

H E A L Y A N D A S S O C I A T E S

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

CAMBODIAN CHILDREN'S FUND
(A NONPROFIT ORGANIZATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016)

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INDEPENDENT AUDITOR'S REPORT

April 2, 2018

Board of Directors
Cambodian Children's Fund
Santa Monica, California

I have audited the financial statements of Cambodian Children's Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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, 2017, 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

The Cambodian Children's Fund's 2016 financial statements were audited by me, and I expressed an unmodified audit opinion on those audited financial statements in my report dated May 9, 2017. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Healy and Associates

Healy and Associates
Concord, California

CAMBODIAN CHILDREN'S FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION AS OF DECEMBER 31, 2016)

	December 31	
	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents (Notes B, C and E)	\$ 4,137,573	\$ 2,802,350
Accounts receivable (Note B)	310,615	-
Loans receivable (Note B)	63,877	59,916
Prepaid expenses	69,537	95,825
Inventory of rice stock and other current assets (Note B)	24,857	11,332
TOTAL CURRENT ASSETS	4,606,459	2,969,423
Investments (Notes B, C and E)	3,435,679	2,413,215
Fixed assets, net of accumulated depreciation (Note D)	10,159,172	9,601,412
Other assets	191,441	196,140
TOTAL ASSETS	\$ 18,392,751	\$ 15,180,190
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 627,912	\$ 350,659
Employee benefit payable (Note F)	490,717	416,780
TOTAL CURRENT LIABILITIES	1,118,629	767,439
TOTAL LIABILITIES	1,118,629	767,439
Commitments and contingency (Notes G and H)		
<u>NET ASSETS</u>		
Unrestricted	17,274,122	14,201,696
Temporarily restricted (Note K)	-	211,055
TOTAL NET ASSETS	17,274,122	14,412,751
TOTAL LIABILITIES AND NET ASSETS	\$ 18,392,751	\$ 15,180,190

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	Unrestricted	Temporarily Restricted	Total	
			Year Ended December 31 2017	2016
REVENUE AND SUPPORT				
Contributions	\$ 5,720,725	\$ 5,178,493	\$ 10,899,218	\$ 10,221,061
Program revenue	57,724		57,724	160,663
In-Kind supplies and services	273,986		273,986	1,123,315
Investment income	105,206		105,206	139,923
Ticket sales	-		-	14,000
Other income	4,097		4,097	23,690
	<u>6,161,738</u>	<u>5,178,493</u>	<u>11,340,231</u>	<u>11,682,652</u>
Net assets released from restriction	<u>5,389,548</u>	<u>(5,389,548)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>11,551,286</u>	<u>(211,055)</u>	<u>11,340,231</u>	<u>11,682,652</u>
EXPENSES				
Program services	7,225,107		7,225,107	7,663,066
General and administrative	881,258		881,258	873,645
Fundraising	372,495		372,495	362,478
TOTAL EXPENSES	<u>8,478,860</u>	<u>-</u>	<u>8,478,860</u>	<u>8,899,189</u>
CHANGE IN NET ASSETS	3,072,426	(211,055)	2,861,371	2,783,463
NET ASSETS, beginning of year	<u>14,201,696</u>	<u>211,055</u>	<u>14,412,751</u>	<u>11,629,288</u>
NET ASSETS, end of year	<u>\$ 17,274,122</u>	<u>\$ -</u>	<u>\$ 17,274,122</u>	<u>\$ 14,412,751</u>

