

FRIENDS INTERNATIONAL

**Financial Statements
for the year ended 31 December 2023
and
Report of the Independent Auditors**

Organisation information

Organisation Name Friends International (“the Organisation”)

Organisation Document Memorandum of Understanding (“MoU”) issued by the Government of the Kingdom of Cambodia represented by the Ministry of Foreign Affairs and International Cooperation (“MFAIC”) on 11 August 2005, subsequently extended for another period of 3 years in 2008, 2011, 2014 and 2017 and 2023 with the current period of 3 years ending on 11 December 2026. Refer to Note 1 for detail.

Main Donors UNICEF Cambodia
Epic Foundation
National Centre for HIV/AIDS & Dermatology (NCHAD)
Credit Suisse APAC Foundation Limited
ECPAT Luxembourg asbl
Fondation Junclair
Fondation Philanthropique NEXT
The Regent Capital Trust Corporation Ltd as Trustee of the Kwok Foundation
Fondation Pierre Bellon
Shiseido Travel Retail Asia Pacific Pte. Ltd
The Cold Mountain Fund of RSF Social Finance
Mith Samlanh / Asian Development Bank
And several generous donors wishing to remain anonymous

Board of Directors	1 January 2023 – 28 March 2024	From 28 March 2024
	Lucile Belleville – Chairperson	Olivier Fahri - Chairperson
	Wilfried Schneider - Secretary	Wilfried Schneider - Secretary
	Olivier Fahri – Treasurer	Olivier Veilhan – Treasurer
	Olivier Veilhan – Member	Lucile Belleville – Member
	Chenda Sophea Chhun - Member	Chenda Sophea Chhun - Member

Management	Sebastien Marot	Executive Director and Founder
	Kanchan Kapoor	International Finance and Deputy Director
	Sebastien Le Mouellic	Saving Lives International Coordinator and Deputy Director
	Ampor Sam-Oeun	Building Futures International Coordinator
	Samara Smith	International ChildSafe Coordinator
	James Sutherland	International Communications Coordinator
	Marko Ivkovic	International Human Resources Coordinator

Registered Office House #89B, Street 103, P.O Box 597, Phnom Penh, Cambodia

Principal Bankers J Trust Royal Bank Plc.
Advanced Bank of Asia Limited

Auditors KPMG Cambodia Ltd

Friends International

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Statement by the Management

We, the undersigned, on behalf of the Board of Directors of Friends International ("the Organisation") do hereby state that, the accompanying financial statements as set out on pages 5 to 32, present fairly, in all material respects, the financial position of the Organisation as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs").

Signed on behalf of the Board of Directors in accordance with a resolution of the Board,



Mr. Sebastien Marot
Executive Director



Ms. Phalla Von
Finance Technical Coordinator

Phnom Penh, Kingdom of Cambodia

Date: 28 June 2024



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Report of the Independent Auditors

To the Donors and Board of Directors of Friends International

Opinion

We have audited the accompanying financial statements of the Friends International (“the Organisation”), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, changes in reserves and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 32 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organisation as at 31 December 2023, and its financial performance and cash flow for the year then ended in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

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 *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organisation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

As stated in Note 25 to the financial statements, the Organisation adopted CIFRS for SMEs 1 January 2023 with a transition date of 1 January 2022. These standards were applied retrospectively to the comparative information in these financial statements, including, the statements of financial position as at 31 December 2022 and 1 January 2022 and the statements of comprehensive income, changes in reserves and cash flows of the Organisation for year ended 31 December 2022 and related explanatory note.

We were not engaged to audit on the restated comparative information, and it is unaudited. Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CIFRS for SMEs and whether such information is appropriately classified.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the CIFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 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.

Auditors' Responsibility 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 auditors' 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 these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism 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 auditors' 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 auditors' 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 **KPMG Cambodia Ltd**



Chhay Boraniel
Director

Phnom Penh, Kingdom of Cambodia

28 June 2024

Friends International

Statement of financial position as at 31 December 2023

		31 December 2023		31 December 2022	
		US\$	KHR'000	US\$	KHR'000
	Note		(Note 4)		(Note 4)
ASSETS					
Current assets					
Cash and cash equivalents	5	892,248	3,644,833	2,568,631	10,575,054
Term deposits	6	1,562,598	6,383,213	1,023,469	4,213,622
Accrued income – donors	7	226,334	924,574	48,372	199,148
Other receivables	8	65,342	266,922	46,885	193,026
		<u>2,746,522</u>	<u>11,219,542</u>	<u>3,687,357</u>	<u>15,180,850</u>
Non-current assets					
Property and equipment	9	183,130	748,085	173,120	712,735
Intangible assets	10	19,279	78,755	19,279	79,372
Guarantee deposits	8	17,480	71,406	17,480	71,965
		<u>219,889</u>	<u>898,246</u>	<u>209,879</u>	<u>864,072</u>
TOTAL ASSETS		<u>2,966,411</u>	<u>12,117,788</u>	<u>3,897,236</u>	<u>16,044,922</u>
LIABILITIES AND RESERVES					
LIABILITIES					
Current liabilities					
Deferred income – donors	11	869,487	3,551,854	1,525,042	6,278,598
Employee benefit obligation	12	-	-	247,049	1,017,101
Other payables	13	36,521	149,188	24,307	100,073
Total liabilities		<u>906,008</u>	<u>3,701,042</u>	<u>1,796,398</u>	<u>7,395,772</u>
RESERVES					
Fund balance		2,060,403	8,389,696	2,100,838	8,555,884
Currency translation reserves		-	27,050	-	93,266
Total reserves		<u>2,060,403</u>	<u>8,416,746</u>	<u>2,100,838</u>	<u>8,649,150</u>
TOTAL LIABILITIES AND RESERVES		<u>2,966,411</u>	<u>12,117,788</u>	<u>3,897,236</u>	<u>16,044,922</u>

The accompanying notes form an integral part of these financial statements.

