

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

**Financial Statements
for the year ended 31 December 2017
and
Report of the Independent Auditors**

Friends-International – Siem Reap (Kaliyan Mith)

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*: *This annex does not form part of the audited financial statements and provided for information purpose only.*

Organisation Information

Organisation Name	Friends-International – Siem Reap (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 and another extended for a period of three years ended 30 October 2020.</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>Cambodian Children Support Foundation Fossil Foundation Geneva City Gisela Foundation IF Foundation Intrepid Foundation/FI Fondation de l’Orangerie World Childhood Foundation United Nations Children’s Fund (“UNICEF”) Cambodia</p>
Board of Directors	<p>Wilfried Schneider, Chairman Leonard Coster, Member Timothee Wagener, Member Michael Gilmore, Member Vivian Gee, Member</p>
Management	<p>Sebastien Marot, Executive Director and Founder Ampor Sam Oeun, International Program Coordinator Tho Maneth, Program Director Von Phalla, International Finance Coordinator 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 Friends-International – Siem Reap (Kaliyan Mith) (“FI-SR”) do hereby state that, in my opinion, the accompanying financial statements which comprise the statement of financial position as at 31 December 2017 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.



Mr. Tho Maneth
Program Director

Siem Reap, Kingdom of Cambodia

Date: **28 MAY 2018**





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Report of the independent auditors To the Donors and Board of Directors Friends-International – Siem Reap (Kaliyan Mith)

Opinion

We have audited the accompanying financial statements of Friends-International – Siem Reap (Kaliyan Mith) (“FI-SR”), which comprises the statement of financial position as of 31 December 2017, the statement of income and expenditure for the year then ended and notes, comprising 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-SR 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.

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-SR. The financial statements are prepared for the information of and use by the Donors and management of the FI-SR. 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-SR and should not be used by or distributed to other parties other than the Donors of the FI-SR. Our opinion is not modified in respect of this matter.



Other Information

Management is responsible for the other information. The other information comprises the information included in the Appendix I, but does not include the financial statements and our auditors' report thereon.

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, 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.

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-SR'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-SR'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-SR'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-SR'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-SR 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


Taing YoukFong
Partner



Phnom Penh, Kingdom of Cambodia

28 May 2018

Friends-International – Siem Reap (Kaliyan Mith)

Statement of financial position as at 31 December 2017

	Note	2017 US\$	2016 US\$
Assets			
Cash and bank balances	3	141,760	59,250
Cash advances		2,050	739
Receivables		12,692	3,991
Deposits		16,430	15,930
Loans to staff		950	900
		<u>173,882</u>	<u>80,810</u>
Liabilities			
Program loan payables		-	73,333
Salary tax payables		576	721
Withholding tax payables		718	657
Other payables	4	38,830	79,722
		<u>40,124</u>	<u>154,433</u>
Net assets/(liabilities)		<u>133,758</u>	<u>(73,623)</u>
Fund balance at end of year		<u>133,758</u>	<u>(73,623)</u>

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

Friends-International – Siem Reap (Kaliyan Mith)

Statement of income and expenditure for the year ended 31 December 2017

	Note	2017 US\$	2016 US\$
Income			
Donor funding	5	581,978	476,304
Training Income	6	623,362	556,624
Internal grants	7	84,346	51,075
Private donations	8	29,800	60,768
Other Income		10,334	6,672
		<u>1,329,820</u>	<u>1,151,443</u>
Expenditure			
Personnel costs	9	515,544	595,443
Direct costs	10	109,909	126,908
Equipment/Assets	11	6,103	13,858
Indirect costs	12	153,719	210,548
Capacity building, monitoring and evaluation	13	4,503	2,285
Coordination, management monitoring		160	-
Other training income generation costs	14	318,715	315,406
Headquarter support costs	15	13,786	16,283
		<u>1,122,439</u>	<u>1,280,731</u>
Surplus/(deficit) of income over expenditure		207,381	(129,288)
Fund balance at beginning of year		(73,623)	55,665
Fund balance at end of year		<u><u>133,758</u></u>	<u><u>(73,623)</u></u>

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

Friends-International – Siem Reap (Kaliyan Mith)

Notes to the financial statements for the year ended 31 December 2017

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 and another extended for a period of three years ended 30 October 2020.

Siem Reap (Kaliyan Mith) of Friends-International (“FI-SR” 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 2017, the FI-SR had 124 personnel (2016: 121 personnel).

2. Significant accounting policies

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

Friends-International – Siem Reap (Kaliyan Mith)

Notes to the financial statements (continued) for the year ended 31 December 2017

2. 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-SR; 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-SR 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.

