIES

General

Cambodian Children's Fund (the Organization or CCF) is a California not-for-profit corporation and was founded to aid the most impoverished of Cambodian's children. Their plight is among the worst in the world. Cambodian's recent history has been tragic, with the loss of an estimated 2.5 million lives (nearly one-third of the population) during Pol Pot's brutal reign in the 1970's, foreign incursions and civil war. Millions of land mines remain active today and are spread throughout the country. Child prostitution is rampant. Children are often forced into the trade; some are sold by their caretakers and others are stolen from their villages. CCF's Phnom Penh facilities were initially established as a safe house for Cambodian's orphaned, abandoned or abused children, providing secure shelter and nutritional meals with a caring environment. The goal was to house and feed 45 children. Since then, the facility has grown with four residential education centers serving over 500 children. CCF also provides a community center, satellite schools and medical services serving an average of 1,200 Steung Meanchey residents per month as of the end of 2012.

CCF obtains its funding from the donations of individuals, corporations and foundations. The yearly cost of caring for a CCF child is partially supported through a sponsorship program where correspondence is encouraged and visits are welcome. Some of the products produced by the vocational training program are sold, and subsidized sales of rice and meals offset costs of the community nutrition program.

Nature of activities

The Organization's program services are as follows:

Education programs – The education programs provide remedial and intensive English reading and writing, math and computer studies to over 500 Cambodian children. An additional 80 children ages 2-6 benefit from daycare services and pre-school/kindergarten study. Seventeen infants and toddlers receive daytime care at the CCF Nursery, which is housed at the community center. More than 160 students benefit from evening classes at CCF's satellite schools. CCF's students are also integrated into the Cambodian public school system.

Vocational training – Older CCF students are provided with tailored vocational training and job placement to secure their transition into adult working life. This includes on and off-site vocational training in garment design, bakery, esthetics, IT services, graphics and web design, bio fuel product development and restaurant services. Mothers of many of CCF's children are trained as seamstresses as part of the Srey Mean Chey bag production program.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011)

NOTE A – GENERAL AND NATURE OF ACTIVITIES (Continued)

Nature of activities (Continued)

Health program – This program provides complete nutrition, vaccinations, regular check-ups, specialized care for chronic illnesses and access to an area hospital for emergency cases. The community medical clinic provides free medical care to residents of Steung Meanchey and routinely treats over 1,000 patients per month. Complete maternal health care services are provided both on-site and through partner organizations.

Outreach – CCF has established a community outreach program that serves the communities surrounding the Steung Meanchey garbage dump. Generally considered the most impoverished and ostracized people in Cambodia, the program provides access to subsidized rice and meals, home counseling, social workers, emergency loans, job placements and emergency housing.

Childcare and other programs – CCF provides housing and transportation to over 700 impoverished Cambodian children.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of Cambodian Children's Fund have been prepared on the accrual basis and presented in accordance with not-for-profit generally accepted accounting principles.

Financial statement presentation

The financial statements have been presented in accordance with ASC 958. The standard states that net assets and revenues, expenses, gain and losses be classified based on the existence or absence of donor-imposed restrictions. Information regarding its financial position and activities are presented according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. The organization does not have any permanently restricted net assets at December 31, 2012 or 2011.

CAMBODIAN CHILDREN'S FUND**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2012****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Fixed assets

Fixed assets are reported at cost or fair value if contributed. Depreciation of furniture and equipment is recorded using straight-line and accelerated methods over the useful life of 5 to 7 years applied to individual items. Leasehold improvements are depreciated using the straight-line method over 39 years. Fixed asset items costing more than \$1,000 with a useful life of 5 years or more are capitalized.

Functional allocation of expenses

The cost of providing the organizations's programs has been summarized on a functional basis in these financial statements. Based on management's estimates, costs have been allocated between programs and supporting services as they related to those functions.

Income Tax Status

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and from California franchise and/or income tax under the Revenue and Taxation Code Section 23701(d).