Friends International

Statement of comprehensive income for the year ended 31 December 2023

	Note	2023 US\$ KHR'000 (Note 4)	2022 US\$ KHR'000 (Note 4)
Income			
Donor funding	14	3,879,023	15,942,785
Private donations	15	74,677	306,922
Other income	16	109,760	451,114
Total income		<u>4,063,460</u>	<u>16,700,821</u>
Expenditures			
Personnel costs	17	1,668,093	6,855,862
Direct costs	18	303,964	1,249,292
Equipment/assets	19	47,206	194,017
Indirect costs	20	185,519	762,483
Travel and training	21	46,022	189,150
Sub-grant to Friends Alliances	22	1,418,375	5,829,522
Sub-grant to 3PC Partners	23	434,716	1,786,683
Total expenditures		<u>4,103,895</u>	<u>16,867,009</u>
Net deficit for the year		(40,435)	(166,188)
Other comprehensive (loss)/income			
<i>Item that will not be reclassified to profit or loss</i>			
Currency translation difference		-	(66,216)
Total comprehensive loss for the year		<u>(40,435)</u>	<u>(232,404)</u>
			<u>(225,320)</u>
			<u>(827,618)</u>

The accompanying notes form an integral part of these financial statements.

Friends International

Statement of changes in reserves for the year ended 31 December 2023

	Fund balance		Currency translation reserves		Total reserves	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January 2023	2,100,838	8,555,884	-	93,266	2,100,838	8,649,150
Total comprehensive loss						
Net deficit for the year	(40,435)	(166,188)	-	-	(40,435)	(166,188)
Currency translation difference	-	-	-	(66,216)	-	(66,216)
	(40,435)	(166,188)	-	(66,216)	(40,435)	(232,404)
At 31 December 2023	2,060,403	8,389,696	-	27,050	2,060,403	8,416,746
At 1 January 2022	2,326,158	9,476,768	-	-	2,326,158	9,476,768
Total comprehensive loss						
Net deficit for the year	(225,320)	(920,884)	-	-	(225,320)	(920,884)
Currency translation difference	-	-	-	93,266	-	93,266
	(225,320)	(920,884)	-	93,266	(225,320)	(827,618)
At 31 December 2022	2,100,838	8,555,884	-	93,266	2,100,838	8,649,150

The accompanying notes form an integral part of these financial statements.

Friends International

Statement of cash flows for the year ended 31 December 2023

	US\$	2023 KHR'000 (Note 4)	US\$	2022 KHR'000 (Note 4)
Cash flow from operating activities				
Net deficit for the year	(40,435)	(166,188)	(225,320)	(827,618)
<i>Non-cash adjustments:</i>				
Employee benefit obligation	70,169	288,395	66,107	270,179
Depreciation	34,309	141,010	29,473	120,456
Interest income	(109,655)	(450,682)	(55,875)	(228,361)
Bad debts (Provision/Actual)	(650)	(2,672)	(5,278)	(21,571)
<i>Changes in:</i>				
Deferred income – donors	(655,555)	(2,677,942)	(523,605)	(2,155,682)
Accrued donor income	(177,962)	(726,975)	(26,300)	(108,277)
Other receivables	(17,807)	(72,742)	16,161	66,535
Other payables	12,214	49,894	12,201	50,232
Cash used in operation	(885,372)	(3,617,902)	(712,436)	(2,834,107)
Interest received	70,526	289,862	32,406	132,443
Employee benefit obligation paid	(317,218)	(1,303,766)	(67,642)	(276,453)
Net cash used in operating activities	<u>(1,132,064)</u>	<u>(4,631,806)</u>	<u>(747,672)</u>	<u>(2,978,117)</u>
Cash flow from investing activities				
Term deposit	(500,000)	(2,055,000)	(199,997)	(817,388)
Purchase of property and equipment	(44,319)	(182,151)	(4,491)	(18,355)
Purchase of intangible assets	-	-	(19,279)	(78,793)
Net cash used in investing activities	<u>(544,319)</u>	<u>(2,237,151)</u>	<u>(223,767)</u>	<u>(914,536)</u>
Net decrease in cash and cash equivalents	(1,676,383)	(6,868,957)	(971,439)	(3,892,653)
Cash and cash equivalents at beginning of year	2,568,631	10,575,054	3,540,071	14,422,249
Currency translation difference	-	(61,264)	-	45,458
Cash and cash equivalents at end of year	<u>892,248</u>	<u>3,644,833</u>	<u>2,568,631</u>	<u>10,575,054</u>

The accompanying notes form an integral part of these financial statements.

Friends International

Notes to the financial statements for the year ended 31 December 2023

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1. Background and activities

Since 1994, Friends International has been running projects worldwide for and with marginalised children and youths, to reintegrate these children and youths into their society. Friends-International works with marginalised children in a developmental and sustainable perspective in accordance with United Nations Convention of the Rights of the Child ("UN-CRC").

On 1 August 1994, Sebastien Marot started a project called Mith Samlanh ("Friends" in English) with the objectives of helping street children. Friends-International supported the development of this organisation and its localisation.

