SOMALY MAM FOUNDATION

COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

SOMALY MAM FOUNDATION

COMBINED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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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 combined financial statements of Somaly Mam Foundation (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2012, and the related combined statements of activities 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 combined 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 combined 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 combined financial statements based on our audit. We did not audit the financial statements of the Organization's main office in Phnom Penh, Cambodia, which statements reflect total assets of $162,451, as of December 31, 2012, and the total support and revenues of $492,280, for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the main office in Phnom Penh, Cambodia, is based solely on the report of the other auditors. 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of Somaly Mam Foundation as of December 31, 2012, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sacks, Press & Lacher P.C.

New York, New York
November 14, 2013

SOMALY MAM FOUNDATION

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS:	
Cash and cash equivalents	$ 985,622
Unconditional promises to give	280,008
Inventory	15,505
Property and equipment, net	100,964
Other assets	78,384
TOTAL ASSETS	$ 1,460,483
LIABILITIES:	
Grants payable	$ 25,000
Accounts payable	26,172
Accrued liabilities	84,734
TOTAL LIABILITIES	135,906
NET ASSETS:	
Unrestricted	1,254,928
Temporarily restricted	69,649
TOTAL NET ASSETS	1,324,577
TOTAL LIABILITIES AND NET ASSETS	$ 1,460,483

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

SOMALY MAM FOUNDATION

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions	$ 1,861,725	$ 188,870	$ 2,050,595
Special event revenue (net of costs of direct benefits to donors of $108,853)	655,183	-	655,183
Sales of auxiliary enterprises (net of cost of sales of $38,086)	124,955	-	124,955
Donated materials and facilities	10,965	-	10,965
Donated services	39,112	-	39,112
Interest and dividends	543	-	543
Miscellaneous income	386	-	386
	2,692,869	188,870	2,881,739
Net assets released from restrictions	119,221	(119,221)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	2,812,090	69,649	2,881,739
EXPENSES:			
Program services			
Direct program services	945,931	-	945,931
Grants	666,758	-	666,758
General and administrative	439,749	-	439,749
Fund-raising	260,658	-	260,658
TOTAL EXPENSES	2,313,096	-	2,313,096
Write-off of uncollectible pledge	100,000	-	100,000
TOTAL EXPENSES AND LOSSES	2,413,096	-	2,413,096
INCREASE IN NET ASSETS	398,994	69,649	468,643
NET ASSETS AT BEGINNING OF YEAR	855,934	-	855,934
NET ASSETS AT END OF YEAR	$ 1,254,928	$ 69,649	$ 1,324,577

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

SOMALY MAM FOUNDATION

COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	$ 468,643
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Write-off of uncollectible pledge	100,000
Depreciation and amortization	36,040
Net gain on sale of fixed assets	(386)
Donated furniture	(4,922)
Increase in unconditional promises to give	(212,460)
Decrease in inventory	992
Increase in other assets	(23,677)
Decrease in grants payable	(29,080)
Decrease in accounts payable	(64,410)
Decrease in accrued liabilities	(79,016)
NET CASH PROVIDED BY OPERATING ACTIVITIES	191,724
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of computer	500
Purchases of fixed assets	(4,652)
NET CASH USED IN INVESTING ACTIVITIES	(4,152)
NET INCREASE IN CASH AND CASH EQUIVALENTS	187,572
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	798,050
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 985,622

The accompanying notes are an integral part of the 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, 2012.

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 prior year, the Foundation capitalized $4,780 of website development costs. These costs are being amortized on a straight-line basis over three years. Amortization expense for the current year was $1,593. The costs and the related accumulated amortization of $2,523 are included in other assets in the accompanying combined 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, 2012.

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 $39,112 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.

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 combined 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 2009, 2010, 2011, and 2012 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, 2012 includes $702,789 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, 2012:

Unrestricted promises	$	250,008
Restricted to payment of 2013 expenses		30,000
Gross unconditional promises to give		280,008
Less: Unamortized discount		-
Net unconditional promises to give	$	280,008
Amounts due in:		
Less than one year	$	280,008
One to two years		-
	$	280,008

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, 2012.

4. PROPERTY AND EQUIPMENT

Property and equipment included the following at December 31, 2012:

Autos	$	122,849
Computer equipment and software		45,881
Furniture and equipment		31,363
		200,093
Less accumulated depreciation		99,129
Net property and equipment	$	100,964

5. DUE FROM PRESIDENT

The Foundation advanced $15,000 to its president for future travel and lodging expenses. The advance is unsecured and is expected to be repaid in full within twelve months. Interest is not being charged due to the short maturity. This amount has been included in other assets in the accompanying combined statement of financial position.

6. 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, 2012 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.

7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2012 are available for the following purposes or periods:

Payment of Victims' Sevices program expenses	$ 39,649
For subsequent periods	30,000
	$ 69,649

The Foundation has no permanently restricted net assets at December 31, 2012.

8. DESCRIPTION OF LEASING ARRANGEMENTS

The facilities presently used to provide office space for the Foundation’s international headquarters are leased under a short-term agreement.

Rent expense for the international headquarters (including charges for operating expenses and taxes of $3,810) was $37,795.

9. SETTLEMENTS OF EMPLOYEE CLAIMS

During the current year, 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 the current year. The cost of the settlements and donated legal services valued at $106,867, were previously included in the combined statement of activities for the year ended December 31, 2011.

10. RELATED PARTY TRANSACTIONS

The Foundation's president was also the president of one of the donee organizations that received grants from the Foundation during the current year. Total grants made to this organization in 2012 were $626,758. The Foundation's president resigned as president of the donee organization in May 2013.

11. FUNCTIONAL ALLOCATION OF EXPENSES

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

12. EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 14, 2013, the date which the financial statements were available to be issued.