

FRIENDS SOCIAL DEVELOPMENT ORGANIZATION

AUDIT REPORT

31 DECEMBER 2023

**WIN THIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

**FRIENDS SOCIAL DEVELOPMENT ORGANIZATION
FINANCIAL STATEMENTS
31 DECEMBER 2023**

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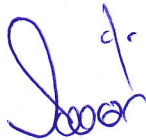
**STATEMENT OF MANAGEMENT’S RESPONSIBILITY
FOR FRIENDS SOCIAL DEVELOPMENT ORGANIZATION**

It is the responsibility of the management to prepare the financial statements which gives a true and fair view of the Financial Position of Friends Social Development Organization (the Organization) as at 31 December 2023 and the statement of revenue and expenses for the year then ended. In preparing the financial statements, the management is required to:

- Select suitable accounting policies and then apply them consistently; and
- Make judgments and estimates that are reasonable and prudent.

The management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Organization. We have general responsibility for taking such steps as are reasonably open to us to safeguard the assets of the Organization and to prevent and detect fraud and other irregularities.

On behalf of Management



Yamin Phy
Finance, HR and Admin Officer
Friends Social Development Organization



Naw Rita
Program Coordinator
Friends Social Development Organization



5 April 2024



ဝင်းသင်နှင့်အဖွဲ့လီမိတက်

WIN THIN & ASSOCIATES LTD

CERTIFIED PUBLIC ACCOUNTANTS

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Ref: 22/F-57/December2023

INDEPENDENT AUDITOR'S REPORT

To the management of Friends Social Development Organization

Opinion

We have audited the accompanying financial statements of Friends Social Development Organization, which comprise the Statement of Financial Position as at 31 December 2023 and the Income Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Friends Social Development Organization (the Organization) as of 31 December 2023 and the results of its operation for the year then ended in accordance with accrual basis of accounting described in Note 2.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial information" section of our report.

We are independent of the Organization in accordance with the requirements of the IESBA Code of Ethics for Professional Accountants, 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.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accrual basis, and for such internal control as management determines is necessary to enable the preparation of the financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs always detects a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISAs, 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

We communicate with the management, 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.



Nu War (PAPP- 599)
Engagement Partner
WIN THIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
Firm Registration No. ACC 008



5 April 2024

FRIENDS SOCIAL DEVELOPMENT ORGANIZATION**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2023****Currency – Myanmar Kyats**

	Note s	2023	2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	57,889,522	19,804,701
Receivables	4	9,173,654	55,023,476
Total Current Asset		67,063,176	74,828,177
Total Asset		67,063,176	74,828,177
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Unearned income	5	16,189,121	38,375,166
Accrued and other payables	6	9,128,582	10,868,493
Total current liabilities		25,317,703	49,243,659
EQUITY			
Retained Earnings		25,584,518	14,743,134
Net Surplus / (Deficit) for the year		16,160,955	10,841,383
Total equity		41,745,473	25,584,518
Total equity and liabilities		67,063,176	74,828,177

See accompanying Notes to the Financial Statements

Authenticated by:



Yamin Phy
Finance, HR and Admin Officer
Friends Social Development Organization



Naw Rita
Program Coordinator
Friends Social Development Organization



FRIENDS SOCIAL DEVELOPMENT ORGANIZATION**STATEMENT OF INCOME AND EXPENSES****FOR THE YEAR FROM 1 JANUARY 2022 TO 31 DECEMBER 2023**

Currency – Myanmar Kyats

	Note	2023	2022
Income			
Donor funding	7	162,203,566	164,136,811
Private donations	8	70,788,034	11,317,629
		232,991,600	175,454,440
Add: Other income	9	482,642	158,608
Total income		233,474,242	175,613,048
Less: Expenditures			
Personnel costs	10	99,230,002	58,262,573
Direct costs	11	68,052,506	69,149,468
Equipment/assets costs	12	1,100,000	4,548,000
Indirect costs	13	35,015,028	30,215,497
Headquarters Support	14	9,437,215	2,468,127
Travel & training	15	4,478,536	128,000
Total expenditures		217,313,287	164,771,665
Net (deficit)/surplus for the year		16,160,955	10,841,383
Balance brought forward		25,584,518	14,743,135
Closing equity balance		41,745,473	25,584,518

See accompanying Notes to the Financial Statements

FRIENDS SOCIAL DEVELOPMENT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

Currency –Myanmar Kyats

1. Introduction

Brief profile of Friends Social Development Organization

Friends Social Development Organization (“the Organization”), known locally as “Tha Ngae Chin Myar” (TNCM) was established on 27 December 2019 in Yangon, Myanmar, and works with vulnerable children/youth, their families and their communities. The Organization is registered as a local NGO (Registration No. 1/Local/1024) with the Ministry of Home Affairs, Union Registration Board on 27 December 2019.