On 11 August 2005, Friends International ("the Organisation") signed a Memorandum of Understanding ("MoU") with the Royal Government of Cambodia represented by the Ministry of Foreign Affairs and International Cooperation ("MOFA") to open its office in Cambodia, to conduct its humanitarian activities and to implement its approved projects within the law and regulations of the Kingdom of Cambodia and in accordance with the provision of the MoU. The MoU has been renewed every 3 years, with the current MoU are valid until 11 December 2026.

Friends-International comprises two offices based in Cambodia:

- Office based in Phnom Penh called Friends International ("FI PP"); and
- Office based in Siem Reap called Friends International Siem Reap / Kaliyan Mith.

As at 31 December 2023, FI had 154 personnel (31 December 2022: 136 personnel).

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs"). These are the Organisation's first set of financial statements prepared in accordance with CIFRS for SMEs and section 35 *Transition to the CIFRS for SMEs* has been applied.

In the previous financial year, the financial statements were prepared in accordance with the Cash Basis of Accounting of Cambodian Financial Reporting Standard for Not-Profit Entities ("CFRS for NFPE") relating to the preparation and presentation of financial statements for submission to the Cambodian Accounting and Auditing Regulatory Body ("ACAR") ("Cambodia GAAP").

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Notes to the financial statements (continued) for the year ended 31 December 2023

2. Basis of accounting (continued)

(a) Statement of compliance (continued)

The Organisation has applied consistently to all periods presented in these financial statements and in preparing the opening CIFRS for SMEs statement of financial position as at 1 January 2022 for the purposes of the transition to CIFRS for SMEs.

An explanation on how the transition to CIFRS for SMEs has affected the reported financial position, financial performance and cash flows of the Organisation is provided in Note 25.

These financial statements were authorised for issue by the Organisation's management on 28 June 2024.

(b) Basis of measurement

The financial statements expressed in United States Dollars ("US\$") have been prepared under the historical cost convention.

(c) Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Organisation transacts its operations and maintains its accounting records primarily in United States Dollars ("US\$"), management has determined US\$ to be the Organisation's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Organisation.

These financial statements are presented in US\$, which is the Organisation's functional currency. All amounts have been rounded to the nearest dollar, except otherwise indicated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with CIFRS for SMEs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Friends International

Notes to the financial statements (continued) for the year ended 31 December 2023

3. Significant accounting policies

(a) Foreign currency translation

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in other currency are translated using the exchange rate as at the respective dates of the initial transactions.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with banks with original maturities of three months or less and other highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(c) Other receivables

Other receivables comprise prepayments, deposit and advance. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method.

(d) Property and equipment

(i) *Recognition and measurement*

The Organisation capitalises all items of property and equipment, except leased property renovation, with acquisition cost in excess of US\$1,000 and leased property renovations is capitalised when the cost incurred excess of \$5,000.

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

Friends International

Notes to the financial statements (continued) for the year ended 31 December 2023

3. Significant accounting policies (continued)

(d) Property and equipment (continued)

(ii) *Subsequent cost*

The costs of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Organisation and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost.

Depreciation of equipment is charged to statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets as follows:

<i>Class of assets</i>	<i>Years</i>
Office and IT equipment	4
Furniture, machinery and other equipment	5
Vehicles	5
Construction and building works (owned properties)	10

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Disposals are recorded when the assets are scrapped or sold. Cost of maintenance is expended as incurred.

(e) Other payables

Other payables are carried at amortised cost during the effective interest method in the statements.

(f) Impairment

At each reporting date, property and equipment and intangible asset are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Friends International

Notes to the financial statements (continued) for the year ended 31 December 2023

3. Significant accounting policies (continued)

(f) Impairment (continued)

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(g) Operating leases

Leases when substantially all the rewards and risks of ownership of assets remain with the Lessor are accounted for as operating leases. Rental payable under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the relevant lease.

(h) Provisions

A provision is recognised if, as a result of a past event, the Organisation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expense as the related service is provide. A liability is recognised for the amount expected to be paid if the Organisation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Other long-term employee benefits

The Organisation's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Friends International

Notes to the financial statements (continued) for the year ended 31 December 2023

3. Significant accounting policies (continued)

(j) Recognition of income

(i) Donor grants

Donor grants are accounted for in accordance with Section 24 of CIFRS for SMEs. As such, the income received from restricted grants is only recognised when “earned”, regardless of when grant instalments are paid when a) for the period in which expenses for the related grant are recognised for which the grant is intended to compensate and b) where grant conditions are met.

Where the grant instalments have been received, but not recognised or utilised, they are presented in the statement of financial position as a current liability under “Unearned income – donors”.

Where grant instalments have not been received, are committed and utilised in advance of payment, they are presented in the statement of financial position as a current asset under “accrued income - donors”.

(ii) Private donation

Private donations are recognised when they are deemed receivable. A private donation is deemed to be receivable when actually received from individuals, companies, organisations or institutions which are not covered by specific grant agreements with terms & conditions. Donations in kind, if any, are recognised at fair value when received using a reliable estimate of the cost of the donated goods or services.

(iii) Finance income

Finance income comprises interest income on deposits and placements and exchange rate gains. Interest income and realised exchange rate gains are recognised when the Organisation becomes entitled to them.

(l) Income tax

Provision for income tax is not applicable, as the Organisation is registered as not-for-profit organisation which is subject to exempt from income tax under Article 9 of Cambodian Law on Taxation.

4. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars (“US\$”) which is the Organisation’s functional currency. The translations of United States Dollars amounts into Khmer Riel (“KHR”) meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIFRS for SMEs Section 30, Foreign Currency Translation.

