

# **Caring for Cambodia**

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**Financial Report  
December 31, 2016**

# Caring for Cambodia

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## Independent Auditor's Report

To the Board of Directors  
Caring for Cambodia

We have audited the accompanying financial statements of Caring for Cambodia (the "Organization"), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 opinions.

### **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, 2016 and 2015, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

June 5, 2017

# Caring for Cambodia

## Statement of Financial Position

|  | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>Assets</b>                                  |                      |                      |
| Cash   | \$ 626,930           | \$ 487,264           |
| Contributions receivable                       | 11,500               | 31,750               |
| Investments (Note 3)                           | 383,862              | 300,461              |
| Deposits                                       | 58,900               | 7,730                |
| Land, school buildings, and equipment (Note 2) | 823,623              | 839,367              |
| Total assets                                   | <u>\$ 1,904,815</u>  | <u>\$ 1,666,572</u>  |
| <b>Liabilities and Net Assets</b>              |                      |                      |
| <b>Liabilities</b> - Accounts payable          | \$ 47,189            | \$ 65                |
| <b>Net Assets</b>                              |                      |                      |
| Unrestricted                                   | 1,367,785            | 1,277,130            |
| Temporarily restricted (Note 4)                | 489,841              | 389,377              |
| Total net assets                               | <u>1,857,626</u>     | <u>1,666,507</u>     |
| Total liabilities and net assets               | <u>\$ 1,904,815</u>  | <u>\$ 1,666,572</u>  |

# Caring for Cambodia

## Statement of Activities and Changes in Net Assets

|   | Year Ended          |                        |                        |                     |                     |                        |                        |                     |
|---|---------------------|------------------------|------------------------|---------------------|---------------------|------------------------|------------------------|---------------------|
|   | December 31, 2016   |                        |                        | December 31, 2015   |                     |                        |                        |                     |
|   | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               |
| <b>Revenue and Support</b>  |                     |                        |                        |                     |                     |                        |                        |                     |
| Contributions   | \$ 292,845          | \$ 433,372             | \$ -                   | \$ 726,217          | \$ 587,622          | \$ 440,613             | \$ -                   | \$ 1,028,235        |
| In-kind donations   | 222,017             | -                      | -                      | 222,017             | 240,357             | -                      | -                      | 240,357             |
| Membership fees   | 2,335               | -                      | -                      | 2,335               | 2,000               | -                      | -                      | 2,000               |
| Fee for services  | 5,134               | -                      | -                      | 5,134               | 1,846               | -                      | -                      | 1,846               |
| Special event revenue   | 512,720             | -                      | -                      | 512,720             | 46,364              | -                      | -                      | 46,364              |
| Net realized and unrealized gains and losses on investments       | 4,030               | 13,428                 | -                      | 17,458              | (7,616)             | (10,292)               | -                      | (17,908)            |
| Interest income   | 105                 | -                      | -                      | 105                 | 71                  | -                      | -                      | 71                  |
| Special event revenue in-kind                                     | 999                 | -                      | -                      | 999                 | 2,778               | -                      | -                      | 2,778               |
| Total revenue and support   | 1,040,185           | 446,800                | -                      | 1,486,985           | 873,422             | 430,321                | -                      | 1,303,743           |
| <b>Net Assets Released from Restrictions</b>                      | 346,336             | (346,336)              | -                      | -                   | 469,391             | (469,391)              | -                      | -                   |
| Total revenue, support, and net assets released from restrictions | 1,386,521           | 100,464                | -                      | 1,486,985           | 1,342,813           | (39,070)               | -                      | 1,303,743           |
| <b>Expenses</b>   |                     |                        |                        |                     |                     |                        |                        |                     |
| Program services - Program expenses                               | 991,185             | -                      | -                      | 991,185             | 908,469             | -                      | -                      | 908,469             |
| Support services:   |                     |                        |                        |                     |                     |                        |                        |                     |
| Management and general  | 103,171             | -                      | -                      | 103,171             | 108,539             | -                      | -                      | 108,539             |
| Fundraising   | 201,510             | -                      | -                      | 201,510             | 93,059              | -                      | -                      | 93,059              |
| Total expenses  | 1,295,866           | -                      | -                      | 1,295,866           | 1,110,067           | -                      | -                      | 1,110,067           |
| <b>Increase (Decrease) in Net Assets</b>                          | 90,655              | 100,464                | -                      | 191,119             | 232,746             | (39,070)               | -                      | 193,676             |
| <b>Net Assets - Beginning of year</b>                             | 1,277,130           | 389,377                | -                      | 1,666,507           | 1,044,384           | 428,447                | -                      | 1,472,831           |
| <b>Net Assets - End of year</b>                                   | <b>\$ 1,367,785</b> | <b>\$ 489,841</b>      | <b>\$ -</b>            | <b>\$ 1,857,626</b> | <b>\$ 1,277,130</b> | <b>\$ 389,377</b>      | <b>\$ -</b>            | <b>\$ 1,666,507</b> |