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

EXPENSES	Program	General and Administrative	Fundraising	Total	
				Year Ended December 31 2017	2016
Compensation	\$ 3,104,623	\$ 472,833	\$ 262,085	\$ 3,839,541	\$ 3,854,762
Direct program expenses	2,195,313	169	8,793	2,204,275	1,974,158
Occupancy	440,476	71,932	11,410	523,818	670,040
Travel and transportation	242,664	11,052	12,617	266,333	285,117
Depreciation	323,505	164	4,320	327,989	243,621
In-Kind supplies	219,952	-	-	219,952	630,537
Professional fees	124,762	67,744	15,735	208,241	196,063
Insurance	50,040	116,650	4,475	171,165	157,744
Communication and software	141,967	10,704	6,820	159,491	118,035
Payroll taxes	142,201	23,678	17,869	183,748	236,029
Equipment rental and maintenance	80,038	2,331	5,882	88,251	214,240
Bank and management fees	14,134	65,061	8	79,203	37,205
Other expenses	49,052	22,597	2,319	73,968	82,337
Supplies	24,898	2,437	14,936	42,271	37,490
Staff development	26,361	10,337	-	36,698	9,585
Conference and meetings	17,589	338	575	18,502	34,718
Fundraising	12,938	-	4,443	17,381	33,083
Postage and shipping	11,711	2,916	208	14,835	66,010
Advertising and marketing	2,883	315	-	3,198	18,415
TOTAL EXPENSES	\$ 7,225,107	\$ 881,258	\$ 372,495	\$ 8,478,860	\$ 8,899,189

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	Total	
	Year Ended December 31 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,861,371	\$ 2,783,463
Adjustment to reconcile excess (deficiency) of revenue over expenses to cash provided by operating activities:		
Depreciation	327,989	243,621
CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:		
(Increase) decrease in:		
Accounts receivable	(310,615)	-
Other assets	4,699	20,434
Inventory	(13,525)	6,319
Prepaid expenses	26,288	(45,812)
Increase (decrease) in:		
Accounts payable and accrued expenses	277,253	(74,576)
Employee benefit payable	73,937	55,780
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,247,397</u>	<u>2,989,229</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned and retained in certificates of deposit	(6,827)	(11,814)
Increase in investment	(26,637)	(651,391)
Acquisition of certificates of deposit	(2,489,000)	(2,000,000)
Certificates of deposit matured and returned to cash	1,500,000	2,837,960
Acquisition of fixed assets	(885,749)	(4,022,820)
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,908,213)</u>	<u>(3,848,065)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in loans receivable	(3,961)	(2,665)
NET CASH USED BY FINANCING ACTIVITIES	<u>(3,961)</u>	<u>(2,665)</u>
NET INCREASE (DECREASE) IN CASH	1,335,223	(861,501)
CASH, beginning of period	2,802,350	3,663,851
CASH, end of period	<u>\$ 4,137,573</u>	<u>\$ 2,802,350</u>

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

NOTE A – NATURE OF ACTIVITIES

Cambodian Children's Fund (Organization or CCF) is a California not-for-profit corporation founded in 2004 to provide charitable relief to the people of Cambodia and to aid the most impoverished of Cambodia's children. CCF transforms the country's most impoverished kids into tomorrow's leaders, by delivering education, family support and community development programs into the heart of Cambodia's most impoverished communities.

CCF believes that with the right education and support, one child has the potential to lift an entire family out of poverty and that a generation of educated children has the power to change a whole society. Through intensive, long-term investments in children, CCF is helping students build the skills, confidence and integrity they need to become progressive spokespeople and leaders of change in their community.

CCF's Phnom Penh facilities were initially established as a safe house for Cambodia's at risk, abandoned or abused children, providing secure shelter and nutritional meals with a caring environment. The goal was to house and feed 45 children. In the past 13 years, the organization has grown with many facilities and education centers, a community center in the heart of Steung Meanchey Community (SMC), satellite schools and a free medical center.

CCF obtains its funding from the donations of global partners, individuals, corporations and foundations. The yearly cost of caring for a CCF child is partially supported through a sponsorship program where regular correspondence is encouraged. 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.

Through the 6 core program areas: Education, Leadership, Community Outreach, Healthcare, Child Care and Career and Life Skills. CCF takes a holistic, on-the-ground approach to developing integrated yet simple solutions to the complex issues of poverty. The Organization's program services are further described as follows:

Education – CCF provides access to both formal and informal education to all children ranging from pre-school to university. As well as operating education facilities and satellite schools, CCF provides students with school uniforms, study materials and university fees, as well as transportation. In 2017, CCF opened a newly constructed STEM Academy in the local community. CCF works closely and directly with public schools, teachers and directors to ensure high attendance rates and academic results. With the construction of satellite schools, located in the heart of the community, CCF is providing a pathway to education for thousands of children once deemed "unreachable."

