

SOMALY MAM FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Somaly Mam Foundation

We have audited the accompanying statement of financial position of Somaly Mam Foundation (a nonprofit organization) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Somaly Mam Foundation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sacks, Press & Lacher, P.C.

New York, New York
August 18, 2010

SOMALY MAM FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

ASSETS:

| | |
|-------------------------------|---------------------|
| Cash and cash equivalents | \$ 731,502 |
| Accounts receivable | 39,401 |
| Unconditional promise to give | 1,550,331 |
| Inventory | 16,547 |
| Property and equipment, net | <u>11,100</u> |
| | |
| TOTAL ASSETS | <u>\$ 2,348,881</u> |

LIABILITIES:

| | |
|---------------------|----------------|
| Accounts payable | \$ 26,178 |
| Accrued liabilities | 86,691 |
| Refundable advances | <u>2,730</u> |
| | |
| TOTAL LIABILITIES | <u>115,599</u> |

NET ASSETS:

| | |
|----------------------------------|---------------------|
| Unrestricted | 651,213 |
| Temporarily restricted | <u>1,582,069</u> |
| | |
| TOTAL NET ASSETS | <u>2,233,282</u> |
| | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,348,881</u> |

The accompanying notes are an integral part of the financial statements.

SOMALY MAM FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| <u>REVENUES, GAINS, AND OTHER SUPPORT:</u> | | | |
| Contributions | \$ 1,138,616 | \$ 729,382 | \$ 1,867,998 |
| Special event revenue (net of costs of direct benefits to donors of \$95,780) | 381,571 | - | 381,571 |
| Sales of auxiliary enterprises (net of cost of sales of \$6,006) | 36,114 | - | 36,114 |
| Donated facilities | 4,000 | - | 4,000 |
| Interest and dividends | 333 | - | 333 |
| | <u>1,560,634</u> | <u>729,382</u> | <u>2,290,016</u> |
| Net assets released from restrictions | 556,843 | (556,843) | - |
| | <u>2,117,477</u> | <u>172,539</u> | <u>2,290,016</u> |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | | | |
| | <u>2,117,477</u> | <u>172,539</u> | <u>2,290,016</u> |
| <u>EXPENSES:</u> | | | |
| Grants | 835,480 | - | 835,480 |
| Other program expenses | 426,458 | - | 426,458 |
| General and administrative | 223,125 | - | 223,125 |
| Fund-raising | 174,338 | - | 174,338 |
| | <u>1,659,401</u> | <u>-</u> | <u>1,659,401</u> |
| TOTAL EXPENSES | | | |
| | <u>1,659,401</u> | <u>-</u> | <u>1,659,401</u> |
| INCREASE IN NET ASSETS | 458,076 | 172,539 | 630,615 |
| NET ASSETS AT BEGINNING OF YEAR | <u>193,137</u> | <u>1,409,530</u> | <u>1,602,667</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 651,213</u> | <u>\$ 1,582,069</u> | <u>\$ 2,233,282</u> |

The accompanying notes are an integral part of the financial statements.

SOMALY MAM FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|------------|
| Increase in net assets | \$ 630,615 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | |
| Depreciation | 1,412 |
| Increase in accounts receivable | (27,369) |
| Increase in unconditional promises to give | (154,235) |
| Increase in inventory | (15,975) |
| Increase in accounts payable | 26,178 |
| Increase in accrued liabilities | 66,640 |
| Increase in refundable advances | 2,730 |

NET CASH PROVIDED BY OPERATING ACTIVITIES 529,996

NET CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchases of fixed assets (12,512)

NET INCREASE IN CASH AND CASH EQUIVALENTS 517,484

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 214,018

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 731,502

The accompanying notes are an integral part of the financial statements.

SOMALY MAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. PURPOSE OF FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PLOICIES

Purpose

Somaly Mam Foundation (the Foundation) is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Foundation is responsible for charitable funds of many donors. The Foundation is committed to a world where women and children are safe from slavery; and to give victims and survivors a voice in their lives, liberate victims, end slavery, and empower survivors as they create and sustain lives of dignity.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements include only the accounts of Somaly Mam Foundation's international headquarters located in the United States of America. They do not include any balances or transactions of Somaly Mam Foundation's main office in Phnom Penh, Cambodia, which is a separate legal entity.