Friends International

Notes to the financial statements (continued) for the year ended 31 December 2023

4. Translation of United States Dollars into Khmer Riel (continued)

Assets and liabilities are translated at the closing rate as at the reporting. The statements of comprehensive income and cash flows are translated into KHR using the average rate for the year, which have been deemed to approximate the exchange rates at the date of transaction as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as “Currency translation reserves” in the other comprehensive income. The Organisation uses the following exchange rates:

			Closing rate	Average rate
31 December 2023	US\$1	=	KHR4,085	KHR4,110
31 December 2022	US\$1	=	<u>KHR4,117</u>	<u>KHR4,087</u>

The translation to Khmer Riel should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. Cash and cash equivalents

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	874	3,570	2,564	10,556
Cash at banks (*)	<u>891,374</u>	<u>3,641,263</u>	<u>2,566,067</u>	<u>10,564,498</u>
Cash and cash equivalents	<u>892,248</u>	<u>3,644,833</u>	<u>2,568,631</u>	<u>10,575,054</u>

These balances refer to current accounts and saving accounts placed with banks and financial institutions and earned annual interest rates ranging from 0.20% to 1.50%.

6. Term deposits

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Term deposits	1,500,000	6,127,500	1,000,000	4,117,000
Accrued interest receivables	<u>62,598</u>	<u>255,713</u>	<u>23,469</u>	<u>96,622</u>
	<u>1,562,598</u>	<u>6,383,213</u>	<u>1,023,469</u>	<u>4,213,622</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

6. Term deposits (continued)

The term deposit placement at J Trust Royal Bank Plc. with principal amounting to US\$1,000,000 for maturity of one year and bear interest rates of (6.50% and 7.00%) per annum and deposit placement at Advanced Bank of Asia Limited with principal amounting to US\$500,000 for maturity of one year and bear interest rate of 7% per annum.

7. Accrued income – donors

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Asian Development Bank	-	-	48,372	199,148
ECPAT Luxembourg asbl	554	2,263	-	-
Epic Foundation Inc	221,652	905,448	-	-
RAJA Foundation	4,128	16,863	-	-
	<u>226,334</u>	<u>924,574</u>	<u>48,372</u>	<u>199,148</u>

8. Other receivables

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current				
Funding receivable	5,256	21,471	17,557	72,282
Project Advances	5,315	21,712	7,998	32,927
Prepayment	4,613	18,844	210	865
Staff loan	41,927	171,272	13,756	56,633
Health insurance	7,404	30,245	7,362	30,309
Miscellaneous receivable	827	3,378	2	10
	<u>65,342</u>	<u>266,922</u>	<u>46,885</u>	<u>193,026</u>
Non-current				
Guarantee deposits	<u>17,480</u>	<u>71,406</u>	<u>17,480</u>	<u>71,965</u>
	<u>82,822</u>	<u>338,328</u>	<u>64,365</u>	<u>264,991</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

9. Property and equipment

	Building and leasehold improvement US\$	Vehicle US\$	IT equipment US\$	US\$	Total KHR'000 (Note 4)
2023					
Cost					
At 1 January 2023	281,334	2,940	3,011	287,285	1,182,752
Additions	41,635	-	2,684	44,319	182,151
Currency translation difference	-	-	-	-	(10,301)
At 31 December 2023	322,969	2,940	5,695	331,604	1,354,602
Less: Accumulated depreciation					
At 1 January 2023	112,533	880	752	114,165	470,017
Depreciation for the year	32,297	588	1,424	34,309	141,010
Currency translation difference	-	-	-	-	(4,510)
At 31 December 2023	144,830	1,468	2,176	148,474	606,517
Carrying amounts					
At 31 December 2023	178,139	1,472	3,519	183,130	748,085

Friends International

Notes to the financial statements (continued) for the year ended 31 December 2023

9. Property and equipment (continued)

	Building and leasehold improvement US\$	Vehicle US\$	IT equipment US\$	US\$	Total KHR'000 (Note 4)
2022					
Cost					
At 1 January 2022	281,334	1,460	-	282,794	1,152,103
Additions	-	1,480	3,011	4,491	18,355
Currency translation difference	-	-	-	-	12,294
At 31 December 2022	281,334	2,940	3,011	287,285	1,182,752
Less: Accumulated depreciation					
At 1 January 2022	84,400	292	-	84,692	345,035
Depreciation for the year	28,133	588	752	29,473	120,456
Currency translation difference	-	-	-	-	4,526
At 31 December 2022	112,533	880	752	114,165	470,017
Carrying amounts					
At 31 December 2022	168,801	2,060	2,259	173,120	712,735

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Notes to the financial statements (continued) for the year ended 31 December 2023

10. Intangible assets

	HR software work in progress			
	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost				
At 1 January	19,279	79,372	-	-
Additions	-	-	19,279	78,793
Currency translation difference	-	(617)	-	579
At 31 December	19,279	78,755	19,279	79,372
Less: Accumulated depreciation				
At 1 January	-	-	-	-
Depreciation for the year	-	-	-	-
At 31 December	-	-	-	-
Carrying amounts				
At 31 December	19,279	78,755	19,279	79,372

11. Deferred income – donors

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Accor Heartist Solidarity	-	-	2,878	11,849
Arab Gulf Program for Development	32,432	132,485	-	-
Andrew Leaver	4,227	17,267	5,827	23,990
Australian Volunteers International	-	-	2,684	11,050
Credit Suisse APAC Foundation Limited	-	-	49,500	203,792
Friends Suisse/Ville de Genève	-	-	10,705	44,072
ECPAT Luxembourg asbl	4,427	18,084	9,702	39,943
Epic Foundation	271,227	1,107,962	565,472	2,328,048
Fondation Philanthropique NEXT	323,211	1,320,317	82,028	337,709
Fondation Pierre Bellon	39,409	160,986	75,392	310,389
Foundation Juniclair	43,563	177,955	-	-
Sub-total	718,496	2,935,056	804,188	3,310,842