CAMBODIAN CHILDREN'S FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

NOTE A – NATURE OF ACTIVITIES (Continued)

Leadership – An understanding of governance, human rights, gender issues, empathy, community building, communication and the key qualities of leadership are essential factors for generational change. CCF prepares students for their future as leaders in Cambodian society and equips them with the tools, training and knowledge to make a meaningful, positive impact on their community. CCF offers a range of activities within the Leadership Program to help build its young leaders, including trips to rural communities, annual intensive three-day Youth Leadership Camps, and community support activities such as caring for senior citizens, volunteering as classroom assistants or visiting families to advocate hygienic practices within the home.

Community Outreach – The CCF Community Centre was established to provide reliable care services and support within and for the Steung Meanchey community (SMC). Impoverished people living in the SMC are provided access to our community services ranging from food, shelter, fresh water, loans, healthcare, childcare, counseling and advocacy, social bonding events, and other necessary provisions.

Healthcare – CCF provides free healthcare to the most impoverished people in the Steung Meanchey area ranging from common ailments to chronic illnesses, through the CCF Medical Clinic. CCF arranges hospital referrals as needed and treatment fees are provided accordingly. Support costs such as food and transportation are also provided during hospital stays as well as other relevant fees. CCF provides targeted groups with materials necessary for disease prevention, with a focus on child nutrition and maternal care.

Child Care – CCF cares for children from early ages up until 18 years old. Main activities include provision of a safe environment, nutritious food, clothes, decent and safe accommodation, household supplies, counseling services, social education and other necessary life maintenance materials. CCF ensures that the children are safe and happy by providing them with a secure and caring environment, protecting them from foreseeable hazards and abuse. CCF provides foster care and kinship care opportunities for children and also ensures as many children as possible visit family at holiday time and have as much contact as possible with their families.

Career and Life Skills – Age appropriate students and disadvantaged community members are offered a range of vocational pursuits, including baking, and restaurant services, IT services including graphic and web design, administration and social work. In tandem with skills training, CCF also offers general educational courses in English and Khmer.

CAMBODIAN CHILDREN'S FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

NOTE A – NATURE OF ACTIVITIES (Continued)

Child Protection Unit (CPU) – Crimes against children including homicide, sexual assault, child trafficking and all forms of serious abuse require a specialized and coordinated response from investigative and support agencies. The CPU is a CCF affiliated program set up to provide the highest level of service to child victims of abuse or assault regardless of gender, cultural background or impairment. Working in partnership with the Cambodian National Police and supporting organizations, the CPU provides investigative resources and support, aftercare, judiciary support, and major crime co-ordination to detect offences and prosecute those that commit these horrific crimes against children. The CPU's priority is the protection and care of the most vulnerable of victims: Children.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Financial statement presentation follows the guidance of the Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under this standard, the Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Organization had no permanently restricted net assets at December 31, 2017 or 2016.

Functional Currency, Cash and Cash Equivalents

CCF transacts its business and maintains its books and records in United States Dollars. 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 additions of more than \$1,000 are recorded at cost or fair value if contributed, less accumulated depreciation. Depreciation of furniture and equipment is recorded using straight-line and accelerated methods over the useful life of five to seven years applied to individual items. Leasehold improvements are depreciated using the straight-line method over 39 years. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Loans Receivable

Accounts receivable consists of contributions transacted or post-marked in 2017 which did not clear the payment systems until January 2018. No allowance for doubtful accounts is deemed necessary by management.

In addition, CCF provides micro loans to external parties on an on-going basis. The loans are designed to aid external parties to find permanent housing and aid families to become self-sustaining. They are non-interest bearing, unsecured and repaid over periods ranging from three months to five years.

CCF evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Management did not consider an allowance for doubtful accounts necessary as of December 31, 2017.

Inventory

Inventory is comprised of rice stock for programs and donated medical supplies, which are valued at the lower of cost or market determined by the first-in first-out method. Management evaluates the condition of these inventories and does not consider an allowance for inventory obsolescence necessary.

