

CAMBODIAN CHILDREN'S FUND
(A NONPROFIT ORGANIZATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017)

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INDEPENDENT AUDITOR'S REPORT

July 2, 2019

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The Cambodian Children's Fund's 2017 financial statements were audited by me, and I expressed an unmodified audit opinion on those audited financial statements in my report dated April 9, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Healy and Associates

Healy and Associates
Concord, California

CAMBODIAN CHILDREN'S FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH SUMMARIZED COMPARATIVE INFORMATION AS OF DECEMBER 31, 2017)

	December 31	
	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,057,724	\$ 4,137,573
Accounts receivable	115,253	310,615
Investments	6,916,641	3,435,679
Loans receivable	57,027	63,877
Prepaid expenses	89,940	69,537
Inventory of rice stock and other current assets	12,069	24,857
Total current assets	9,248,654	8,042,138
Fixed assets, net of accumulated depreciation	9,787,763	10,159,172
Other assets	275,221	191,441
TOTAL ASSETS	\$ 19,311,638	\$ 18,392,751
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 614,209	\$ 627,912
Employee benefit payable	60,678	490,717
Total current liabilities	674,887	1,118,629
TOTAL LIABILITIES	674,887	1,118,629
Commitments and contingency		
<u>NET ASSETS</u>		
Without donor restrictions	18,636,751	17,274,122
With donor restrictions	-	-
Total net assets	18,636,751	17,274,122
TOTAL LIABILITIES AND NET ASSETS	\$ 19,311,638	\$ 18,392,751

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

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

	Without Donor Restrictions	With Donor Restrictions	Total	
			Year Ended December 31	
			2018	2017
REVENUE AND SUPPORT				
Contributions	\$ 6,364,132	\$ 3,506,105	\$ 9,870,237	\$ 10,899,218
Program revenue	120,085	-	120,085	57,724
In-kind supplies and services	767,560	-	767,560	273,986
Investment income	182,910	-	182,910	105,206
Ticket sales	-	-	-	-
Other income	2,780	-	2,780	4,097
	<u>7,437,467</u>	<u>3,506,105</u>	<u>10,943,572</u>	<u>11,340,231</u>
Net assets released from restriction	<u>3,506,105</u>	<u>(3,506,105)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>10,943,572</u>	<u>-</u>	<u>10,943,572</u>	<u>11,340,231</u>
EXPENSES				
Program services	8,173,353	-	8,173,353	7,225,107
General and administrative	960,230	-	960,230	881,258
Fundraising	447,360	-	447,360	372,495
Total expenses	<u>9,580,943</u>	<u>-</u>	<u>9,580,943</u>	<u>8,478,860</u>
Change in net assets	1,362,629	-	1,362,629	2,861,371
NET ASSETS, beginning of year	<u>17,274,122</u>	<u>-</u>	<u>17,274,122</u>	<u>14,412,751</u>
NET ASSETS, end of year	<u>\$ 18,636,751</u>	<u>\$ -</u>	<u>\$ 18,636,751</u>	<u>\$ 17,274,122</u>

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

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

EXPENSES	Program	General and Administrative	Fundraising	Total	
				Year Ended December 31	
				2018	2017
Compensation	\$ 3,438,124	\$ 555,546	\$ 290,080	\$ 4,283,750	\$ 3,839,541
Direct program expenses	2,227,157	1,740	46,021	2,274,918	2,204,275
In-kind supplies	661,755	-	2,047	663,802	219,952
Depreciation	554,990	3,866	6,263	565,119	327,989
Occupancy	387,696	78,724	6,997	473,417	523,818
Travel and transportation	203,108	14,540	10,094	227,742	266,333
Insurance	85,501	117,472	7,701	210,674	171,165
Payroll taxes	111,914	49,121	3,243	164,278	183,748
Professional fees	114,707	29,136	14,714	158,557	208,241
Communication and software	115,135	6,698	11,266	133,099	159,491
Equipment rental and maintenance	99,663	282	13,862	113,807	88,251
Other expenses	43,971	29,825	4,443	78,239	73,968
Bank and management fees	15,835	58,204	469	74,508	79,203
Fundraising	21,298	-	26,551	47,849	17,381
Staff development	38,385	-	1,487	39,872	36,698
Supplies	25,972	5,267	312	31,551	42,271
Postage and shipping	16,558	8,826	-	25,384	14,835
Conference and meetings	8,528	983	62	9,573	18,502
Advertising and marketing	3,056	-	1,748	4,804	3,198
TOTAL EXPENSES	\$ 8,173,353	\$ 960,230	\$ 447,360	\$ 9,580,943	\$ 8,478,860