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Notes to the financial statements (continued) for the year ended 31 December 2023

11. Deferred income – donors (continued)

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fossil Foundation	1,117	4,563	35,946	147,990
Gisela Stichting	-	-	8,469	34,867
International Labour Organisation	-	-	4,585	18,876
Intrepid Foundation	13,935	56,924	6,632	27,304
The Regent Capital Trust Corporation Ltd as Trustee of the Kwok Foundation	-	-	201,218	828,415
Lloyd George Asia Foundation.	-	-	6,519	26,839
Anonymous (OFF)	13,200	53,922	98,518	405,599
Fondation RAJA-Danièle Marcovici	-	-	16,071	66,164
The Cold Mountain Fund of RSF Social Finance	35,656	145,655	165,334	680,680
Shiseido Travel Retail Asia Pacific Pte. Ltd	-	-	138,018	568,220
National Center for HIV/AIDS & Dermatology (NCHAD)	7,335	29,964	27,669	113,913
Solidarity Accor Hotels.	-	-	3,321	13,673
Tourism Cares	2,111	8,623	1,740	7,164
UNICEF Cambodia	77,637	317,147	4,342	17,876
World Childhood Foundation.	-	-	2,472	10,176
Sub-total	<u>150,991</u>	<u>616,798</u>	<u>720,854</u>	<u>2,967,756</u>
Total	<u>869,487</u>	<u>3,551,854</u>	<u>1,525,042</u>	<u>6,278,598</u>

12. Employee benefit obligation

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Seniority indemnity	<u>-</u>	<u>-</u>	<u>247,049</u>	<u>1,017,101</u>

This represents provision for seniority indemnity on back-pay and current pay by Prakas No. 443 issued by the Ministry of Labour and Vocational Training on 21 September 2018 and subsequently amended by the Instruction No.042/19 dated 22 March 2019.

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Notes to the financial statements (continued) for the year ended 31 December 2023

12. Employee benefit obligation (continued)

The movement in employee benefit obligation are as below:

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	247,049	1,017,101	248,584	1,012,731
Recognised in profit or loss (Note16)	70,169	288,395	66,107	270,179
Payment during the year	(317,218)	(1,303,766)	(67,642)	(276,453)
Currency translation difference	-	(1,730)	-	10,644
At 31 December	-	-	247,049	1,017,101

On 26 June 2023, the Organisation paid off the obligation back pay seniority in amount to each individual employee. The Organisation maintains the current pay seniority which is due to be settled in June and December each year.

13. Other payables

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Tax payable	9,256	37,810	10,747	44,246
Others	27,265	111,378	13,560	55,826
	36,521	149,188	24,307	100,072

14. Donor funding

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Accor Heartist Solidarity	38,144	156,772	71,062	290,430
Arab Gulf Program for Development	7,568	31,104	19,005	77,673
Australian Volunteers International	2,684	11,031	9,865	40,318
Sub-total	48,396	198,907	99,932	408,421

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Notes to the financial statements (continued) for the year ended 31 December 2023

14. Donor funding (continued)

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Bel Foundation	-	-	15,699	64,162
Caritas Switzerland	-	-	2,118	8,656
Credit Suisse APAC Foundation Limited	349,500	1,436,445	355,312	1,452,160
CW Asia Fund Charitable Foundation	-	-	25,000	102,175
ECPAT Luxembourg asbl	283,641	1,165,765	356,096	1,455,364
Epic Foundation	515,898	2,120,341	97,026	396,545
Fondation Junclair	247,777	1,018,363	123,176	503,420
Fondation Philanthropique NEXT	240,817	989,758	262,411	1,072,474
Fondation Pierre Bellon	198,363	815,272	178,709	730,384
Fondation RAJA-Danièle Marcovici	20,199	83,018	440	1,798
Fossil Foundation	34,829	143,147	-	-
Gisela Stichting	28,468	117,003	27,829	113,737
Give2Asia	-	-	3,320	13,569
If International Foundation	-	-	275,050	1,124,129
International Labour Organisation	4,777	19,633	42,340	173,044
Intrepid Foundation	-	-	2,139	8,742
Lloyd George Asia Foundation	26,519	108,993	11,588	47,360
Mith Samlanh/Asian Development Bank	85,372	350,879	67,401	275,468
National Center for HIV/AIDS & Dermatology (NCHAD)	376,104	1,545,787	310,414	1,268,662
Save the Children/ European Union	-	-	(3,603)	(14,725)
Shiseido Travel Retail Asia Pacific Pte. Ltd	138,018	567,254	19,874	81,225
Skoll Foundation	315	1,295	-	-
The Cold Mountain Fund of RSF Social Finance	129,678	532,977	404,783	1,654,348
The Regent Capital Trust Corporation Ltd as Trustee of the Kwok Foundation	201,218	827,006	397,502	1,624,591
Tourism Cares	4,629	19,025	11,725	47,920
UNICEF Cambodia	628,853	2,584,586	1,202,631	4,915,153
Friends Suisse / Ville de Genève	17,173	70,581	27,774	113,512
World Childhood Foundation	33,555	137,911	36,445	148,951
Private Donors	264,924	1,088,839	407,955	1,667,313
Sub-total	<u>3,830,627</u>	<u>15,743,878</u>	<u>4,661,154</u>	<u>19,050,137</u>
Total	<u>3,879,023</u>	<u>15,942,785</u>	<u>4,761,086</u>	<u>19,458,558</u>

Friends International

Notes to the financial statements (continued) for the year ended 31 December 2023

15. Private donations

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
General Donation	49,777	204,583	427,764	1,748,272
ChildSafe Donation	9,633	39,592	4,729	19,327
ChildSafe Experiences	5,027	20,661	-	-
Futures Factory	10,240	42,086	-	-
	<u>74,677</u>	<u>306,922</u>	<u>432,493</u>	<u>1,767,599</u>

This represents donations from individuals, companies, organisations or institutes which are not covered by specific grant agreements.

