

**FRIENDS-INTERNATIONAL – SIEM REAP OFFICE
(KALIYAN MITH)**

**Financial Statements
for the year ended 31 December 2016
and
Report of the Independent Auditors**

Siem Reap Office (Kaliyan Mith) of Friends-International

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* The Annex do not form part of the audited financial statements, it is unaudited and provided for information purpose only.

Organisation Information

Organisation Name	Friends-International – Siem Reap Office (Kaliyan Mith) (“the Organisation”)
Organisation Document	<p>Memorandum of Understanding (“MoU”) issued by the Royal Government of Cambodia represented by the Ministry of Foreign Affairs and International Cooperation on 11 August 2005 for a period of three years ended 10 August 2008, subsequently extended for another period of nine years ending 10 August 2017. Organisation is in the process of getting the MoU renewed.</p> <p>Memorandum of Understanding (“MoU”) issued by the Royal Government of Cambodia represented by Siem Reap Province and Friends-International on 21 March 2007 for a period of five years ended 21 March 2012, subsequently extended for another period of five years ending 21 March 2017. Organisation has initiated the process of getting the MoU renewed.</p>
Main Donors	<p>Comic Relief World Childhood Foundation Aide et Action Cambodia Terre des Hommes Netherlands/FI Friends Deutschland CLSA Chairman’s Trust Fondation de l’Orangerie Gisela Foundation Australian Agency for International Development (“AusAID”) United Nations Children’s Fund (“UNICEF”) Cambodia</p>
Board of Directors	<p>Wilfried Schneider, Chairman Leonard Coster Denis Marot Birgit Aßmann Michael Gilmore Vivian Gee</p>
Management	<p>Sebastien Marot, Executive Director and Founder Ampor Sam Oeun, Program Director Kanchan Kapoor, Head of Finance, Human Resources and Grants Chhom Makara, Finance Manager</p>
Registered Office	House # 1188, Group 3, Top Town road ,Salakanseng Village, Svay Dangcum Commune, Siem Reap, Cambodia
Principal Bankers	ANZ Royal Bank (Cambodia) Ltd ACLEDA Bank Plc.
Auditors	KPMG Cambodia Ltd

Statement by the management

I, the undersigned, on behalf of management of Siem Reap Office (Kaliyan Mith) of Friends-International ("FI-SRP") do hereby state that, in my opinion, the accompanying financial statements which comprise the statement of financial position as at 31 December 2016 and the statement of income and expenditure for the year then ended as set out on pages 6 to 16 are prepared, in all material respects, in accordance with the basis of preparation and the accounting policies described in Note 2 to the financial statements.



Ms. Ampor Sam Oeun
Program Director

Siem Reap, Kingdom of Cambodia

Date: 24 April 2017



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Report of the independent auditors

To the Donors and Board of Directors

Siem Reap Office (Kaliyan Mith) of Friends-International

Opinion

We have audited the accompanying financial statements of Siem Reap Office (Kaliyan Mith) of Friends-International (“FI-SRP”), which comprises the statement of financial position as of 31 December 2016, the statement of income and expenditure for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 16 (“financial statements”).

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies as described in Note 2 to the financial statements.

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 FI-SRP 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 Information

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the report of the management on Annex I. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter - Basis of Accounting and Restriction on Use and Distribution

We draw attention to Note 2 to the financial statements, which describes the basis of accounting and the accounting policies adopted by the FI-SRP. The financial statements are prepared for the information of and use by the Donors and management of the FI-SRP. As a result, the financial statements may not be suitable for another purpose. Our audit report is intended solely for the Donors and management of the FI-SRP and should not be used by or distributed to other parties other than the Donors of the FI-SRP. 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 the basis of accounting and the accounting policies described in Note 2 to the financial statements, 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 FI-SRP'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 FI-SRP'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 FI-SRP'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 FI-SRP'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 FI-SRP to cease to continue as a going concern.