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

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

	Total	
	Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,362,629	\$ 2,861,371
Adjustment to reconcile excess (deficiency) of revenue over expenses to cash provided by operating activities:		
Depreciation	565,119	327,989
CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:		
(Increase) decrease in:		
Accounts receivable	195,362	(310,615)
Other assets	(83,780)	4,699
Inventory	12,788	(13,525)
Prepaid expenses	(20,403)	26,288
Increase (decrease) in:		
Accounts payable and accrued expenses	(13,703)	277,253
Employee benefit payable	(430,039)	73,937
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,587,973</u>	<u>3,247,397</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned and retained in certificates of deposit	(6,827)	(6,827)
Increase in investment	(2,485,135)	(26,637)
Acquisition of certificates of deposit	(2,489,000)	(2,489,000)
Certificates of deposit matured and returned to cash	1,500,000	1,500,000
Acquisition of fixed assets	(193,710)	(885,749)
NET CASH USED BY INVESTING ACTIVITIES	<u>(3,674,672)</u>	<u>(1,908,213)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in loans receivable	<u>6,850</u>	<u>(3,961)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>6,850</u>	<u>(3,961)</u>
NET INCREASE (DECREASE) IN CASH	(2,079,849)	1,335,223
CASH AND CASH EQUIVALENTS, beginning of period	4,137,573	\$ 2,802,350
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 2,057,724</u>	<u>\$ 4,137,573</u>

See Notes to Financial Statements

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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

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 14 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 7 core program areas: Education, Leadership, Community Outreach, Healthcare, Child Care, Career and Life Skills, and Child Protection Unit, 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. 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, 2018

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

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 – The Career and Life Skills Program provides career counseling, university scholarships, vocational training, internships and job placement to the students in their care. It is designed to enable young adults to complete tertiary education or vocational education and earn the skills they need to obtain and maintain gainful employment and independence.

CAMBODIAN CHILDREN'S FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

NOTE A – NATURE OF ACTIVITIES (Continued)

Career and Life Skills (Continued) – CCF aims to provide all students with a university education, but university isn't for everyone. For students who do not want to study at university and those who do not qualify, including students who arrived at CCF too late to make the grade for the university, they offer vocational training pathways through partnerships with local organizations.

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. 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 CCF are maintained on the accrual basis of accounting. The financial statements of CCF have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

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.

Accounts and Loans Receivable

Accounts receivable consists of contributions transacted or post-marked in 2018 which did not clear the payment systems until January 2019.

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, 2018.

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.

Fixed Assets

Fixed assets additions of \$1,000 or more 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, 2018

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 D). 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.

Contributions and Revenue

The Organization is supported primarily through contributions. In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements 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.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017, CCF received donated contributions of supplies, professional skills, nutritional supplements, medical supplies, and medicines. The value of the donated items received was \$767,560 and \$273,986, respectively.

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

Cambodian Children's Fund 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. CCF 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. CCF has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CCF has adjusted the presentation of these statements accordingly.

CAMBODIAN CHILDREN'S FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial 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. Certain reclassifications have been made in the 2017 comparative totals to conform to the classifications used in 2018. 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, 2017, from which the summarized information was derived.

NOTE C – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$2,057,724
Accounts receivable	115,253
Investments	6,916,641
Ending Balance, December 31, 2018	<u>\$ 9,089,618</u>

CCF's investments contain fixed deposits and certificates of deposit in foreign financial institutions and US treasury bills held in an US financial institution. All of the investment assets mature in 2019. Although they do not intend to cash out those financial instruments prior to maturity, they could be made available, less a fee for early withdrawal, if necessary.

As part of CCF's liquidity management plan, they invest cash in excess of daily requirements in fixed deposits, certificates of deposit, and US treasury bills with financial institutions.