The registration certificate issued to the Organization valid up to 31 December 2024.

The Organization’s objective is to support marginalized children, youth and families in Myanmar to become productive, functional citizens of their country through a range of protection, social and empowerment services. The Organization achieves this through community outreach, drop-in-centres and provision of emergency support services, with the objective of stabilizing and securing children, young people and caregivers’ situations, before supporting them to build their futures. After stabilization, the Organization focuses on building futures, reintegrating children into school, and youth/caregivers into vocational training and then dignified employment.

The Organization is a part of the Friends Alliance, powered by Friends-International (“FI”), with its legal headquarters in France, and operational headquarters in Phnom Penh, Cambodia.

The address of its registered office is No. 141, B-1, Seikkanthar Street (Lower Block), Ward (7), Kyauktada Township, Yangon Region, Myanmar.

The Financial Statements related to the period from 1 January 2023 to 31 December 2023.

Staff on payroll, 31 December 2023: 8, and 31 December 2022: 7

2. Summary of Significant Accounting Policies

The following significant accounting policies have been adopted by the Organization in the preparation of this statement.

2.1 Basis of Accounting

The accompanying financial statements have been prepared in accordance with the accrual basis of accounting.

Changes in Accounting Policies

During the year ended 31 December 2023, the Organization changed its accounting policies from the modified cash basis to the accrual basis in order to better reflect the financial position, results of operations, and cash flows. In accordance with the change in accounting policies from the modified cash basis to the accrual basis, the Organization has restated the financial statements for prior periods (2021 and 2022) presented herein. The restated financial statements are included for comparative purposes, and the adjustments made have been explained in Note 16.

2.2 Foreign currency translation

The financial statements are presented in Myanmar Kyats (MMK), which is also the functional currency of the Organization. Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Exchange differences on monetary items are recognized in the statement of income and expenditure in the period in which they arise.

2.3 Property and equipment

Property and equipment purchased for less than MMK 2,800,000, are directly charged to the project expenses. Property and equipment for MMK 2,800,000 or more, will be capitalized and depreciated in accordance with the Organisation's financial policies.

2.4 Cash and banks

Cash and banks comprise cash on hand and balance in bank.

2.5 Account payables

Funding payable represents amounts due to other Friends Alliance program offices for their expenses incurred on behalf of the Organization.

2.6 Income recognition

Donor funding from restricted grants is only recognised when "earned" regardless of when the grant instalments are paid, i.e. 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 utilized, they are presented in the Statement of Financial Position as a current liability under "Unearned Income". Where grant instalments have not been received, are committed and utilized in advance of payment, they are presented in the Statement of Financial Position as a current asset under "Earned Income".

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.

2.7 Project expenditures

Expenditure incurred consists of personnel costs, direct costs, indirect costs, travel & training, Headquarters support, and equipment/assets with a value below MMK 2,800,000. Expenditure is only recognised for the period to which it relates.

3. Cash and banks

The above consist of:

	2023	2022
Cash at bank	31,373,122	18,311,201
Cash on hand	26,516,400	1,493,500
	57,889,522	19,804,701

4. Account receivables

The above consist of:

	2023	2022
Prepayments	5,307,708	2,310,000
Funding	-	26,822,754
Staff loan	500,000	-
Health insurance	180,000	130,000
Guarantee deposits	500,000	500,000
Earned income	2,685,946	25,260,722
	9,173,654	55,023,476

5. Unearned income

This represents restricted amounts received by the Organisation but not yet spent. These funds are carried over to the following fiscal year.

	2023	2022
FI / Credit Suisse Asia Pacific Foundation	-	18,417,274
FI / Anonymous donor (OFF)	-	15,833,828
FI / The Intrepid Foundation	-	4,124,064
FI / The Cold Mountain Fund of RSF Social Finance	16,189,121	-
	16,189,121	38,375,166

6. Payables

The above consist of:

	2023	2022
Friends-International (Cambodia)	-	4,276,068
Income tax payable	-	1,260,685
Audit Fees	9,128,582	5,331,740
	9,128,582	10,868,493

7. Donor funding

The above consists of recognised and earned funding for the year, not cash instalments received:

