

KROUSAR THMEY CAMBODIA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

KROUSAR THMEY CAMBODIA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

CONTENTS	Page
Report of the Board of Directors	1
Independent auditor's report	2 - 4
Financial statements:	
Balance sheet	5
Statement of income and expenditure	6
Notes to the financial statements	7 - 14

STATEMENT BY THE BOARD OF DIRECTORS

I, Benoît Duchâteau-Arminjon, president of Krousar Thmey Cambodia do hereby state that in the opinion of the board of directors:

The accompanying financial statements, together with the notes thereto, of Krousar Thmey Cambodia ("the Organisation") as at and for the year ended 31 December 2016 have been prepared, in all material respects, in accordance with the basis set out in note 2 to the financial statements.

Signed in accordance with a resolution of the board of directors



Benoît Duchâteau-Arminjon
President

Phnom Penh, Kingdom of Cambodia

Date: 25 APR 2017



Independent auditor's report

To the Board of Directors of Krousar Thmey Cambodia

Our opinion

In our opinion, the financial statements of Krousar Thmey Cambodia (the Organisation) are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.

What we have audited

The Organisation's financial statements comprise:

- the balance sheet as at 31 December 2016;
- the statement of income and expenditure for the year then ended; and
- the notes of the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (CISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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



Independence

We are independent of the Organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the requirements of Kampuchea Institute of Certified Public Accountant and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of KICPAA Code.

Emphasis of Matter - Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the accounting policies described in Note 2 to the financial statements. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for Krousar Thmey Cambodia, and should not be distributed to or used by parties other than Krousar Thmey Cambodia. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements in accordance with accounting policies described in Note 2 to the financial statements, for determining that the basis of preparation is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For PricewaterhouseCoopers (Cambodia) Ltd.


By Lang Hy
Associate partner

A blue circular stamp of PricewaterhouseCoopers (Cambodia) Ltd. The outer ring contains the company name in Khmer script. The inner circle contains the name in English, "PricewaterhouseCoopers (Cambodia) Ltd.", and a signature.

Phnom Penh, Kingdom of Cambodia
Date: 25 April 2017

KROUSAR THMEY CAMBODIA**BALANCE SHEET
AS AT 31 DECEMBER 2016**

	Note	2016 US\$	2015 US\$
Assets			
Property and equipment	3	1,547,812	1,664,677
Intangible assets	4	-	832
Receivables	5	9,258	12,391
Cash on hand		4,885	10,246
Cash at banks	6	202,470	233,885
		<u>1,764,425</u>	<u>1,922,031</u>
Liabilities			
Provision for provident fund	7	104,598	101,999
Provision for health fund	8	56,619	56,349
Payables		-	5
		<u>161,217</u>	<u>158,353</u>
Net assets		<u>1,603,208</u>	<u>1,763,678</u>
Fund balance at end of year		<u>1,603,208</u>	<u>1,763,678</u>

The notes on pages 7 to 14 are an integral part of these financial statements.

KROUSAR THMEY CAMBODIA

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$	2015 US\$
Income			
Funds received from Krousar Thmey international network	9	995,360	749,540
Grants/donations	10	476,745	571,739
Donation in kind	11	57,386	115,058
Other income	12	124,435	83,699
		<u>1,653,926</u>	<u>1,520,036</u>
Expenditure			
Human Resources	13	803,038	751,222
Food and clothes		233,569	230,894
Utilities, equipment and supplies		110,914	110,457
Schooling expenses		95,924	85,158
Advocacy, communication and fundraising		89,330	40,304
Capacity building, trainings		73,583	49,615
Health and hygiene		59,796	69,379
Sport, cultural activities		41,328	20,036
Transportation		35,900	30,860
Monitoring and evaluation		34,321	37,783
Other costs, services		15,775	13,877
Assets amortisation		178,012	204,303
		<u>1,771,490</u>	<u>1,643,888</u>
Deficit of income over expenditure		(117,564)	(123,852)
Fund transferred:			
Fund returned to donors	14	(42,906)	-
Fund balance at beginning of year		<u>1,763,678</u>	<u>1,887,530</u>
Fund balance at end of year		<u><u>1,603,208</u></u>	<u><u>1,763,678</u></u>

The notes on pages 7 to 14 are an integral part of these financial statements.