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation currently has no permanently restricted net assets.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Based on management's assessment, it has concluded that losses on balances outstanding at year end will be immaterial.

SOMALY MAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. PURPOSE OF FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional.

The Foundation uses the allowance method to determine unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Inventory

Inventories of books, necklaces, scarves and bracelets are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Acquisitions of property and equipment are capitalized. Property and equipment is recorded at fair market value at date of donation or at cost if purchased. Depreciation is computed on the straight-line method and is based on expected useful lives of 3 years.

Refundable Advances

Special event payments, conditioned upon the event taking place, received prior to year end, for events that will be held next year, are recorded as a liability (refundable advance) in the accompanying statement of financial condition.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation.

Contributions

The Foundation reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as permanently restricted. When a donor restriction expires (such as when a stipulated time restriction ends), temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets are primarily released from donor restrictions when payments for expenses related to restricted purposes are satisfied.

SOMALY MAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. PURPOSE OF FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Grants

Grants are recorded as expenses when they are approved by the Board of Directors for payment.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CONCENTRATIONS OF CREDIT RISK

The total cash held by the Foundation at December 31, 2009 includes \$474,732 in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

3. PROMISES TO GIVE

Unconditional promises to give consists of the following at December 31, 2009:

| | |
|--|---------------------|
| Unrestricted promises | \$ 510,739 |
| Restricted to payment of program expenses: | |
| Victim Services | 235,538 |
| Eradicating Slavery | 164,021 |
| Survivor Empowerment | 122,631 |
| General program expenses | 399,768 |
| Restricted for payment of 2010 development initiatives | <u>121,635</u> |
| Gross unconditional promises to give | 1,554,332 |
| Less: Unamortized discount | <u>(4,001)</u> |
| Net unconditional promises to give | <u>\$ 1,550,331</u> |
| Amounts due in: | |
| Less than one year | \$ 1,479,332 |
| One to two years | <u>75,000</u> |
| | <u>\$ 1,554,332</u> |

SOMALY MAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

3. PROMISES TO GIVE (Continued)

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 3.16%, when the donor makes an unconditional promise to give to the Foundation.

4. PROPERTY AND EQUIPMENT

Property and equipment included the following at December 31, 2009:

| | |
|-------------------------------|------------------|
| Computer equipment | \$ 12,455 |
| Furniture and equipment | <u>1,034</u> |
| | 13,489 |
| Less accumulated depreciation | <u>2,389</u> |
| Net property and equipment | <u>\$ 11,100</u> |

5. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

| | |
|---|---------------------|
| Payment of program expenses: | |
| Survivor Empowerment | \$ 412,401 |
| Eradicating Slavery | 337,153 |
| Victim Services | 306,112 |
| General program expenses | 399,768 |
| Payment of 2010 development initiatives | <u>126,635</u> |
| | <u>\$ 1,582,069</u> |

SOMALY MAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

6. FOREIGN CURRENCY TRANSACTION

In November 2008, the Foundation received an unconditional promise to give of 1,000,000 euro. The entire balance was still due at January 1, 2009. The following is a summary of the foreign currency transaction gain included in increase in net assets in the accompanying statement of activities:

| | <u>Euro</u> | <u>U.S. Dollars</u> |
|--|----------------|---------------------|
| Balance, January 1, 2009 (converted at 1.40953) | 1,000,000 | \$ 1,409,530 |
| 2009 actual collections | (638,000) | (891,374) |
| 2009 transaction/translation gain | - | <u>670</u> |
| Balance, December 31, 2009 (converted at 1.43322) | <u>362,000</u> | <u>\$ 518,826</u> |

The \$518,826 is the carrying amount included in unconditional promises to give in the accompanying statement of financial condition, while the 2009 transaction gain of \$670 is included in contributions in the accompanying statement of activities.

On August 3, 2010, the Foundation received \$467,849 in full settlement of the balance due, resulting in a 2010 transaction loss of \$50,977.

7. GRANTS TO RELATED ENTITY

Included in grants in the accompanying statement of activities is \$484,783 of grants made to Somaly Mam Foundation's main office in Phnom Penh, Cambodia.

8. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

9. EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 18, 2010, the date which the financial statements were available to be issued.

On January 1, 2010, Somaly Mam Foundation's international headquarters located in the United States of America and Somaly Mam Foundation's main office in Phnom Penh, Cambodia were merged into one legal entity.