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




Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

24 April 2017

Siem Reap Office (Kaliyan Mith) of Friends-International

Statement of financial position as at 31 December 2016

	Note	2016 US\$	2015 US\$
Assets			
Cash and bank balances	3	59,250	91,229
Cash advances		739	1,290
Receivables – Funding		28	25,342
Other receivables		3,963	6,720
Deposits		15,930	16,310
Loans to staff		900	2,050
		<u>80,810</u>	<u>142,941</u>
Liabilities			
Program loan payables	4	73,333	73,333
Salary tax payables		721	636
Withholding tax payables		657	150
Other payables	5	79,722	13,157
		<u>154,433</u>	<u>87,276</u>
Net liabilities		<u>(73,623)</u>	<u>55,665</u>
Fund balance at end of year		<u>(73,623)</u>	<u>55,665</u>

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

Siem Reap Office (Kaliyan Mith) of Friends-International

Statement of income and expenditure for the year ended 31 December 2016

	Note	2016 US\$	2015 US\$
Income			
Donor funding	6	476,304	574,043
Sales revenue	7	560,084	487,980
Internal grants	8	51,075	91,779
Private donations	9	63,980	8,270
Consultancy income		-	5,760
Other income		-	2,189
		<u>1,151,443</u>	<u>1,170,021</u>
Expenditure			
Personnel costs	10	595,443	540,460
Direct costs	11	126,908	157,214
Equipment/Assets	12	13,858	9,782
Indirect costs	13	210,548	183,123
Capacity building, monitoring and evaluation	14	2,285	1,870
Coordination, management monitoring		-	501
Other business costs	15	315,406	322,021
Headquarter support costs	16	16,283	19,818
		<u>1,280,731</u>	<u>1,234,789</u>
Deficit of income over expenditure		(129,288)	(64,768)
Fund balance at beginning of year		55,665	120,433
Fund balance at end of year		<u><u>(73,623)</u></u>	<u><u>55,665</u></u>

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

Siem Reap Office (Kaliyan Mith) of Friends-International

Notes to the financial statements for the year ended 31 December 2016

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, attempting 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 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 is valid for a period of three years ended 10 August 2008 and subsequently extended for another period of nine years ending 10 August 2017. Organisation has initiated the process of getting MoU renewed.

Siem Reap Office (Kaliyan Mith) of Friends-International (“FI-SRP” or “the Office”) was established under the Memorandum of Understanding (“MoU”) issued by the Royal Government of Cambodia represented by Siem Reap Province and Friends-International on 21 March 2007 for period of five years ended on 21 March 2012. Subsequently the MoU was extended for another period of five years ending on 18 July 2017. Organisation has initiated the process of getting MoU renewed.

As at 31 December 2016, the FI-SRP had 121 personnel (2015: 134 personnel).

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the FI-SRP in the preparation of these financial statements.

Siem Reap Office (Kaliyan Mith) of Friends-International

Notes to the financial statements (continued) for the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

(a) Basis of accounting

The financial statements, which are expressed in United States Dollars (“US\$”), have been prepared in accordance with a modified cash receipts and disbursements basis of accounting. This is a basis of accounting that is designed to meet the requirements of the FI-SRP; it is not designed to produce financial statements that are compatible with International Financial Reporting Standards.

Under this basis of accounting, income is recognised when funds are received rather than when it is earned and expenditure is recognised when payments are made rather than when it is incurred, except for the following treatments:

- Cash advances which is initially recognised as receivables in the statement of financial position and only recognised as expenditure when they have been liquidated by supporting invoices.
- Deposits with suppliers, other receivables and loans to staff are recorded as receivables in the statement of financial position until settled.
- Salary tax payable and other payables are recorded in the statement of financial position until settled.

(b) Non-expendable equipment

The cost of non-expendable equipment is charged to expenditure upon acquisition. For control and management purposes, a memorandum account of non-expendable equipment is maintained by way of a non-expendable equipment listing.