# Caring for Cambodia

## Statement of Functional Expenses

|   | Year Ended December 31, 2016 |                      |                                     |                     |
|---|------------------------------|----------------------|-------------------------------------|---------------------|
|   | Program Expenses             | Fundraising Expenses | General and Administrative Expenses | Total               |
| Staff and teacher salaries                    | \$ 319,610                   | \$ -                 | \$ -                                | \$ 319,610          |
| Services expense (Note 6)                     | -                            | 74,422               | 55,962                              | 130,384             |
| Events expense                                | -                            | 69,889               | -                                   | 69,889              |
| Events expense in-kind                        | -                            | 52,273               | -                                   | 52,273              |
| Staff and teacher training                    | 60,198                       | -                    | -                                   | 60,198              |
| Food-for-thought                              | 55,416                       | -                    | -                                   | 55,416              |
| Depreciation                                  | 105,443                      | -                    | -                                   | 105,443             |
| Rent  | 1,980                        | -                    | -                                   | 1,980               |
| Educational supplies                          | 50,957                       | -                    | -                                   | 50,957              |
| Student supplies and uniforms                 | 160                          | -                    | -                                   | 160                 |
| First aid and medical supply                  | 19,295                       | -                    | -                                   | 19,295              |
| Utilities                                     | 19,743                       | -                    | -                                   | 19,743              |
| Furniture, fixtures, and facility maintenance | 30,169                       | -                    | -                                   | 30,169              |
| Property cleaning                             | 100,414                      | -                    | -                                   | 100,414             |
| Charitable activities expense in-kind         | 216,358                      | -                    | -                                   | 216,358             |
| Printing and copying                          | -                            | -                    | 5,081                               | 5,081               |
| Technology licenses and support               | -                            | -                    | 12,793                              | 12,793              |
| Financial statement audit                     | -                            | -                    | 16,000                              | 16,000              |
| Postage                                       | -                            | 3,128                | 2,688                               | 5,816               |
| Miscellaneous                                 | 11,442                       | 1,798                | (27,293)                            | (14,053)            |
| Bank charges/credit card fees                 | -                            | -                    | 14,866                              | 14,866              |
| Realized exchange rate loss                   | -                            | -                    | 23,074                              | 23,074              |
| <b>Total functional expenses</b>              | <b>\$ 991,185</b>            | <b>\$ 201,510</b>    | <b>\$ 103,171</b>                   | <b>\$ 1,295,866</b> |

  

|   | Year Ended December 31, 2015 |                      |                                     |                     |
|---|------------------------------|----------------------|-------------------------------------|---------------------|
|   | Program Expenses             | Fundraising Expenses | General and Administrative Expenses | Total               |
| Staff and teacher salaries                    | \$ 308,435                   | \$ -                 | \$ -                                | \$ 308,435          |
| Services expense (Note 6)                     | -                            | 67,068               | 58,945                              | 126,013             |
| Services expense in-kind                      | -                            | -                    | 13                                  | 13                  |
| Events expense                                | -                            | 12,819               | -                                   | 12,819              |
| Events expense in-kind                        | -                            | 6,200                | -                                   | 6,200               |
| Cost of merchandise                           | -                            | 1,833                | -                                   | 1,833               |
| Staff and teacher training                    | 67,232                       | -                    | -                                   | 67,232              |
| Food-for-thought                              | 56,044                       | -                    | -                                   | 56,044              |
| Depreciation                                  | 89,814                       | -                    | -                                   | 89,814              |
| Rent  | 1,740                        | -                    | -                                   | 1,740               |
| Educational supplies                          | 38,979                       | -                    | -                                   | 38,979              |
| First aid and medical supply                  | 11,235                       | -                    | -                                   | 11,235              |
| Utilities                                     | 14,749                       | -                    | -                                   | 14,749              |
| Furniture, fixtures, and facility maintenance | 54,254                       | -                    | -                                   | 54,254              |
| Property cleaning                             | 17,355                       | -                    | -                                   | 17,355              |
| Charitable activities expense in-kind         | 226,118                      | -                    | -                                   | 226,118             |
| Printing and copying                          | -                            | 335                  | 7,669                               | 8,004               |
| Technology licenses and support               | -                            | -                    | 7,815                               | 7,815               |
| Financial statement audit                     | -                            | -                    | 16,000                              | 16,000              |
| Postage                                       | -                            | 4,041                | 4,241                               | 8,282               |
| Miscellaneous                                 | 22,514                       | 818                  | 1,249                               | 24,581              |
| Bank charges/credit card fees                 | -                            | -                    | 9,272                               | 9,272               |
| Realized exchange rate loss                   | -                            | -                    | 3,280                               | 3,280               |
| <b>Total functional expenses</b>              | <b>\$ 908,469</b>            | <b>\$ 93,114</b>     | <b>\$ 108,484</b>                   | <b>\$ 1,110,067</b> |