Fair Value Measurements

The Organization's financial instruments include cash, cash equivalents, and investments measured as noted below using Level 1 and 2 inputs (See Note C). Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1— Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than Level 1, which 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.

Level 3— Unobservable inputs that cannot be corroborated by observable market data.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

All contributions are available for unrestricted use unless specifically restricted by the donor. Most contributions received by the Organization are considered 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.

In accordance with ASC 958, grants and contributions received are recorded as unrestricted or temporarily restricted depending on the existence and nature of grantor restrictions. Contributions are recorded as restricted support if they are received with grantor stipulations that limit the use of the contributed assets. When a grantor restriction expires, that is, when a stipulated purpose restriction is accomplished, or donor restrictions are satisfied by the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

Donated Items and Services

Donated property and equipment are recorded as support at the 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. 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 the years ended December 31, 2017 and 2016, the Organization received donated contributions of supplies, professional skills, nutritional supplements, medical supplies, and medicines. The value of the donated items received was \$273,986 and \$537,271, respectively. In addition, during the year ended December 31, 2016, CCF recognized \$512,544 and \$73,500 for in-kind architectural services received in connection with the Neeson Cripps Academy construction and in-kind accounting services, respectively.

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.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited.

Tax Exemption Status

The Organization has received tax exempt status under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Comparative Information and Reclassifications

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2016, from which the summarized information was derived.

CAMBODIAN CHILDREN'S FUND**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2017****(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)****NOTE C – INVESTMENTS**

Investments, cash and cash equivalents are stated at fair value, before reconciling items, and consist of the following as of December 31, 2017:

	<u>Fair Value Measurements Using:</u>	
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Fixed Deposits held in Cambodian financial institutions, bearing interest from 4.25% to 5.75%.	\$ -	\$ 2,779,650
Mutual Funds	\$ 656,029	\$ -

CCF holds funds in multiple financial institutions in Cambodia, which carry no deposit insurance or other protection for the investor (See Note E). Activity in investment account for the year ended December 31, 2017 is as follows:

Beginning Balance, December 31, 2016	\$ 2,413,215
Deposits	11,000
Interest income	11,474
Purchases, net of maturities	1,000,000
Investment fees	(10)
Ending Balance, December 31, 2017	<u>\$ 3,435,679</u>

NOTE D – FIXED ASSETS

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

	<u>2017</u>	<u>2016</u>
Long term leases and rights (Note I)	\$ 4,461,468	\$ 4,461,468
Leasehold improvements (Note I)	5,900,975	926,253
Furniture and equipment	258,731	178,521
Vehicles	544,010	509,957
Construction in progress	-	4,298,643
	<u>11,165,184</u>	<u>10,374,842</u>
Less: Accumulated depreciation	<u>(1,006,012)</u>	<u>(773,430)</u>
Total fixed assets, net	<u>\$ 10,159,172</u>	<u>\$ 9,601,412</u>

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

NOTE D – FIXED ASSETS (Continued)

Construction in progress representing the Neeson Cripps Academy facility expenditures and donated architectural services was completed and opened in February 2017. Total depreciation expense for the years ended December 31, 2017 and 2016 was \$327,989 and \$243,621, respectively.

As a foreign corporation operating in Cambodia, CCF is not able to legally own land. Therefore, CCF has entered into long-term leases and rights for the use of land and buildings. CCF constructs facilities on these lands and depreciates the improvements over the lives of the leases (See Note I).

NOTE E – CONCENTRATIONS AND RISKS

Financial Institution Balances

CCF maintains operating cash balances at banks in the U.S., which are in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The amounts in excess of the federally insured limits held in U.S. financial institutions was \$1,248,008 and \$569,929 at December 31, 2017 and 2016, respectively. The U.S. financial institutions include Wells Fargo Bank, Chase, Bank of America, and PayPal.

CCF maintains operating cash balances and Certificates of Deposits in multiple Cambodian financial institutions, which carry no deposit insurance. The deposits exposed to risk are \$4,669,591 and \$2,926,875 at December 31, 2017 and 2016, respectively. The Cambodian financial institutions holding these deposits are ACLEDA Bank and ABA Bank.

