

SOMALY MAM FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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YEAR ENDED DECEMBER 31, 2011

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Sacks Press & Lacher, P.C.

Certified Public Accountants

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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, 2011, 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, 2011, 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
February 13, 2013

SOMALY MAM FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

<u>ASSETS:</u>	
Cash and cash equivalents	\$ 798,050
Unconditional promises to give	167,548
Inventory	16,497
Property and equipment, net	125,951
Other assets	<u>56,300</u>
 TOTAL ASSETS	 <u>\$ 1,164,346</u>
 <u>LIABILITIES:</u>	
Grants payable	\$ 54,080
Accounts payable	90,582
Accrued liabilities	<u>163,750</u>
 TOTAL LIABILITIES	 <u>308,412</u>
 <u>NET ASSETS:</u>	
Unrestricted net assets	<u>855,934</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,164,346</u>

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

SOMALY MAM FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES, GAINS, AND OTHER SUPPORT:</u>			
Contributions	\$ 1,633,638	\$ 27,656	\$ 1,661,294
Special event revenue (net of costs of direct benefits to donors of \$135,919)	262,257	-	262,257
Sales of auxiliary enterprises (net of cost of sales of \$61,591)	56,802	-	56,802
Donated materials and facilities	21,105	-	21,105
Donated services	106,867	-	106,867
Interest and dividends	1,615	-	1,615
	<u>2,082,284</u>	<u>27,656</u>	<u>2,109,940</u>
Net assets released from restrictions	539,710	(539,710)	-
	<u>2,621,994</u>	<u>(512,054)</u>	<u>2,109,940</u>
<u>EXPENSES:</u>			
Program services			
Direct program services	1,550,827	-	1,550,827
Grants	859,338	-	859,338
General and administrative	665,912	-	665,912
Fund-raising	599,578	-	599,578
	<u>3,675,655</u>	<u>-</u>	<u>3,675,655</u>
Loss on settlement of employee claims	79,705	-	79,705
Net losses on sales/disposals of assets and foreign currency exchange rates	6,836	-	6,836
	<u>3,762,196</u>	<u>-</u>	<u>3,762,196</u>
TOTAL EXPENSES AND LOSSES	<u>3,762,196</u>	<u>-</u>	<u>3,762,196</u>
DECREASE IN NET ASSETS	(1,140,202)	(512,054)	(1,652,256)
NET ASSETS AT BEGINNING OF YEAR	<u>1,996,136</u>	<u>512,054</u>	<u>2,508,190</u>
NET ASSETS AT END OF YEAR	<u>\$ 855,934</u>	<u>\$ -</u>	<u>\$ 855,934</u>

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

SOMALY MAM FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$ (1,652,256)
Adjustments to reconcile decrease in net assets to net cash used in operating activities	
Depreciation and amortization	35,722
Net loss on sales and disposals of fixed assets	12,998
Decrease in unconditional promises to give	846,523
Increase in inventory	(8,143)
Increase in other assets	(10,951)
Decrease in grants payable	(22,909)
Increase in accounts payable	35,656
Increase in accrued liabilities	53,738
	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(709,622)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of computer	6,500
Purchases of fixed assets	(65,514)
Payment of website development costs	(4,780)
	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(63,794)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(773,416)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<hr/> 1,571,466
CASH AND CASH EQUIVALENTS, END OF YEAR	<hr/> <u>\$ 798,050</u>

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 POLICIES

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 the accounts of both Somaly Mam Foundation's international headquarters located in the United States of America and its main office in Phnom Penh, Cambodia.

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.

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. There were no outstanding balances at December 31, 2011.

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, bracelets and pins 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 greater than or equal to \$250 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 to 7 years.

Website Development Costs

During the current year, the Foundation capitalized \$4,780 of website development costs. These costs are being amortized on a straight-line basis over three years. The costs and the related amortization of \$929 are included in other assets in the accompanying statement of financial position.

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). There were no refundable advances outstanding at December 31, 2011.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. During the current year, the Foundation received \$106,867 of donated legal services that were recognized as contributions. Volunteers also provided their time to provide a variety of tasks throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

SOMALY MAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

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.

Grants

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

Income Taxes

The Foundation's Forms 990, *Return of Organization Exempt From Income Tax*, for the years ending 2008, 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

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, 2011 includes \$529,658 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.

SOMALY MAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

3. PROMISES TO GIVE

Unconditional promises to give consists of the following at December 31, 2011:

Unrestricted promises	\$ 67,548
Restricted to payment of program expenses:	
Survivor Empowerment	<u>100,000</u>
Gross unconditional promises to give	167,548
Less: Unamortized discount	<u>-</u>
 Net unconditional promises to give	 <u>\$ 167,548</u>
 Amounts due in:	
Less than one year	\$ 167,548
One to two years	<u>-</u>
	 <u>\$ 167,548</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques, when the donor makes an unconditional promise to give to the Foundation. There were no unconditional promises to give due in more than one year at December 31, 2011.

4. PROPERTY AND EQUIPMENT

Property and equipment included the following at December 31, 2011:

Autos	\$ 122,849
Computer equipment and software	47,513
Furniture and equipment	<u>21,789</u>
	192,151
Less accumulated depreciation	<u>66,200</u>
 Net property and equipment	 <u>\$ 125,951</u>

5. GRANTS PAYABLE

Grants payable in more than one year are recognized at fair value using present value methods at the time the grants are made. All grants payable at December 31, 2011 were due to be paid in the following year, thus no discounting was necessary.

The Foundation approves certain grants with conditions; however, the probability is remote that the grantees will not meet those conditions. Accordingly, conditional grants are accounted for as grants payable when approved.

SOMALY MAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

6. NET ASSETS

The Foundation has no permanently or temporarily restricted net assets at December 31, 2011.

7. SETTLEMENTS OF EMPLOYEE CLAIMS

During 2012, the Foundation settled two claims brought by two former employees alleging certain discriminatory employment practices by the Foundation. Under the settlements, the Foundation agreed to provide monetary relief in the amount of \$79,705, which was paid in full during 2012. The cost of the settlements and donated legal services valued at \$106,867, have been included in the statement of activities for 2011. The settlement amounts of \$79,705 have been included in accrued liabilities in the accompanying statement of financial position.

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 February 13, 2013, the date which the financial statements were available to be issued.