Friends-International – Siem Reap (Kaliyan Mith)

Notes to the financial statements (continued) for the year ended 31 December 2017

3. Cash and bank balances

	2017 US\$	2016 US\$
Cash at banks	133,831	50,163
Cash on hand	7,929	9,087
	<u>141,760</u>	<u>59,250</u>

4. Other payables

	2017 US\$	2016 US\$
Fund Payable	883	15,013
Miscellaneous payable:		
Franchisee training cost, raw material & product	31,424	60,526
Student's tip	3,564	4,123
Forte Insurance Company	2,733	-
Greg Mo	93	-
Mith Samlanh	93	-
Gift voucher	40	60
	<u>38,830</u>	<u>79,722</u>

Friends-International – Siem Reap (Kaliyan Mith)

Notes to the financial statements (continued) for the year ended 31 December 2017

5. Donor funding

	2017 US\$	2016 US\$
World Childhood Foundation	26,983	35,982
Geneva Canton	23,003	14,585
Gisela Foundation	19,992	20,000
Victory Hwang/Direct Connect Services	11,750	-
Tourism Cares	4,000	-
Comic Relief	3,300	28,842
Cambodia Children Support Foundation	-	16,637
St. Paul's Foundation	-	2,475
Silver Lining Education Play-Day	-	1,278
Silver Lining TSEE Family	-	564
Funds received from donors through Phnom Penh Headquarters:		
Fossil Foundation	180,000	150,694
UNICEF Cambodia	155,013	93,600
USAID	47,608	10,110
IF Foundation	46,406	-
Intrepid Foundation	30,782	-
Fondation de l'Orangerie	13,776	42,542
Smart Axiatra	10,000	-
Philanthropy Advisor	6,070	-
Terre des Hommes Netherlands/FI	2,575	7,595
Microsoft Philanthropy	720	-
Friends Deutschland	-	1,400
Orr Foundation	-	50,000
	581,978	476,304

Friends-International – Siem Reap (Kaliyan Mith)

Notes to the financial statements (continued) for the year ended 31 December 2017

6. Training Income

	Note	2017 US\$	2016 US\$
Marum training restaurant	(i)	490,389	426,746
Friends 'N' Stuff	(ii)	44,674	49,490
Friends 'N' Stuff – Marum	(ii)	57,518	69,408
Vocational Training Centre	(iii)	30,781	10,981
		<u>623,362</u>	<u>556,624</u>

(i) Marum Training Restaurant

Marum Training 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 training restaurant allows Cooking Level 1 graduates to move to a real-life restaurant environment where they gain hands-on experiences 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 generate income in Friends 'N' Stuff locations.

(iii) Vocational Training Centre

In 2008, Friends-International started to provide young people in Siem Reap province with vocational training in cooking, sewing, welding, mechanics and hair cutting. 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.

Friends-International – Siem Reap (Kaliyan Mith)

Notes to the financial statements (continued) for the year ended 31 December 2017

7. Internal Grants

This represents funds received from Friends International - Phnom Penh Headquarter.

8. Private donations

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

9. Personnel costs

	2017 US\$	2016 US\$
National staff	480,207	491,315
International staff	14,435	76,750
Health insurance	15,092	18,878
Overtime	5,018	6,326
Severance pay	511	-
Recruitment costs	281	804
Stipends	-	1,020
Consultancies/professional fees	-	350
	<u>515,544</u>	<u>595,443</u>

Friends-International – Siem Reap (Kaliyan Mith)

Notes to the financial statements (continued) for the year ended 31 December 2017

10. Direct costs

	2017 US\$	2016 US\$
Food and drink for beneficiaries	32,018	45,655
Foster care families	27,778	27,651
Placement support	9,817	16,212
Family income generation support	6,699	3,177
School reintegration support	5,376	3,280
Hygiene costs	5,103	2,818
ChildSafe materials	4,375	4,457
Family reintegration travel	4,199	4,051
Recreational activity support	3,566	3,181
Family and school support	2,009	3,081
Vocational training materials	2,933	5,635
Medical costs	2,574	3,641
Centre supplies	1,070	2,515
General activity costs	691	348
Staff uniforms	684	190
Clothing for beneficiaries	533	537
Educational materials	455	304
Outreach materials	29	-
IEC materials	-	175
	<u>109,909</u>	<u>126,908</u>

11. Equipment/Assets

	2017 US\$	2016 US\$
Vehicles	2,200	-
Furniture and fittings	2,073	2,124
Inventories	1,011	3,184
IT and computers	819	3,243
Vocational training equipment	-	5,307
	<u>6,103</u>	<u>13,858</u>

Friends-International – Siem Reap (Kaliyan Mith)

Notes to the financial statements (continued) for the year ended 31 December 2017