16. Other income

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Bank interest	109,655	450,682	55,875	228,361
Others	105	432	1,772	7,242
	<u>109,760</u>	<u>451,114</u>	<u>57,647</u>	<u>235,603</u>

17. Personnel costs

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
International staff	490,611	2,016,411	518,292	2,118,259
National staff	863,324	3,548,262	740,690	3,027,200
Health & pensions	42,721	175,583	20,790	84,969
Stipend	5,170	21,249	553	2,260
Overtime	3,512	14,434	2,960	12,098
Consultancies/professional fees	181,508	745,998	255,465	1,044,085
Recruitment costs	11,078	45,530	11,954	48,856
Severance pay/Indemnity	70,169	288,395	66,107	270,179
Staff COVID testing	-	-	435	1,778
	<u>1,668,093</u>	<u>6,855,862</u>	<u>1,617,246</u>	<u>6,609,684</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

18. Direct costs

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Hygiene costs	7,643	31,413	11,714	47,875
Medical costs	2,958	12,157	3,476	14,206
IEC Material	1,889	7,764	377	1,541
Clothing for Beneficiaries	1,844	7,579	1,574	6,433
Non-Formal Education materials	-	-	119	486
Food/Drink for Beneficiaries	34,583	142,136	31,938	130,531
Family/Support	19,995	82,179	79,764	325,995
Harm Reduction Materials	91,513	376,118	47,472	194,018
Centre Supplies	9,052	37,204	7,579	30,975
Other Activity Costs	73	300	38	155
Case Manager Travel	1,951	8,019	1,925	7,867
Recreational Activity Support	584	2,400	668	2,730
Outreach Materials	519	2,133	1,214	4,962
School Reintegration Support	35,966	147,820	35,046	143,233
Vocational Training Materials / Referrals	19,511	80,190	12,439	50,838
Employment Activities	-	-	-	-
Employment Hotline Phone costs	75	308	-	-
Soft Skills Trainings	248	1,019	-	-
Futures Office Supplies	961	3,950	-	-
Employment Promotion Costs	435	1,788	-	-
Job Placement Support	1,106	4,546	537	2,195
Self-Employment Support	25,757	105,861	40,986	167,510
ChildSafe Activities	-	-	-	-
ChildSafe Hotline Activities	2,174	8,935	1,824	7,455
ChildSafe Awareness-Raising	728	2,991	1,211	4,949
Childsafe Agents Visibility Materials	3,146	12,930	4,759	19,450
Foster Care Families	17,294	71,078	14,735	60,222
Staff Uniforms	1,984	8,157	1,522	6,220
CS Experiences Activities	2,581	10,608	-	-
Independent Living	4,933	20,275	3,871	15,822
Beneficiary Transport	4,447	18,277	1,812	7,406
Beneficiary Trainings / Meetings	2,542	10,447	2,036	8,321
Community Event Costs	7,472	30,710	15,163	61,972
	<u>303,964</u>	<u>1,249,292</u>	<u>323,799</u>	<u>1,323,367</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

19. Equipment/Assets

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
IT/Computers	8,671	35,638	22,530	92,080
Furniture/Fittings	1,616	6,642	627	2,563
Vocational Training Equipment	2,522	10,365	250	1,022
Inventory	88	362	1,748	7,144
Depreciation on property and equipment	34,309	141,010	29,473	120,456
	<u>47,206</u>	<u>194,017</u>	<u>54,628</u>	<u>223,265</u>

20. Indirect costs

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Communications	16,506	67,839	16,379	66,941
Transport/ Gasoline/ Maintenance	12,816	52,674	12,742	52,077
Maintenance/Renovations	8,751	35,967	4,564	18,653
Office Supplies	10,428	42,859	8,627	35,259
Rent	64,798	266,320	57,454	234,814
Utilities	15,659	64,358	12,971	53,012
Printing/Photocopying	1,752	7,201	2,605	10,647
Postage&Shipping	577	2,371	532	2,174
Bank Charges	3,520	14,467	4,420	18,065
External Audits	36,091	148,334	18,000	73,566
Vehicle/Building Insurance	1,664	6,839	3,279	13,401
Advertising/Marketing	410	1,685	2,298	9,392
Subscriptions	5,178	21,282	8,528	34,854
Donor/staff/Authority relations	5,667	23,291	4,357	17,807
Other Expenses	962	3,954	323	1,320
Fundraising Costs	90	370	1,148	4,692
Bad Debts (Provision/Actual)	650	2,672	5,278	21,571
	<u>185,519</u>	<u>762,483</u>	<u>163,505</u>	<u>668,245</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

21. Travel and training

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
International Travel	12,348	50,750	12,234	50,000
National Travel	7,015	28,832	15,691	64,129
Staff Training	853	3,506	2,968	12,130
Workshops/Meetings	24,532	100,827	21,590	88,238
Exchanges/Exposure Trips	1,274	5,235	9,137	37,344
	<u>46,022</u>	<u>189,150</u>	<u>61,620</u>	<u>251,841</u>