The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization returns for years ended December 31, 2012, 2011, and 2010 are subject to examination by federal and state taxing authorities generally for three years after they are filed.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Most contributions received by the Organization are considered as unrestricted. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period the contribution is received, the Organization reports the support as unrestricted.

Fair Value of Financial Instruments

The Organization's financial instruments include cash, cash equivalents and time deposits. The carrying amount of these financial instruments has been estimated by management to approximate fair value. The Organization adheres to Accounting Standards Codification (ASC) 820—10. Under ASC 820-10, fair value is defined as "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." ASC 820-10 establishes a hierarchy to prioritize the inputs to valuation techniques to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Values are unadjusted quoted prices for identical assets and liabilities in active markets. The Organization holds level 1 investments in cash, cash equivalents and time deposits.

Level 2—Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves. The Organization does not hold any level 2 instruments.

Level 3—Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Center's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. The Organization does not hold any level 3 instruments.

CAMBODIAN CHILDREN'S FUND**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2012****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Donated items and services**

Donated property and equipment are recorded as support at their estimated fair value at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated materials and other non-cash contributions are reflected in the financial statements at their estimated market value. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During 2012 and 2011, the Organization received donated contributions of supplies, nutritional supplements medical supplies and medicines. The value of the items received are \$277,343 and \$2,363,200, respectively.

Reclassifications

Certain reclassifications have been made in the 2011 comparative totals to conform to the classifications used in 2012.

Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

NOTE C – INVESTMENTS

Investments are stated at fair value and consist of the following as of December 31:

	<u>2012</u>	<u>2011</u>
High Yield Fixed Deposit	<u>\$ 500,000</u>	<u>\$ 250,000</u>
Total Investments	<u>\$ 500,000</u>	<u>\$ 250,000</u>

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011)

NOTE D – FURNITURE AND EQUIPMENT

As of December 31, furniture and equipment consists of the following:

	2012	2011
Land	\$ 341,610	\$ 341,610
Leasehold improvements	354,341	74,275
Furniture and equipment	68,719	42,972
Vehicles	226,278	217,573
	<u>990,948</u>	<u>676,430</u>
Less: accumulated depreciation	<261,540>	<196,592>
	<u>\$ 729,408</u>	<u>\$ 479,838</u>

Total depreciation expense for the years ended December 31, 2012 and 2011 was \$64,948 and \$41,927, respectively.

NOTE E – CONCENTRATIONS

CCF maintains operating cash balances at banks in excess of the Federal Deposit Insurance Corporation (FDIC) limit. The amounts in excess of the federally insured limits totaled approximately \$1,182,969 and \$1,564,980 at December 31, 2012 and 2011, respectively. Funds can be held in bank accounts in Cambodia, which are not insured. The balance of funds held in foreign accounts at December 31, 2012 and 2011 is \$604,965 and \$674,436. The Organization's management does not consider this a problem at this time.

CCF received approximately 40% and 45% of its total contributions from 8 donors based in the United States and Europe during the years ended December 31, 2012 and 2011, respectively.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011)

NOTE F – COMMITMENTS

The Organization currently leases a number of facilities in Cambodia for educational, childcare and administrative purposes. These commitments are summarized as follows:

<u>Year Ended December 31</u>	
2013	\$180,264
2014	129,149
2015	92,424
2016	63,267
2017	41,240

Total rental expense for the years ended December 31, 2012 and 2011 was approximately \$224,900 and \$202,153, respectively.

NOTE G – CONTINGENCY

Restricted contributions require the fulfillment of certain conditions as set forth by the donor. Failure to fulfill the conditions could result in the return of the funds to the donors. The Organization deems this contingency remote since by accepting the contributions and their terms it has accommodated the objectives of the organization to the provisions of the contributions. The Organization's management is of the opinion that the organization has complied with the terms of all contributions.

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

There were no temporarily restricted net assets at December 31, 2012 or 2011.

NOTE I – SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 855, Subsequent Events, Cambodian Children's Fund has evaluated subsequent events through March 26, 2013, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2012, have been incorporated into these financials statements herein.