(c) Foreign currency translation

The FI-SRP executes transactions and maintains its accounting records primarily in United States Dollars (“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.

Siem Reap Office (Kaliyan Mith) of Friends-International

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Cash and bank balances

	2016 US\$	2015 US\$
Cash at banks	50,163	78,823
Cash on hand	9,087	12,406
	<u>59,250</u>	<u>91,229</u>

4. Program loan payables

This represents loan borrowed from Phnom Penh Headquarters of Friends-International ("FI-HQ") to support its social business operation, mainly Marum restaurant located in Siem Reap Province. The loan is interest free, unsecured and is repayable on monthly instalment of US\$9,166.67 effective from 1 January 2015. Effective from 1 January 2016, the remaining amounts US\$73,333 have been agreed by Phnom Penh Head Quarters to be repaid in the following years.

Siem Reap Office (Kaliyan Mith) of Friends-International

Notes to the financial statements (continued) for the year ended 31 December 2016

5. Other payables

	2016 US\$	2015 US\$
Fund Payable	15,013	36
Miscellaneous payable		
Franchisee fee, raw material & product	60,526	9,573
Student's tip	4,123	3,528
Gift voucher	60	20
	<u>79,722</u>	<u>13,157</u>

6. Donor funding

	2016 US\$	2015 US\$
World Childhood Foundation	35,982	47,680
Comic Relief	28,842	45,842
Gisela Foundation	20,000	20,000
Cambodia Children Support Foundation	16,636	-
Silver Lining Education Play-Day	1,278	-
St. Paul's Foundation	2,475	-
Silver Lining TSEE Family	564	-
CLSA Chairman's Trust	-	80,000
Victory Hwang/ Direct Connect Services	-	37,252
Aide et Action Cambodia	-	29,876
Friends Deutschland	-	27,000
AusAID (Mith Samlanh)	-	24,632
Funds received from donors through Phnom Penh Headquarters:		
Fossil Foundation	150,695	-
UNICEF Cambodia	93,600	130,366
ORR Foundation	50,000	-
Fondation de l'Orangerie	42,542	13,481
Geneva City	14,585	-
USAID	10,110	56,607
Terre des Hommes Netherlands/FI	7,595	6,743
Friends Deutschland	1,400	23,571
Give2Asia	-	30,000
World Education	-	1,328
Global Fund	-	(335)
	<u>476,304</u>	<u>574,043</u>

Siem Reap Office (Kaliyan Mith) of Friends-International

Notes to the financial statements (continued) for the year ended 31 December 2016

7. Sales revenue

	Note	2016 US\$	2015 US\$
Marum restaurant	(i)	427,267	362,666
Friends 'N' Stuff	(ii)	52,200	41,589
Friends 'N' Stuff – Marum	(iii)	69,636	63,562
Vocational Training Centre	(iv)	10,981	20,163
		<u>560,084</u>	<u>487,980</u>

(i) Marum Restaurant

Marum Restaurant was established in September 2012, as part of the Vocational Training program for hospitality students under the TREE Alliance (Training Restaurants for Employment & Entrepreneurship) franchise. The restaurant allows Cooking Level 1 graduates to move to a real-life restaurant environment where they gain hands-on experience in cooking for and serving customers, before they can graduate and be placed in employment.

(ii) Friends 'N' Stuff

Home-Based production project in Siem-Reap started in 2007; the project is an income generating initiative which creates economic opportunities for vulnerable communities. Home-Based production provides market linked skills training and subsequent employment opportunities to parents of vulnerable children as a means of reducing incidences of child labor and ensuring children receive an education. Products hand-crafted by the parents are purchased on a weekly basis and sold in an outlet located in the Siem Reap Art Centre called Friends 'N' Stuff; the shop was opened in the first quarter of 2008.

(iii) Friends 'N' Stuff – Marum

Friends 'N' Stuff – Marum was opened the same time as the Marum Restaurant in September 2012. This is the second retail outlet in Siem Reap selling Home-Based Products, Cookbooks and other Marum memorabilia.