12. Indirect costs

	2017 US\$	2016 US\$
Rent	63,342	62,601
Utilities	27,671	26,648
Transport and gasoline	18,890	34,094
Maintenances and renovations	12,565	53,827
Advertising and marketing	6,470	5,887
Audit fees	6,070	5,520
Communications	5,824	6,342
Bank charges	3,691	3,765
Vehicles and building insurance	2,733	2,881
Office supplies	2,163	4,644
Printing and photocopying	1,168	593
Donor, staff and authority relations	1,104	2,070
Postage and shipping	525	74
Other expenses	1,503	1,602
	<u>153,719</u>	<u>210,548</u>

13. Capacity building, monitoring and evaluation

	2017 US\$	2016 US\$
National travel	2,714	486
External staff training	1,143	788
Research/assessments	479	-
International travel	85	40
Internal training	82	971
	<u>4,503</u>	<u>2,285</u>

Friends-International – Siem Reap (Kaliyan Mith)

Notes to the financial statements (continued) for the year ended 31 December 2017

14. Other training income generation costs

	2017 US\$	2016 US\$
Costs of income generation	217,294	217,441
Franchise training costs	49,048	42,677
Outlet supplies	23,347	25,823
Staff food costs	20,544	20,612
Training Staff/ Student uniforms	8,084	8,498
Sample materials	398	355
	<u>318,715</u>	<u>315,406</u>

15. Headquarter support costs

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

Friends-International – Siem Reap (Kaliyan Mith)

Annex I – Schedule of income and expenditure by donors for the year ended 31 December 2017

Description	Fund balance as at 1 January 2017 US\$	Income US\$	Expenses US\$	Transfer US\$	Write Off US\$	Fund balance as at 31 December 2017 US\$
Friends N Stuff KMSR	(17,394)	29,130	41,664	21,501	-	(8,427)
Friends n Stuff Marum	32,703	57,588	22,133	(23,133)	30,000	15,025
Marum Training Restaurant	(129,766)	575,214	443,819	(666)	-	963
Nyum Nyum Training Restaurant	(81)	13,995	10,512	-	-	3,402
Sewing Training Workshop	12,763	15,693	26,708	4,042	-	5,790
Phka Kravan Training	6,593	7,971	4,249	(86)	10,000	229
Mechanics Training	11,717	5,377	3,539	2,098	5,687	9,966
Sewing Training	94	2,993	180	4,552	7,459	-
Hair Barber Training	-	445	-	-	-	445
IF Foundation	-	46,406	15,085	(4,479)	-	26,842
Cambodian Children Support Fund	-	22,538	16,491	(30)	-	6,017
Responsible Travel	-	1,350	1,080	-	-	270
Gecko/Intrepid Foundation	-	11,558	3,556	-	-	8,002
Intrepid Foundation	-	19,224	11,485	(15)	-	7,724
Gisela Foundation	-	19,992	12,997	(137)	-	6,858
Tourism Cares	-	4,000	489	-	-	3,511
Geneva Canton	12,120	23,003	15,876	-	-	19,247
Save The Children	(1,677)	47,608	40,473	(674)	-	4,784
UNICEF Cambodia	2,246	155,013	160,388	(527)	-	(3,656)
Paul Newfield	42,743	-	28,254	(29)	-	14,460

Friends-International - Siem Reap (Kaliyan Mith)

Annex I – Schedule of income and expenditure by donors (continued) for the year ended 31 December 2017

Description	Fund balance as at 1 January 2017 US\$	Income US\$	Expenses US\$	Transfer US\$	Write Off US\$	Fund balance as at 31 December 2017 US\$
Kaliyan Mith Private Funds	179	10,977	2,960	-	8,000	196
ChildSafe Reserves	925	4,224	817	-	-	4,332
Health Child Fund	8,009	346	577	-	-	7,778
Microsoft Philanthropy	-	720	720	-	-	-
Internal Funding	(61,146)	-	-	-	(61,146)	-
Smart Axiatra	-	10,000	9,983	(17)	-	-
Fondation de l'Orangerie	16,392	13,776	29,934	(234)	-	-
Philanthropy Advisor	-	6,070	6,070	-	-	-
Orr Foundation	35,616	-	34,725	(891)	-	-
Fossil Foundation	(37,115)	180,000	141,689	(1,196)	-	-
Word Childhood Foundation	-	26,983	26,904	(79)	-	-
Terres des Hommes Netherlands/FI	(76)	2,576	2,500	-	-	-
Comic Relief	3,282	3,300	6,582	-	-	-
Victoria Hwang	(11,750)	11,750	-	-	-	-
	<u>(73,623)</u>	<u>1,329,820</u>	<u>1,122,439</u>	<u>≡</u>	<u>≡</u>	<u>133,758</u>