KROUSAR THMEY CAMBODIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. BACKGROUND AND PRINCIPAL ACTIVITIES

Krousar Thmey Cambodia ("the Organisation") is a non-government organisation established in 1991. The Organisation is principally involved in children's protection, education, schooling support and artistic development. It is dedicated to assisting Cambodian children in difficulty by offering them appropriate emotional, educational and social assistance. The activities of the Organisation are based in Phnom Penh, Battambang, Poipet, Siem Reap, Sisophon and Kompong Cham provinces.

The office of the Organisation is No. 4 Street 257, Phnom Penh, Kingdom of Cambodia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements, expressed in US dollars (US\$), are prepared under the historical cost convention. The principal accounting policies applied in the preparation of the financial statements are summarised below.

(b) Income and expenditure

Income is recognised when the Organisation receives funds in cash or when it receives sufficient and appropriate supporting documents for expenditure paid or contributions made by the donors on behalf of the Organisation. Expenditure is recognised when paid rather than when incurred, except for the following:

- (i) Donations in kind are recognised both as income and expenditure on the basis of the market price of the items given at the time of the donation. Donations in kind in respect of the property and equipment are recognised as assets (rather than expenditure) and depreciated over their useful lives.
- (ii) Receivables from Krousar Thmey Network, loans to employees, advances to staff and deposits are recognised as receivables until they have been repaid.
- (iii) Property and equipment are recognised as assets and depreciated over their useful lives.
- (iv) Intangible assets are recognised as assets and amortised over their useful lives.
- (v) Provident and health fund (see Note 2 (f) below)
- (vi) Payables to Krousar Thmey Network are recognised as payables until they have been paid.

(c) Foreign currency translation

The Organisation executes transactions primarily in United States Dollars ("US\$") and maintains its accounting records in US\$. Transactions in currencies other than US\$ are converted into US\$ at the rate of exchange prevailing on the transaction dates. Monetary assets and liabilities denominated in currencies other than US\$ are translated into US\$ at the open market rates of exchange ruling at the year-end date. Exchange differences are recognised in the statement of income and expenditure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Freehold land is not depreciated. Depreciation of other property and equipment is charged to the statement of income and expenditure on a straight-line basis over the estimated useful lives of the individual assets at the following annual rates:

	Rate
Buildings	5% - 10%
Building renovation	20% - 50%
Motor vehicles	25% - 33.33%
Office equipment, furniture and fitting	20% - 50%

Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Organisation. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Construction in progress includes cost of constructing the building and is stated at cost. Construction in progress is not depreciated until such time as the construction is completed and the assets put into operational use.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the statement of income and expenditure on the date of retirement or disposal.

Fully depreciated property and equipment are retained in the financial statements until disposed or written off.

(e) Intangible assets

Intangible assets that are acquired by the Organisation are stated at cost less accumulated amortisation. Amortisation is recognised in the statement of income and expenditure on a straight line method at an annual rate of 100%. Fully amortised intangible assets are retained in the financial statements until disposed or written off.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Provident and health fund

The Organisation set up a provident and health fund for all eligible Cambodian full-time employees, having signed an undetermined length contract with the Organisation and have been working with the Organisation for more than six months.

- Staff are entitled to half an average month's salary per each year worked until 2006 and thereafter one month's salary with effect from 1 January 2007 onwards. The fund is maintained in a separate bank account but under the Organisation's name. The remaining balance will be carried forward to the following year.
- Every year, the health fund is provisioned by the Organisation which equivalent to US\$50 per employee and deposited in another separate bank account. This fund is used to pay for the medical expenses of the employees if they follow the conditions set in the Organisation's rules for the medical benefits of employees. The remaining balance will be carried forward to the following year.

The Organisation accrues provident and health fund on monthly basis and these are charged to the statement of income and expenditure. Outstanding provident and health fund are recorded on the balance sheet.