CAMBODIAN CHILDREN'S FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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

NOTE D – INVESTMENTS

Investments, cash and cash equivalents are stated at fair value, before reconciling items, and consist of the following as of December 31, 2018:

	<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 3.25% to 8%.	\$ -	\$ 3,223,315
Government bonds – US Treasury bill due January 2019 through June 2019	\$ 3,693,326	\$ -

CCF holds funds in multiple financial institutions in Cambodia, which carry no deposit insurance or other protection for the investor (See Note F). Activity in investment account for the year ended December 31, 2018 is as follows:

Beginning Balance, December 31, 2017	\$ 3,435,679
Deposits	3,505,905
Interest income, net of fees	105,057
Purchases	1,300,000
Cash withdrawn	<u>(1,430,000)</u>
Ending Balance, December 31, 2018	<u>\$ 6,916,641</u>

NOTE E – FIXED ASSETS

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

	<u>2018</u>	<u>2017</u>
Long term leases and rights (Note J)	\$ 4,461,468	\$ 4,461,468
Leasehold improvements (Note J)	5,569,906	5,900,975
Furniture and equipment	358,140	258,731
Vehicles	594,660	544,010
	<u>10,984,174</u>	<u>11,165,184</u>
Less: Accumulated depreciation	<u>(1,196,411)</u>	<u>(1,006,012)</u>
Total fixed assets, net	<u>\$ 9,787,763</u>	<u>\$ 10,159,172</u>

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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

NOTE E – FIXED ASSETS (Continued)

Depreciation expense for the years ended December 31, 2018 and 2017 was \$565,119 and \$327,989, 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 J).

NOTE F – 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 \$327,499 and \$1,248,008 at December 31, 2018 and 2017, respectively. The U.S. financial institutions include Wells Fargo Bank, Chase, Capital One, 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 \$3,999,698 and \$4,669,591 at December 31, 2018 and 2017, respectively. The Cambodian financial institutions holding these deposits are ACLEDA Bank, PRASAC, and ABA Bank.

Therefore, CCF has uninsured balances of \$4,327,197 and \$5,917,599 at December 31, 2018 and 2017, 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 51% of its total contributions from two donor groups globally during the years ended December 31, 2018 and 2017.

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, 2018****(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

NOTE G – 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, 2018 and 2017 was \$60,678 and \$490,717, respectively. During the year ended December 31, 2018, labor laws required the payment of accumulated benefits to the employee and for Organization's to pay in accordance with one of two options: 1) pay out in one lump sum or 2) installment payments over a multi-year period. CCF management decided to pay it out in one lump sum. As a result, CCF distributed approximately \$490,000 during the year ended December 31, 2018, to the employees of CCF in Cambodia.

NOTE H – 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>	
2019	\$ 293,652
2020	\$ 228,607
2021	\$ 160,233
2022	\$ 119,585
2023 and beyond	\$ 427,927

Total rental expense for the years ended December 31, 2018 and 2017 was approximately \$303,393 and \$334,494, respectively.

NOTE I – 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. CCF 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. CCF's management believes the Organization has complied with the terms of all contributions.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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

NOTE J – RELATED PARTY TRANSACTIONS

Long Term Leases and Rights

As discussed in Note E – 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.

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 \$10,030,000 as reflected in Fixed Assets (Note E).

NOTE K – 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 were approximately \$1,559,405 and \$1,893,000 for the years ended December 31, 2018 and 2017, respectively. This amount reflects the gross distributions to the United States and Cambodia from other countries. Total funds spent in Cambodia for the years ended December 31, 2018 and 2017 were approximately \$8,900,000 and \$7,800,000, respectively.

CAMBODIAN CHILDREN'S FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

NOTE L – NET ASSETS

CCF has no net assets with donor restrictions at December 31, 2018.

NOTE M – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for recognition and disclosure through July 2, 2019, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2018, that required recognition or disclosure in the financial statements.

July 2, 2019

To the Board of Directors
Cambodian Children’s Fund
Santa Monica, California

I have audited the financial statements of Cambodian Children’s Fund for the year ended December 31, 2018, and have issued my report thereon dated July 2, 2019. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and Uniform Guidance), as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated September 25, 2018. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cambodian Children’s Fund are described in Note B to the financial statements.

As described in Note B, the Organization changed accounting policies related to financial statement presentation and disclosure by adopting FASB Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*, in 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated July 2, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Board of Directors and Management of Cambodian Children's Fund and is not intended to be, and should not be, used by anyone other than these specified parties.



Healy and Associates
Concord, California