

Caring for Cambodia

**Financial Report
December 31, 2012**

Caring for Cambodia

Contents

Report Letter	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14

Independent Auditor's Report

To the Board of Directors
Caring for Cambodia

Report on the Financial Statements

We have audited the accompanying financial statements of Caring for Cambodia (the "Organization") which comprise the statement of financial position as of December 31, 2012 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Caring for Cambodia

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caring for Cambodia as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Caring for Cambodia as of December 31, 2011 and for the year then ended were audited by Blackman Kallick, LLP, whose report dated March 5, 2012 expressed an unqualified opinion on those statements. Blackman Kallick, LLP subsequently merged into Plante & Moran, PLLC.

Plante & Moran, PLLC

April 8, 2013

Caring for Cambodia

Statement of Financial Position

	December 31, 2012	December 31, 2011
Assets		
Cash	\$ 164,173	\$ 322,023
Accounts receivable:		
Accounts receivable	-	3,000
Contributions receivable	37,970	24,724
Investments (Note 3)	493,557	461,310
Inventory	19,197	11,332
Deposits	762	762
Land, school buildings, and equipment (Note 2)	930,658	753,034
Total assets	<u>\$ 1,646,317</u>	<u>\$ 1,576,185</u>
Liabilities and Net Assets		
Liabilities - Accounts payable	\$ 1,004	\$ 150
Net Assets		
Unrestricted	1,433,043	1,391,977
Temporarily restricted (Note 4)	212,270	24,724
Permanently restricted (Note 5)	-	159,334
Total net assets	<u>1,645,313</u>	<u>1,576,035</u>
Total liabilities and net assets	<u>\$ 1,646,317</u>	<u>\$ 1,576,185</u>

Caring for Cambodia

Statement of Activities and Changes in Net Assets

	Year Ended							
	December 31, 2012				December 31, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Contributions	\$ 163,051	\$ 520,719	\$ -	\$ 683,770	\$ 162,801	\$ 359,446	\$ 1,334	\$ 523,581
In-kind donations	204,652	-	-	204,652	194,398	-	-	194,398
Membership fees	4,870	-	-	4,870	10,361	-	-	10,361
Sales of merchandise	6,207	-	-	6,207	21,625	-	-	21,625
Special event revenue	226,023	-	-	226,023	136,592	-	-	136,592
Net realized and unrealized gains on investments	17,093	13,831	-	30,924	1,966	-	-	1,966
Interest income	97	-	-	97	96	-	-	96
Special event revenue in-kind	104,343	-	-	104,343	28,930	-	-	28,930
Total revenue and support	726,336	534,550	-	1,260,886	556,769	359,446	1,334	917,549
Net Assets Released from Restrictions	506,338	(506,338)	-	-	382,492	(382,492)	-	-
Total revenue, support, and net assets released from restrictions	1,232,674	28,212	-	1,260,886	939,261	(23,046)	1,334	917,549
Expenses								
Program services - Program expenses	867,316	-	-	867,316	535,163	-	-	535,163
Support services:								
Management and general	134,932	-	-	134,932	108,647	-	-	108,647
Fundraising	189,360	-	-	189,360	99,876	-	-	99,876
Total expenses	1,191,608	-	-	1,191,608	743,686	-	-	743,686
Increase in Net Assets	41,066	28,212	-	69,278	195,575	(23,046)	1,334	173,863
Net Assets - Beginning of year	1,391,977	24,724	159,334	1,576,035	1,196,402	47,770	158,000	1,402,172
Net Assets - End of year	\$ 1,433,043	\$ 52,936	\$ 159,334	\$ 1,645,313	\$ 1,391,977	\$ 24,724	\$ 159,334	\$ 1,576,035

Caring for Cambodia

Statement of Functional Expenses

	Year Ended December 31, 2012			
	Program Expenses	Fundraising Expenses	General and Administrative Expenses	Total
Staff and teacher salaries	\$ 280,164	\$ -	\$ -	\$ 280,164
Services expense (Note 6)	-	14,333	76,494	90,827
Services expense in-kind	-	-	6,169	6,169
Events expense	-	48,975	-	48,975
Events expense in-kind	-	116,363	-	116,363
Cost of merchandise	-	6,689	-	6,689
Bad debt expense	-	3,000	-	3,000
Staff and teacher training	56,876	-	-	56,876
Food-for-thought	144,664	-	-	144,664
Depreciation	70,912	-	-	70,912
Rent	1,875	-	-	1,875
Educational supplies	19,542	-	-	19,542
Student supplies and uniforms	8,272	-	-	8,272
Utilities	12,337	-	-	12,337
Furniture, fixtures, and facility improvements	61,083	-	-	61,083
Property cleaning	5,846	-	-	5,846
Charitable activities expense in-kind	184,214	-	-	184,214
Printing and copying	-	-	12,432	12,432
Technology licenses and support	-	-	8,722	8,722
Financial statement audit	-	-	12,000	12,000
Miscellaneous	21,531	-	8,804	30,335
Bank charges/credit card fees	-	-	10,681	10,681
Realized exchange rate gain	-	-	(370)	(370)
Total functional expenses	\$ 867,316	\$ 189,360	\$ 134,932	\$ 1,191,608