22. Sub-grant to Friends Alliance

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Peuan Mit (Laos)	45,000	184,950	331,010	1,352,838
Teman Baik (Indonesia)	192,479	791,089	28,447	116,263
Peuan Peuan (Bangkok, Thailand)	87,000	357,570	291,777	1,192,493
Peuan Peuan (Aran, Thailand)	10,000	41,100	77,139	315,267
Mith Samlanh	1,005,564	4,132,869	1,655,517	6,766,098
Tha Ngae Chin Myar (Yangon)	78,332	321,944	78,347	320,204
Friends Suisse	-	-	10,172	41,573
	<u>1,418,375</u>	<u>5,829,522</u>	<u>2,472,409</u>	<u>10,104,736</u>

23. Sub-grant to 3PC partners

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Damnok Toek (DT)	50,052	205,714	94,890	387,815
Komar Rikreay (KMR)	29,123	119,696	60,575	247,570
M'lop Tapang (MT)	55,685	228,865	124,806	510,082
Sub-total	<u>134,860</u>	<u>554,275</u>	<u>280,271</u>	<u>1,145,467</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

23. Sub-grant to 3PC partners(continued)

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Samatapheap Khnom Organisation (SKO)	33,214	136,510	46,892	191,648
Cambodia Children's Trust (CCT)	24,377	100,189	46,284	189,163
Transcultural Psychosocial Organisation (TPO)	45,051	185,160	132,265	540,567
Krousar Thmey (KT)	19,782	81,304	30,651	125,271
Children's Futures International (CFI)	33,556	137,915	53,591	219,026
Korsang (KS)	92,332	379,485	90,429	369,583
Creative Generation (CG)	5,000	20,550	10,936	44,695
Khmer Cultural Development Institute (KCDI)	6,508	26,748	16,413	67,080
Epic Arts (EA)	22,526	92,582	19,394	79,263
Legal Aid of Cambodia (LAC)	17,510	71,965	56,213	229,743
Sub-total	<u>299,856</u>	<u>1,232,408</u>	<u>503,068</u>	<u>2,056,039</u>
Total	<u>434,716</u>	<u>1,786,683</u>	<u>783,339</u>	<u>3,201,506</u>

24. Related parties' transactions

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Key Management remuneration				
Remuneration	<u>116,810</u>	<u>480,089</u>	<u>114,060</u>	<u>466,163</u>
Grant/donation paid to programs				
Mith Samlanh	1,005,564	4,132,868	1,655,517	6,766,098
Peuan Peuan (Bangkok, Thailand)	87,000	357,570	291,777	1,192,493
Peuan Peuan (Aran, Thailand)	10,000	41,100	77,139	315,267
Teman Baik (Indonesia)	192,479	791,089	28,447	116,263
Tha Ngae Chin Myar - Myanmar	78,332	321,945	78,347	320,204
Peuan Mit (Laos)	45,000	184,950	331,010	1,352,838
Friends Suisse	-	-	10,172	41,573
	<u>1,418,375</u>	<u>5,829,522</u>	<u>2,472,409</u>	<u>10,104,736</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

24. Related parties' transactions (continued)

	2023		2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Grant/donation received from programs				
Mith Samlanh	85,372	350,879	67,401	275,468
Friends Suisse	<u>17,173</u>	<u>70,581</u>	<u>27,774</u>	<u>113,512</u>

25. Explanation of transition to CIFRS for SMEs

As stated in Note 2 (a), these are the Organisation's first set of financial statements prepared in accordance with CIFRS for SMEs.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2023, the comparative information presented in these financial statements for the year ended 31 December 2022 and in the preparation of an opening CIFRS for SMEs statement of financial position at 1 January 2022 (the Organisation's date of transition).

In preparing its opening CIFRS for SMEs statement of financial position, the Organisation has adjusted amounts reported previously in financial statements prepared in accordance with CFRS for NFPEs relating to the preparation and presentation of the financial statements ("Previous GAAP").

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Notes to the financial statements (continued) for the year ended 31 December 2023

25. Explanation of transition to CIFRS for SMEs (continued)

Reconciliation of cash

The following reconciliations summarise the impacts on initial application of CIFRS for SMEs on the Organisation's financial position as at 31 December 2022, and 1 January 2022 and the Organisation's statement of comprehensive income for the year ended 31 December 2022.