Siem Reap Office (Kaliyan Mith) of Friends-International

Notes to the financial statements (continued) for the year ended 31 December 2016

7. Sales revenue (continued)

(iv) Vocational Training Centre

In February 2008, Friends-International started providing young people in Siem Reap province with vocational training in cooking, sewing and hair cutting. Welding and mechanics training workshops were added in June 2008. The skills provided are responding to the needs of children and youths who are first met through outreach services and access through the Kaliyan Mith Drop In Centre. Youths are also provided with temporary accommodation when needed. At the end of their training, they are supported to find gainful employment and their situation is followed up for a minimum of 6 months until it is stabilised. As the training centre is developing, business activity is being developed in order to increase the sustainability of the project and to ensure that skills taught are in line with the reality of the market.

8. Internal Grants

This represents funds received from Phnom Penh Headquarter.

9. Private donations

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

10. Personnel costs

	2016 US\$	2015 US\$
National staff	492,065	445,663
International staff	76,000	67,427
Health insurance	18,878	17,697
Stipends	1,020	4,160
Overtime	6,326	4,842
Consultancies/ professional fees	350	185
Recruitment costs	804	486
	<hr/>	<hr/>
	595,443	540,460
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Siem Reap Office (Kaliyan Mith) of Friends-International

Notes to the financial statements (continued) for the year ended 31 December 2016

11. Direct costs

	2016 US\$	2015 US\$
Food and drink for beneficiaries	45,655	52,481
Foster care families	27,651	23,831
Placement support	16,212	22,056
Vocational training materials	5,635	4,629
ChildSafe materials	4,457	6,821
Family reintegration travel	4,051	4,044
Medical costs	3,641	5,582
School reintegration support	3,280	12,033
Recreational activity support	3,181	2,034
Family income generation support	3,177	3,790
Family and school support	3,081	5,181
Hygiene costs	2,818	7,374
Centre supplies	2,515	1,247
Clothing for beneficiaries	537	1,139
General activity costs	348	185
Educational materials	304	1,532
Staff uniforms	190	2,560
IEC materials	175	258
Outreach materials	-	314
Harm Reduction Materials	-	123
	<u>126,908</u>	<u>157,214</u>

12. Equipment/Assets

	2016 US\$	2015 US\$
Furniture and fittings	2,124	1,404
IT and computers	3,243	2,554
Vehicles	-	1,080
Inventories	3,184	1,370
Vocational training equipment	5,307	3,374
	<u>13,858</u>	<u>9,782</u>

Siem Reap Office (Kaliyan Mith) of Friends-International

Notes to the financial statements (continued) for the year ended 31 December 2016

13. Indirect costs

	2016 US\$	2015 US\$
Rent	62,601	55,633
Maintenances and renovations	53,827	14,178
Transport and gasoline	34,094	48,469
Utilities	26,648	25,485
Communications	6,342	6,403
Advertising and marketing	5,887	5,115
Audit fees	5,520	9,689
Office supplies	4,644	6,268
Bank charges	3,765	2,713
Vehicles and building insurance	2,881	4,418
Donor, staff and authority relations	2,070	3,090
Printing and photocopying	593	262
Postage and shipping	74	134
Subscriptions	-	150
Other expenses	1,602	1,116
	<u>210,548</u>	<u>183,123</u>

14. Capacity building, monitoring and evaluation

	2016 US\$	2015 US\$
National travel	486	537
External staff training	788	472
Internal training	971	389
International travel	40	355
Research/assessments	-	117
	<u>2,285</u>	<u>1,870</u>

Siem Reap Office (Kaliyan Mith) of Friends-International

Notes to the financial statements (continued) for the year ended 31 December 2016

15. Other business costs

	2016 US\$	2015 US\$
Cost of sales	217,441	229,621
Outlet supplies	25,823	32,855
Franchise fees	42,677	36,267
Staff food costs	20,612	20,969
Business uniforms	8,498	1,704
Sample materials	355	605
	<u>315,406</u>	<u>322,021</u>

16. Headquarter support costs

This represents Headquarter Support fee charged by Phnom Penh Headquarters for its technical advisory and core management service for management at FI-SRP. The charge ranged from 7% to 10% of approved budget.