	Year Ended December 31, 2011			
	Program Expenses	Fundraising Expenses	General and Administrative Expenses	Total
Staff and teacher salaries	\$ 192,133	\$ -	\$ -	\$ 192,133
Services expense (Note 6)	-	-	46,087	46,087
Services expense in-kind	-	-	8,718	8,718
Events expense	-	35,296	-	35,296
Events expense in-kind	-	52,733	-	52,733
Cost of merchandise	-	11,847	-	11,847
Staff and teacher training	27,976	-	-	27,976
Food-for-thought	98,078	-	-	98,078
Depreciation	38,089	-	-	38,089
Rent	1,745	-	-	1,745
Educational supplies	24,554	-	-	24,554
Student supplies and uniforms	38,205	-	-	38,205
Utilities	12,178	-	-	12,178
Furniture, fixtures, and facility improvements	31,570	-	-	31,570
Property cleaning	13,225	-	-	13,225
Charitable activities expense in-kind	39,577	-	-	39,577
Printing and copying	-	-	13,836	13,836
Technology and licenses support	-	-	15,924	15,924
Financial statement audit	-	-	60	60
Miscellaneous	17,833	-	11,836	29,669
Bank charges/credit card fees	-	-	7,742	7,742
Realized exchange rate loss	-	-	4,444	4,444
Total functional expenses	\$ 535,163	\$ 99,876	\$ 108,647	\$ 743,686

Caring for Cambodia

Statement of Cash Flows

	Year Ended	
	December 31, 2012	December 31, 2011
Cash Flows from Operating Activities		
Increase in net assets	\$ 69,278	\$ 173,863
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	70,912	38,089
Net realized and change in unrealized gains on investments	(30,924)	(1,966)
Contributions for long-term purposes	-	(1,334)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	3,000	10,209
Contributions receivable	(13,246)	15,276
Inventory	(7,865)	(4,284)
Accounts payable and accrued expenses	854	150
Net cash provided by operating activities	92,009	230,003
Cash Flows from Investing Activities		
Capital expenditures	(248,536)	(338,226)
Proceeds from sales of investments	65,557	50,000
Purchases of investments	(66,880)	(509,344)
Net cash used in investing activities	(249,859)	(797,570)
Cash Flows from Financing Activities - Contributions for long-term purposes	-	63,381
Net Decrease in Cash	(157,850)	(504,186)
Cash - Beginning of year	322,023	826,209
Cash - End of year	<u>\$ 164,173</u>	<u>\$ 322,023</u>

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - Caring for Cambodia (the "Organization") is a non-governmental United States 501(c)(3) public charity whose mission is to create and sustain safe, modern, technologically equipped schools; mentor and professionally train teachers; and fund supplies and other tools needed to teach those who want to learn. The Organization provides educational opportunities for almost 6,400 Cambodian children in 14 schools so they may reach their highest potential and make valuable contributions to their communities.

Assets held abroad in Cambodia include one bank account, petty cash held by the schools in Cambodia, and all of the school buildings and equipment. Assets held abroad totaled \$1,012,683 and \$848,695 as of December 31, 2012 and 2011, respectively.

Significant accounting policies are as follows:

Classification of Net Assets - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions are reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Donated Services and Assets - Certain donated services are recognized as support in the statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. In 2012, the in-kind donations included impact and program studies, research and support, student supplies, uniforms, event auction items, utility services, and inventory items and totaled \$308,995. In 2011, the in-kind donations included the new website, student supplies, uniforms, event auction items, utility services, and inventory items and totaled \$223,328.

Investments - Investments in mutual funds are recorded at fair value based on quoted market prices.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable are comprised primarily of receivables associated with sales of tickets to special events that have already taken place and sales of silent auction prizes during special events. An allowance for doubtful accounts is established based on a specific assessment of all balances that remain unpaid following normal payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management believes the accounts receivable to be fully collectible and therefore no allowance has been recorded as of December 31, 2012 and 2011.

Contributions Receivable - Contributions are recorded at fair value in the statement of activities and changes in net assets. Cash contributions are recognized in the period received. Pledges are recognized in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions to be received after one year are initially recorded at fair value by the Organization as contribution receivable. They are subsequently valued at the present value of future cash flows. All contributions receivable as of December 31, 2012 and 2011 are due in less than one year. Management determines allowances for doubtful pledges by reviewing and identifying receivable balances as needed. Recoveries of any written-off amounts would be recorded when received. Management believes the receivables to be fully collectible and therefore no allowance has been recorded as of December 31, 2012 and 2011.

School Buildings and Equipment - School buildings and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2009.

Caring for Cambodia

Notes to Financial Statements December 31, 2012 and 2011

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including April 8, 2013, which is the date the financial statements were available to be issued.