# Caring for Cambodia

## Statement of Cash Flows

|  | Year Ended           |                      |
|--|----------------------|----------------------|
|  | December 31,<br>2016 | December 31,<br>2015 |
| <b>Cash Flows from Operating Activities</b>  |                      |                      |
| Increase in net assets   | \$ 191,119           | \$ 193,676           |
| Adjustments to reconcile increase in net assets to net cash from operating activities: |                      |                      |
| Depreciation   | 105,443              | 89,814               |
| Net realized and unrealized (gains) loss on investments                                | (17,458)             | 17,908               |
| Donated stock  | (23,278)             | (9,386)              |
| Changes in operating assets and liabilities which provided (used) cash:                |                      |                      |
| Contributions receivable   | 20,250               | (8,839)              |
| Deposits   | (51,170)             | (6,968)              |
| Accounts payable and accrued expenses  | 47,124               | (1,703)              |
| Net cash provided by operating activities  | 272,030              | 274,502              |
| <b>Cash Flows from Investing Activities</b>  |                      |                      |
| Capital expenditures   | (89,699)             | (127,811)            |
| Proceeds from sales of investments   | 430,264              | 374,360              |
| Purchases of investments   | (472,929)            | (267,801)            |
| Net cash used in investing activities  | (132,364)            | (21,252)             |
| <b>Net Increase in Cash</b>  | 139,666              | 253,250              |
| <b>Cash - Beginning of year</b>  | 487,264              | 234,014              |
| <b>Cash - End of year</b>  | <u>\$ 626,930</u>    | <u>\$ 487,264</u>    |

### Note I - Nature of Activities and Significant Accounting Policies

**Nature of Organization** - Caring for Cambodia (the "Organization") is a nongovernmental 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 \$939,317 and \$908,687 as of December 31, 2016 and 2015, 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.

**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. 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 \$223,016 and \$243,135 for 2016 and 2015, respectively.

**Investments** - Investments in mutual funds are recorded at fair value based on quoted market prices. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

### **Note I - Nature of Activities and Significant Accounting Policies (Continued)**

**Contributions** - 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 contributions receivable. They are subsequently valued at the present value of future cash flows. Contributions without donor-imposed restrictions are reported as unrestricted support. Other restricted gifts are reported as restricted support as temporarily or permanently restricted net assets.

All contributions receivable as of December 31, 2016 and 2015 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, 2016 and 2015.

**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).

**Foreign Currency Exchange** - The expression of assets and liabilities in a foreign currency amount gives rise to exchange gains and losses when such obligations are paid in United States dollars. Foreign currency exchange rate adjustments (i.e., differences between amounts recorded and actual amounts owed or paid) are reported in the statement of activities and changes in net assets as the foreign currency fluctuations occur. Foreign currency exchange rate adjustments are reported in the statement of cash flows using the exchange rates in effect at the time of the cash flows. The effect of the foreign currency fluctuations was immaterial in 2016 and 2015.

**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.

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

**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.

**Upcoming Accounting Change** - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not determined which application method it will use; however, management expects the new standard to potentially impact membership fees and fee for service revenue line items in the statement of activities and changes in net assets.