Interest income earned from provident fund and health fund bank accounts are retained and recognised as other income of the Organisation.

KROUSAR THMEY CAMBODIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. PROPERTY AND EQUIPMENT

	Freehold land US\$	Buildings US\$	Building renovation US\$	Motor vehicles US\$	Office equipment, furniture and fitting US\$	Construc- tion in progress US\$	Total US\$
Cost							
At 1 January 2015	320,077	2,483,803	32,859	354,425	183,420	-	3,374,584
Additions	763	31,984	13,770	2,550	75,097	-	124,164
Write-off/disposal	-	-	-	(12,779)	(11,786)	-	(24,565)
At 31 December 2015	<u>320,840</u>	<u>2,515,787</u>	<u>46,629</u>	<u>344,196</u>	<u>246,731</u>	<u>-</u>	<u>3,474,183</u>
Accumulated depreciation							
At 1 January 2015	-	(1,150,855)	(30,408)	(297,927)	(151,983)	-	(1,631,173)
Depreciation charge	-	(129,616)	(3,102)	(41,177)	(29,003)	-	(202,898)
Write-off/Disposal	-	-	-	12,779	11,786	-	24,565
At 31 December 2015	<u>-</u>	<u>(1,280,471)</u>	<u>(33,510)</u>	<u>(326,325)</u>	<u>(169,200)</u>	<u>-</u>	<u>(1,809,506)</u>
Net book value							
At 31 December 2015	<u>320,840</u>	<u>1,235,316</u>	<u>13,119</u>	<u>17,871</u>	<u>77,531</u>	<u>-</u>	<u>1,664,677</u>
Cost							
At 1 January 2016	320,840	2,515,787	46,629	344,196	246,731	-	3,474,183
Additions	2,400	-	13,797	1,830	37,253	5,085	60,365
Write-off/disposal	-	-	-	(2,380)	(508)	-	(2,888)
At 31 December 2016	<u>323,240</u>	<u>2,515,787</u>	<u>60,426</u>	<u>343,646</u>	<u>283,476</u>	<u>5,085</u>	<u>3,531,660</u>
Accumulated depreciation							
At 1 January 2016	-	(1,280,471)	(33,510)	(326,325)	(169,200)	-	(1,809,506)
Depreciation charge	-	(125,955)	(4,878)	(14,399)	(31,947)	-	(177,179)
Write-off/Disposal	-	-	-	2,380	457	-	2,837
At 31 December 2016	<u>-</u>	<u>(1,406,426)</u>	<u>(38,388)</u>	<u>(338,344)</u>	<u>(200,690)</u>	<u>-</u>	<u>(1,983,848)</u>
Net book value							
At 31 December 2016	<u>323,240</u>	<u>1,109,361</u>	<u>22,038</u>	<u>5,302</u>	<u>82,786</u>	<u>5,085</u>	<u>1,547,812</u>

The Organisation acquired number of pieces of land to build schools, houses, protection and street children centers. The Organisation does not directly own the lands. However, land ownerships were under various staff's name who owned on behalf of the Organisation. In addition, there are certain buildings constructed on the lands provided by the Royal Government of Cambodia. The Organisation did not record lands provided by the Government on balance sheet because the Organisation does not have legal title deeds of those lands.

KROUSAR THMEY CAMBODIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. INTANGIBLE ASSETS

	Accounting and Braille software US\$	Screen reader US\$	Total US\$
Cost			
At 1 January 2015	1,870	14,360	16,230
Additions	2,230	-	2,230
At 31 December 2015	4,100	14,360	18,460
Accumulated amortisation			
At 1 January 2015	(1,863)	(14,360)	(16,223)
Amortisation for the year	(1,405)	-	(1,405)
At 31 December 2015	(3,268)	(14,360)	(17,628)
Net book value			
At 31 December 2015	832	-	832
Cost			
At 1 January 2016	4,100	14,360	18,460
Additions	-	-	-
At 31 December 2016	4,100	14,360	18,460
Accumulated amortisation			
At 1 January 2016	(3,268)	(14,360)	(17,628)
Amortisation for the year	(832)	-	(832)
At 31 December 2016	(4,100)	(14,360)	(18,460)
Net book value			
At 31 December 2016	-	-	-