Therefore, CCF has uninsured balances of \$5,917,599 and \$3,496,804 at December 31, 2017 and 2016, respectively, in all accounts, foreign and domestic, combined. The Board of Directors monitors the credit worthiness of the financial institutions where deposits are located. Management has determined that the liquidity of the referenced financial institutions is not of concern at this time.

Contributions

CCF received approximately 52% of its total contributions from its top three donor groups globally during the years ended December 31, 2017 and 2016.

Country Risk

CCF operates its programs in Cambodia, a country that has experienced civil unrest in the past. Cambodia continues to emerge from this past unrest, however, is subject to the risk of possible civil unrest in the future that would disrupt their programs or put their financial instruments at risk. CCF's management and Board evaluates the risk related to financial instruments held in Cambodian financial institutions and the overall political climate on an on-going basis.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

NOTE F – EMPLOYEE BENEFITS

In compliance with the country's labor laws, Cambodian employees of CCF are entitled to severance pay based on length of service and other factors. Employees gain a vested right to the accumulated wages. The balance of accumulated indemnity severance payable at December 31, 2017 and 2016 was \$490,716 and \$416,780, respectively.

NOTE G – COMMITMENTS

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

<u>Year Ended December 31</u>	
2018	\$ 271,141
2019	\$ 202,562
2020	\$ 159,960
2021	\$ 141,346
2022 and beyond	\$ 566,832

Total rental expense for the years ended December 31, 2017 and 2016 was approximately \$334,494 and \$434,239, respectively.

NOTE H – 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 believes the Organization has complied with the terms of all contributions.

NOTE I – RELATED PARTY TRANSACTIONS

Long Term Leases and Rights

As discussed in Note D – Fixed Assets, CCF is prohibited from owning land in Cambodia. To allow the construction of certain facilities for program operations, and in accordance with usual commercial practices in Cambodia, through a lease arrangement, CCF is entitled to erect facilities on this leased land. CCF holds the interest as the owner of the facilities, but not the land, during the lease term.

CAMBODIAN CHILDREN'S FUND
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NOTE I – RELATED PARTY TRANSACTIONS (Continued)

CCF owns a 49% equity interest in Latopp Holding Ltd, a Cambodian registered company that holds a direct interest in the property and assets leased by CCF. As Executive Director and CCF's nominated representative, Scott Neeson holds a 51% equity interest in Latopp Holdings Ltd. Scott Neeson holds Cambodian citizenship and is entitled under Cambodian law to own property and assets. There are, appropriate restrictions on the transfer of Scott Neeson's equity interest in Latopp Holdings Ltd in the shareholders agreement.

CCF has security and control over the property and assets attached to the lands. The agreements surrounding property ownership, among other things, secure the properties using hypothec for securing the funds provided by CCF or without prior consent of CCF. Thus, the properties cannot be sold or conveyed without recovery of the invested funds by CCF.

CCF reflects the investments in facility assets and property as leasehold improvements for the purpose of financial statements reporting, as the properties are used for the sole purpose of CCF's activities. The investment in property paid by CCF is approximately \$10,360,000 as reflected in Fixed Assets (Note D).

NOTE J – FOREIGN TRANSACTIONS

In addition to support raised in the United States, the Organization is supported by Cambodian Children's Fund aligned organizations that exist in Australia, Hong Kong and the United Kingdom. These entities are not under common control and are separate legal entities that share a common goal of supporting the Cambodian operations of Cambodian Children's Fund. These funds are remitted to the CCF office in Cambodia.

The funds received from the other Cambodian Children's Fund aligned organizations was approximately \$1,893,000 for the year ended December 31, 2017. This amount reflects the gross distributions to the United States and Cambodia from other countries. Total funds spent in Cambodia for the year ended December 31, 2017 was approximately \$7,800,000.

NOTE K – TEMPORARY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016, consist of \$0 and \$211,055, respectively.

CAMBODIAN CHILDREN'S FUND
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NOTE L – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for recognition and disclosure through April 2, 2018, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that required recognition or disclosure in the financial statements.