Siem Reap Office (Kaliyan Mith) of Friends-International

Annex I – Schedule of income and expenditure by donors (Unaudited) for the year ended 31 December 2016

Description	Fund balance as at 1 January 2016 US\$	Income US\$	Expenses US\$	Transfer US\$	Fund balance as at 31 December 2016 US\$
Friends N Stuff KMSR	(51,053)	40,162	52,033	45,530	(17,394)
Friends N Stuff Art Center	17,817	-	-	(17,817)	-
Friends n Stuff Marum	29,029	69,636	32,417	(33,545)	32,703
Sewing Workshop	13,598	9,597	18,384	7,952	12,763
Marum Restaurant	(119,364)	427,267	436,927	(742)	(129,766)
Phka Kravan	7,125	3,529	4,061	-	6,593
Mechanics	10,079	4,714	6,544	3,468	11,717
Sewing Training	-	2,441	6,920	4,573	94
Caretaker Restaurant	-	2,738	2,573	(246)	(81)
Geneva City (2016-2018)	-	14,585	2,465	-	12,120
ORR Foundation	-	50,000	10,509	(3,875)	35,616
Fossil Foundation (Year2)	-	-	37,031	(84)	(37,115)
Safe The Children (USAID)	-	10,110	11,726	(61)	(1,677)
UNICEF Cambodia Phase3 (May-Dec,16)	-	81,251	77,913	(1,092)	2,246
Victory Hwang/Direct Connect Services	(11,749)	-	1	-	(11,750)
Comic Relief	15,287	28,842	40,652	(195)	3,282
Kaliyan Mith Reserves	7,173	4,997	619	11,372	179
Childsafe Reserves	1,881	2,964	3,920	-	925
Paul Newfield	37,728	54,504	49,243	(246)	42,743
Terre des Hommes Netherlands/FI	2,397	7,595	10,068	-	(76)

Siem Reap Office (Kaliyan Mith) of Friends-International

Annex I – Schedule of income and expenditure by donors (Unaudited) for the year ended 31 December 2016 (continued)

Description	Fund balance as at 1 January 2016 US\$	Income US\$	Expenses US\$	Transfer US\$	Fund balance as at 31 December 2016 US\$
Fondation de l'Orangerie 2017	-	16,392	-	-	16,392
Internal Funding	(7,840)	48,000	110,427	9,121	(61,146)
Health Child Fund	6,281	3,075	1,347	-	8,009
UNICEF Cambodia (April-16)	-	12,349	12,349	-	-
Intrepid Foundation	-	1,515	1,515	-	-
Gisela Foundation	-	20,000	20,000	-	-
Cambodia Children Support Foundation	-	16,636	16,636	-	-
Silver Lining TSEE Family	-	564	564	-	-
Silver Lining Education Play-Day	-	1,278	1,278	-	-
St. Paul's Foundation	-	2,475	2,475	-	-
Fossil Foundation	(12,175)	150,695	137,559	(961)	-
Friends Deutschland	16,529	1,400	17,834	(95)	-
Fondation de l'Orangerie	-	26,150	26,050	(100)	-
World Childhood Foundation	-	35,982	35,982	-	-
DFAT/DAP (AusAid)	7,851	-	7,791	(60)	-
UNICEF Cambodia	32,414	-	32,342	(72)	-
CLSA Chairman's Trust	52,657	-	52,576	(81)	-
	<u>55,665</u>	<u>1,151,443</u>	<u>1,280,731</u>	<u>=</u>	<u>(73,623)</u>