**Upcoming Accounting Change** - The Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of the organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization has determined that the standard will not have a significant impact on the financial statements. The Organization is currently gathering the appropriate information to implement these disclosure changes in a timely manner.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including June 5, 2017, which is the date the financial statements were available to be issued.

# Caring for Cambodia

## Notes to Financial Statements December 31, 2016 and 2015

### Note 2 - Property and Equipment

Property and equipment are summarized as follows:

|                            | 2016       | 2015       | Depreciable<br>Life - Years |
|----------------------------|------------|------------|-----------------------------|
| Land                       | \$ 30,258  | \$ 30,258  | -                           |
| School buildings           | 1,092,517  | 1,071,108  | 5-20                        |
| Equipment                  | 41,050     | 28,050     | 3-6                         |
| Computers and software     | 230,413    | 175,120    | 5                           |
| Total cost                 | 1,394,238  | 1,304,536  |                             |
| Accumulated depreciation   | 570,615    | 465,169    |                             |
| Net property and equipment | \$ 823,623 | \$ 839,367 |                             |

Depreciation expense was \$105,443 for 2016 and \$89,814 for 2015.

### 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.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2019 and 2015, and the valuation techniques used by the Organization to determine those fair values.

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 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.

# Caring for Cambodia

## Notes to Financial Statements December 31, 2016 and 2015

### Note 3 - Fair Value Measurements (Continued)

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, 2019

|                             | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>December 31,<br>2016 |
|-----------------------------|--|---|--|------------------------------------|
| <b>Assets</b>               |  |   |  |                                    |
| Investments - Mutual funds: |  |   |  |                                    |
| Low duration                | \$ 29,385  | \$ -  | \$ -   | \$ 29,385                          |
| Total return                | 16,675   | -   | -  | 16,675                             |
| International               | 80,678   | -   | -  | 80,678                             |
| Large cap                   | 44,906   | -   | -  | 44,906                             |
| Small cap                   | 10,259   | -   | -  | 10,259                             |
| Institutional               | 59,631   | -   | -  | 59,631                             |
| Income fund                 | 51,259   | -   | -  | 51,259                             |
| Multialternative            | 13,142   | -   | -  | 13,142                             |
| Mid cap                     | 13,570   | -   | -  | 13,570                             |
| Managed                     | 6,134  | -   | -  | 6,134                              |
| Short term                  | 13,155   | -   | -  | 13,155                             |
| Absolute return             | 6,615  | -   | -  | 6,615                              |
| Common stock                | 28,180   | -   | -  | 28,180                             |
| Total investments           | <u>\$ 373,589</u>  | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 373,589</u>                  |

# Caring for Cambodia

## Notes to Financial Statements December 31, 2016 and 2015

### Note 3 - Fair Value Measurements (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at December 31, 2015

|                             | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>December 31,<br>2015 |
|-----------------------------|--|---|--|------------------------------------|
| <b>Assets</b>               |  |   |  |                                    |
| Investments - Mutual funds: |  |   |  |                                    |
| Low duration                | \$ 27,933  | \$ -  | \$ -   | \$ 27,933                          |
| Total return                | 8,632  | -   | -  | 8,632                              |
| International               | 68,622   | -   | -  | 68,622                             |
| Large cap                   | 43,826   | -   | -  | 43,826                             |
| Small cap                   | 10,959   | -   | -  | 10,959                             |
| Institutional               | 44,782   | -   | -  | 44,782                             |
| Income fund                 | 33,156   | -   | -  | 33,156                             |
| Commodities                 | 8,340  | -   | -  | 8,340                              |
| Multialternative            | 11,076   | -   | -  | 11,076                             |
| Mid cap                     | 16,499   | -   | -  | 16,499                             |
| Managed                     | 5,522  | -   | -  | 5,522                              |
| Short term                  | 2,817  | -   | -  | 2,817                              |
| Absolute return             | 5,530  | -   | -  | 5,530                              |
| Common stock                | 9,346  | -   | -  | 9,346                              |
| Total investments           | \$ 297,040   | \$ -  | \$ -   | \$ 297,040                         |

Not included in the above table are cash and money market accounts of \$10,273 and \$3,421 as of December 31, 2016 and 2015, 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 2016 and 2015.

As of December 31, 2016, no individual investments had a concentration greater than 10 percent. As of December 31, 2015, approximately 26 percent of all investments were held in Causeway International Value Institutional and the John Hancock Dispend Value Institutional Funds.