Note 2 - Property and Equipment

Property and equipment are summarized as follows:

	2012	2011	Depreciable Life - Years
Land	\$ 30,258	\$ 30,258	-
School buildings	960,623	712,086	20
Equipment	25,900	25,900	3-6
Website	129,846	129,846	5
Total cost	1,146,627	898,090	
Accumulated depreciation	215,969	145,056	
Net property and equipment	\$ 930,658	\$ 753,034	

Depreciation expense was \$70,912 for 2012 and \$38,089 for 2011.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Caring for Cambodia

Notes to Financial Statements December 31, 2012 and 2011

Note 3 - Fair Value Measurements (Continued)

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2012 and 2011 and the valuation techniques used by the Organization to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2012

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
Investments in mutual funds:				
Low duration	\$ 319,828	\$ -	\$ -	\$ 319,828
Total return	51,283	-	-	51,283
International	33,900	-	-	33,900
Large cap	27,994	-	-	27,994
Small cap	6,995	-	-	6,995
Inflation protected	3,294	-	-	3,294
Income fund	3,422	-	-	3,422
Commodities	4,966	-	-	4,966
Real estate	1,748	-	-	1,748
Mid cap	3,532	-	-	3,532
Managed	8,691	-	-	8,691
Short term	10,096	-	-	10,096
Absolute return	13,621	-	-	13,621
Total investments	<u>\$ 489,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,370</u>

Caring for Cambodia

Notes to Financial Statements December 31, 2012 and 2011

Note 3 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2011

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2011
Investments in mutual funds:				
Low duration	\$ 302,248	\$ -	\$ -	\$ 302,248
Total return	51,714	-	-	51,714
International	19,812	-	-	19,812
Large cap	29,351	-	-	29,351
Inflation protected	3,123	-	-	3,123
Income fund	3,180	-	-	3,180
Commodities	1,463	-	-	1,463
Real estate	1,571	-	-	1,571
Mid cap	6,043	-	-	6,043
Managed	10,984	-	-	10,984
Short term	15,602	-	-	15,602
Absolute return	12,319	-	-	12,319
Total investments	<u>\$ 457,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,410</u>

Not included in the above table is cash and money market accounts of \$4,187 and \$3,900 as of December 31, 2012 and 2011, respectively.

The Organization's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the beginning of the reporting period. There were no transfers during 2012 or 2011.

As of December 31, 2012 and 2011, approximately 65 percent of investments were held in one fund, the PIMCO Low Duration Fund.

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 and 2011 are restricted for the following:

	2012	2011
Time-restricted pledges	\$ 37,970	\$ 24,724
Term endowment	174,300	-
Total temporarily restricted net assets	<u>\$ 212,270</u>	<u>\$ 24,724</u>

Note 5 - Donor-restricted and Board-designated Endowments

As of December 31, 2011, the Organization's endowment consisted of one board-designated fund established for general operations and one individual donor-restricted fund established for general operations. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2012, the donor-restricted endowment was approved by the donor to be released from permanently restricted and transferred to a term endowment with the stipulation that it be held for five years to earn income and then will be released to unrestricted net assets for general operating expenses should the board of directors deem it necessary. As of December 31, 2012, it is the intention of the board of directors to preserve the donor endowment gifts and earnings.

Interpretation of Relevant Law

The board of trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as temporarily restricted net assets (a) the original value of gifts donated to the term endowment, (b) the original value of subsequent gifts to the term endowment, and (c) accumulations to the term endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 174,300	\$ -	\$ 174,300
Board-designated endowment funds	319,257	-	-	319,257
Total funds	\$ 319,257	\$ 174,300	\$ -	\$ 493,557

Caring for Cambodia

Notes to Financial Statements December 31, 2012 and 2011

Note 5 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ 301,976	\$ -	\$ 159,334	\$ 461,310
Investment return:				
Investment income	10,821	5,772	-	16,593
Net appreciation (realized and unrealized)	6,460	8,059	-	14,519
Total investment return	17,281	13,831	-	31,112
Contributions	-	1,135	-	1,135
Other changes - Donor-approved release to create term endowment	-	159,334	(159,334)	-
Endowment net assets - End of year	<u>\$ 319,257</u>	<u>\$ 174,300</u>	<u>\$ -</u>	<u>\$ 493,557</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 159,334	\$ 159,334
Board-designated endowment funds	301,976	-	-	301,976
Total funds	<u>\$ 301,976</u>	<u>\$ -</u>	<u>\$ 159,334</u>	<u>\$ 461,310</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ 300,009	\$ -	\$ 158,000	\$ 458,009
Investment return - Net appreciation (realized and unrealized)	1,967	-	-	1,967
Total investment return	1,967	-	-	1,967
Contributions	-	-	1,334	1,334
Endowment net assets - End of year	<u>\$ 301,976</u>	<u>\$ -</u>	<u>\$ 159,334</u>	<u>\$ 461,310</u>

Note 5 - Donor-restricted and Board-designated Endowments (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. As of December 31, 2012 and 2011, there were no such deficiencies in the permanent donor-restricted endowment fund.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a limited level of investment risk to limit the chance of loss.

Note 6 - General and Administrative Expense Support

Caring for Cambodia receives contributions restricted for general and administrative expenses. The Organization received support of \$76,494 and \$28,973 as of December 31, 2012 and 2011, respectively, for these expenses.