5. RECEIVABLES

	2016 US\$	2015 US\$
Deposits	264	564
Loans to employees	6,500	8,986
Loans to students	2,444	1,244
Receivables from Krousar Thmey Network	-	146
Receivables from Kampuchear Balopp	16	-
Others	34	1,451
	9,258	12,391

KROUSAR THMEY CAMBODIA**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****6. CASH AT BANKS**

	2016 US\$	2015 US\$
Savings accounts	200,843	229,902
Current accounts	1,627	3,983
	<u>202,470</u>	<u>233,885</u>

Cash at banks maintained in current accounts are non-interest bearing. Annual interest rate for savings accounts are ranging from 0.50% - 1.25% per annum.

7. PROVISION FOR PROVIDENT FUND

The movement is as follows:

	2016 US\$	2015 US\$
As at 1 January 2016	101,999	109,803
Addition during the year (note 13)	23,611	20,788
Provident fund paid during the year	<u>(21,012)</u>	<u>(28,592)</u>
As at 31 December 2016	<u>104,598</u>	<u>101,999</u>

8. PROVISION FOR HEALTH FUND

The movement is as follows:

	2016 US\$	2015 US\$
As at 1 January 2016	56,349	48,289
Addition during the year (note 13)	12,800	12,300
Health fund paid during the year	<u>(12,530)</u>	<u>(4,240)</u>
As at 31 December 2016	<u>56,619</u>	<u>56,349</u>

The remaining balances of unused health fund are carried forward to pay the medical expenses claimed by employees.

KROUSAR THMEY CAMBODIA**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****9. FUNDS RECEIVED FROM KROUSAR THMEY INTERNATIONAL NETWORK**

	2016 US\$	2015 US\$
Krousar Thmey France	409,258	428,737
Krousar Thmey Switzerland	526,003	232,008
Krousar Thmey United Kingdom	4,219	11,048
Krousar Thmey Singapore	37,010	58,383
Ny Familj Kambodja	18,870	19,364
	<u>995,360</u>	<u>749,540</u>

10. GRANTS/DONATIONS

	2016 US\$	2015 US\$
Grants/donations from organisations and foundations	411,832	345,274
Grants/donations from Cambodian authorities	43,538	199,800
Grants/donations from individuals/ private companies	21,375	26,665
	<u>476,745</u>	<u>571,739</u>

11. DONATIONS IN KIND

	2016 US\$	2015 US\$
Rice donation	39,820	43,560
Construction, maintenance and equipment donation	-	33,374
Electronic appliance, computer and other equipment donation	3,060	16,475
Utilities	10,956	10,876
Other donation	3,550	10,773
	<u>57,386</u>	<u>115,058</u>

KROUSAR THMEY CAMBODIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. OTHER INCOME

	2016 US\$	2015 US\$
Contribution from parents/children's sponsors	35,783	39,758
Income-generating activities	36,780	26,901
Asset sales	175	8,425
Bank interest	1,115	5,876
Gain of change	2,340	2,739
Funds collected from the 25th anniversary	48,242	-
	<u>124,435</u>	<u>83,699</u>

13. HUMAN RESOURCES

	2016 US\$	2015 US\$
Local staff salary:		
Basic salary	622,349	595,437
Benefits	47,276	43,461
Provident fund (note 7)	23,611	20,788
Health fund (note 8)	12,800	12,300
Volunteers' compensation	74,713	56,634
Incentive to public schools' teachers and directors	5,418	7,839
Other compensations	16,871	14,763
	<u>803,038</u>	<u>751,222</u>

14. FUND RETURNED TO DONORS

	2016 US\$	2015 US\$
Australian Embassy (<i>Light for the World Project</i>)	20,466	-
United Nations International Children's Emergency Fund (<i>Starwood Project</i>)	19,877	-
United Nations International Children's Emergency Fund (<i>Cambodia Disability Inclusive Development Funds Project</i>)	2,563	-
	<u>42,906</u>	<u>-</u>