# Caring for Cambodia

## Notes to Financial Statements December 31, 2016 and 2015

### Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015 are restricted for the following purposes:

|   | 2016              | 2015              |
|---|-------------------|-------------------|
| Time-restricted pledges                                       | \$ 10,000         | \$ 10,000         |
| Purpose restricted - Health projects and teacher scholarships | 265,738           | 178,825           |
| Purpose restricted - Fundraising                              | 1,809             | 1,809             |
| Term endowment  | 212,294           | 198,743           |
| Total temporarily restricted net assets                       | <u>\$ 489,841</u> | <u>\$ 389,377</u> |

### Note 5 - Donor-restricted and Board-designated Endowments

As of December 31, 2016, the Organization's endowment consisted of one board-designated fund established for general operations and one individual donor-restricted fund established for general operations. During 2012, the donor-restricted endowment was approved by the donor to be released from permanently restricted net assets and transferred to a term endowment. The term endowment includes a stipulation that it will be held for five years to earn income and then it will be released to unrestricted net assets for general operating expenses should the board of directors deem it necessary.

As of December 31, 2016, it is the intention of the board of directors to preserve the donor endowment gifts and earnings. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The board of directors 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.

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

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, 2016

|                                  | Unrestricted    | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|----------------------------------|-----------------|---------------------------|---------------------------|-------------------|
| Donor-restricted endowment funds | \$ -            | \$ 212,294                | \$ -                      | \$ 212,294        |
| Board-designated endowment funds | 4,577           | -                         | -                         | 4,577             |
| Total funds                      | <u>\$ 4,577</u> | <u>\$ 212,294</u>         | <u>\$ -</u>               | <u>\$ 216,871</u> |

#### Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2016

|  | Unrestricted    | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|--|-----------------|---------------------------|---------------------------|-------------------|
| Endowment net assets -<br>Beginning of year                          | \$ 4,577        | \$ 198,743                | \$ -                      | \$ 203,320        |
| Investment return - Net<br>appreciation (realized and<br>unrealized) | -               | 13,428                    | -                         | 13,428            |
| Total investment<br>return   | -               | 13,428                    | -                         | 13,428            |
| Contributions  | -               | 123                       | -                         | 123               |
| Endowment net assets -<br>End of year                                | <u>\$ 4,577</u> | <u>\$ 212,294</u>         | <u>\$ -</u>               | <u>\$ 216,871</u> |

#### Endowment Net Asset Composition by Type of Fund as of December 31, 2015

|                                  | Unrestricted    | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|----------------------------------|-----------------|---------------------------|---------------------------|-------------------|
| Donor-restricted endowment funds | \$ -            | \$ 198,743                | \$ -                      | \$ 198,743        |
| Board-designated endowment funds | 4,577           | -                         | -                         | 4,577             |
| Total funds                      | <u>\$ 4,577</u> | <u>\$ 198,743</u>         | <u>\$ -</u>               | <u>\$ 203,320</u> |

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

#### Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015

|   | Unrestricted    | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|---|-----------------|---------------------------|---------------------------|-------------------|
| Endowment net assets -<br>Beginning of year   | \$ 4,542        | \$ 199,155                | \$ -                      | \$ 203,697        |
| Investment return - Net<br>appreciation (depreciation)<br>(realized and unrealized) | 35              | (3,511)                   | -                         | (3,476)           |
| Total investment<br>return  | 35              | (3,511)                   | -                         | (3,476)           |
| Contributions   | -               | 3,099                     | -                         | 3,099             |
| Endowment net assets -<br>End of year   | <u>\$ 4,577</u> | <u>\$ 198,743</u>         | <u>\$ -</u>               | <u>\$ 203,320</u> |

#### 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, 2016 and 2015, 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 directors, 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.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy to appropriate assets as needed for operations. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# **Caring for Cambodia**

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## **Notes to Financial Statements December 31, 2016 and 2015**

### **Note 6 - General and Administrative Expense Support**

Caring for Cambodia receives contributions restricted for general and administrative expenses. The Organization received support of \$74,422 and \$67,068 as of December 31, 2016 and 2015, respectively, for these expenses.

### **Note 7 - Related Party Transactions**

The founders of Caring for Cambodia made contributions to the Organization of \$175,000 and \$225,000 for 2016 and 2015, respectively.