		31 December 2022			1 January 2022		
	Note	Previous GAAP CFRS for NFPEs US\$	Effect of transition to CIFRS for SMEs US\$	CIFRS for SMEs US\$	Previous GAAP CFRS for NFPEs US\$	Effect of Transition to CIFRS for SMEs US\$	CIFRS for SMEs US\$
ASSETS							
Current assets							
Cash and cash equivalents	A	3,568,632	(1,000,001)	2,568,631	4,340,074	(800,003)	3,540,071
Term deposit	A	-	1,023,469	1,023,469	-	800,003	800,003
Accrued income – donors	A	-	48,372	48,372	-	22,072	22,072
Other receivables	A	-	46,885	46,885	-	57,767	57,768
		<u>3,568,632</u>	<u>118,725</u>	<u>3,687,357</u>	<u>4,340,074</u>	<u>79,839</u>	<u>4,419,914</u>
Non-current assets							
Property and equipment	A	-	173,120	173,120	-	198,102	198,102
Intangible assets	A	-	19,279	19,279	-	-	-
Guarantee deposits	A	-	17,480	17,480	-	17,480	17,480
		<u>-</u>	<u>209,879</u>	<u>209,879</u>	<u>-</u>	<u>215,582</u>	<u>215,582</u>
TOTAL ASSETS		<u>3,568,632</u>	<u>328,604</u>	<u>3,897,236</u>	<u>4,340,074</u>	<u>277,941</u>	<u>4,635,496</u>
LIABILITIES AND RESERVES							
LIABILITIES							
Deferred income – donors	B	-	1,525,042	1,525,042	-	2,048,647	2,048,647
Employee benefit obligation	B	-	247,049	247,049	-	248,584	248,584
Other payables	B	-	24,307	24,307	-	12,107	12,107
Total liabilities		<u>-</u>	<u>1,796,398</u>	<u>1,796,398</u>	<u>-</u>	<u>2,309,338</u>	<u>2,309,338</u>
RESERVES							
Fund balance	A, B	<u>3,568,632</u>	<u>(1,467,794)</u>	<u>2,100,838</u>	<u>4,340,074</u>	<u>(2,013,916)</u>	<u>2,326,158</u>
Total reserves		<u>3,568,632</u>	<u>(1,467,794)</u>	<u>2,100,838</u>	<u>4,340,074</u>	<u>(2,013,916)</u>	<u>2,326,158</u>
TOTAL LIABILITIES AND RESERVES		<u>3,568,632</u>	<u>328,604</u>	<u>3,897,236</u>	<u>4,340,074</u>	<u>295,422</u>	<u>4,635,496</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

25. Explanation of transition to CIFRS for SMEs (continued)

Reconciliation of statement of comprehensive income for the year ended 31 December 2022

		Year ended 31 December 2022		
	Note	Previous GAAP CIFRS for NFPEs US\$	Effect of transition to CIFRS for SMEs US\$	CIFRS for SMEs US\$
Income				
Donations, fundraising and other similar receipts	A	5,635,951	(5,635,951)	-
Receipts from providing goods or services	A	425	(425)	-
Interest and other investment income receipt	A	50,717	(50,717)	-
Donor funding	A	-	4,761,086	4,761,086
Private donations	A	-	432,493	432,493
Other income	A	-	57,647	57,647
		<u>5,687,093</u>	<u>(435,867)</u>	<u>5,251,226</u>
Expenditures				
Volunteer and employee related payments	A	1,609,758	(1,609,758)	-
Program/Project by activities	A	316,061	(316,061)	-
Payments related to providing goods or services	A	162	(162)	-
Grants and donations paid	A	4,265,821	(4,265,821)	-
Other operating payments	A	217,809	(217,809)	-
Purchases of resources	A	48,925	(48,925)	-
Personnel costs	A	-	1,617,246	1,617,246
Direct cost	A	-	323,799	323,799
Equipment/Assets	A	-	54,628	54,628
Indirect costs	A	-	163,505	163,505
Travel and training	A	-	61,620	61,620
Sub- Grants to Friends Alliances	A	-	2,472,409	2,472,409
Sub- Grants to 3PC Partners	A	-	783,339	783,339
		<u>6,458,536</u>	<u>(981,990)</u>	<u>5,476,546</u>
Net deficit for the year	C	<u>(771,443)</u>	<u>546,123</u>	<u>(225,320)</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

25. Explanation of transition to CIFRS for SMEs (continued)

A. Adjustment of assets

As the Organisation has complied with CIFRS for SMEs, these assets are adjusted from the corresponding expense/receipts accounts as well as in retained earnings for those balances carried forward from the previous year to the years of which the payments were actually made to be in-line with the principle of CIFRS for SMEs.

B. Adjustment of liabilities

These liabilities are reversed from the corresponding expense/receipts accounts as well as in retained earnings for those balances carried forward from the previous year to the years of which the payments were actually made or received to be in-line with the principle of CIFRS for SMEs.

C. Impact on retained surplus

These mostly pertain to the beginning balances of all assets and liabilities which are recognized and measurement to be in-line with the principle of CIFRS for SMEs

All payments made /Receipts received should be recognised as an expense or capitalise to assets according to the nature of transaction during the years its incurred or accounted in fund balance for those balances carried forward from the previous year.

26. Lease commitments

As at 31 December, the Organisation has commitments in respect of these operating leases as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	32,867	134,261	22,817	93,938
Within two to five years	95,378	389,619	9,334	38,428
More than five years	34,650	141,545	-	-
	<u>162,895</u>	<u>665,425</u>	<u>32,151</u>	<u>132,366</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

27. Taxation contingencies

In August 2021, General Department of Taxation (“GDT”) has issued tax notification letter for comprehensive tax audit in respect of the period from 1 January 2016 to 31 December 2020 for FI Phnom Penh and Siem Reap offices. In September 2022, a notice of tax reassessment (“NTR”) was issued, alleging the under-declaration of various taxes with imposed tax penalties and interest, totalling KHR 6,208,433,913 (approximate to US\$1,552,108)

The Organisation has lodged several administrative protest letters since October 2022 onwards to challenge the GDT for the imposed amounts on the ground that the calculation basis in the NTR is not in accordance and some items are not clear interpretation in the existing Cambodian Law on Taxation. The management has assessed the current situation and is in view those alleged items are not justifiable and shall be removed. The Organisation is seeking the support of the Ministry of Social Affairs, Veterans & Youth Rehabilitation (“MoSVY”), and the Ministry of Labour & Vocational Training (“MoLVT”). As at the date of these financial statements, a conclusion has not been reached.

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. The management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differed interpretations and the effects since the incorporation of the entities could be significant.