	2023	2022
FI / Credit Suisse Asia Pacific Foundation	18,417,275	41,031,974
Anonymous donor (OFF)	28,494,597	-
FI / The Cold Mountain Fund of RSF Social Finance	107,999,285	25,260,722
FI / The Intrepid Foundation	7,292,409	28,213,218
CW Asia Fund Foundation	-	36,665,127
FI / Give2Asia	-	12,072,785
FI / Tourism Cares	-	6,338,565
FI / Foundation Next	-	14,554,420
	162,203,566	164,136,811

8. Private donation

The above consist of:

	2023	2022
General Donations	12,530	11,317,629
FI / Paul Newfield	70,775,504	-
	70,788,034	11,317,629

9. Other income

The above consist of:

	2023	2022
Bank interest	482,570	153,242
Other income	72	5,366
	482,642	158,608

10. Personnel costs

The above consist of:

	2023	2022
National staff salaries	98,876,669	53,278,573
Health & pensions	235,333	4,226,000
Overtime	-	6,000
Consultancies/professional fees	118,000	752,000
	99,230,002	58,262,573

11. Direct costs

The above consist of:

	2023	2022
Hygiene costs	232,350	396,091
Medical costs	2,288,750	1,517,300
IEC material	11,600	-
Clothing for beneficiaries	991,800	479,300
Non-formal education materials	349,150	171,300
Food/drink for beneficiaries	23,232,958	22,665,050
Family support	23,697,750	36,427,940
Centre supplies	3,037,710	1,368,955
Other activity costs	-	20,000
Case Manager travel	32,500	69,900
Recreational activity support	327,400	-
Outreach materials	75,000	16,900
School reintegration support	3,078,550	2,734,050
Vocational training materials/referrals	3,176,938	1,367,982
Employment Activities	1,755,200	211,300
Foster care families	80,000	-
Staff uniforms	-	326,700
Independent living	1,833,250	-
Beneficiary transport	3,848,100	1,376,700
Beneficiary trainings / meetings	3,500	-
	68,052,506	69,149,468

12. Equipment /assets costs

The above consist of:

	2023	2022
IT/Computers	-	3,589,000
Furniture/Fittings	-	836,000
Inventory	1,100,000	123,000
	1,100,000	4,548,000

13. Indirect costs

The above consist of:

	2023	2022
Communications	1,675,000	1,471,525
Transport/ gasoline/ maintenance	783,200	392,400
Maintenance/renovations	287,300	773,300
Office supplies	1,606,890	1,503,860
Rent	16,411,500	13,058,000
Utilities	1,341,580	1,568,411
Printing/photocopying	13,550	4,000
Postage & shipping	4,100	1,800
Bank charges	2,617,328	1,934,456
External audits	9,958,082	8,380,425
Vehicle/building Insurance	24,459	293,488
Subscriptions	-	258,048
Donor/staff/authority relations	76,650	575,700
Other expenses	215,389	84
	35,015,028	30,215,497

14. Headquarters Support

The above consist of:

	2023	2022
FI Headquarters Support	9,437,215	2,468,127
	9,437,215	2,468,127

15. Travel & training

The above consist of:

	2023	2022
International travel	4,400,536	-
Staff training	70,000	101,000
Workshops / Meetings	8,000	27,000
	4,478,536	128,000

16. Effect of Transition from Modified Cash Basis to Accruals Basis for prior period financial statements

These are the Organisation's first set of financial statements prepared in accordance to an Accruals Basis of accounting. This adoption has resulted in changes to certain account balances. The following reconciliations summarise the impact of the change in accounting policies from the modified cash basis to the accrual basis of accounting for the year 2022.

<u>Statement of Income & Expenses</u>	Notes	31-Dec-22		
		Previous: Modified Cash Basis	Transition Impact	Revised: Accruals Basis
INCOME				
Donor Funding	a	176,439,192	(12,302,381)	164,136,811
Private Donations		11,317,629	-	11,317,629
Other Income		158,608	-	158,608
TOTAL INCOME		187,915,429	(12,302,381)	175,613,048
EXPENSES				
Personnel Costs		58,262,573	-	58,262,573
Direct Costs		69,149,468	-	69,149,468
Equipment / Assets		4,548,000	-	4,548,000
Indirect Costs	b	24,883,757	5,331,740	30,215,497
Travel & Training		128,000	-	128,000
Headquarters Support		2,468,127	-	2,468,127
TOTAL EXPENSES		159,439,924	5,331,740	164,771,665
Net Surplus / (Deficit)		28,475,504	(17,634,121)	10,841,383
Retained Earnings b'fwd	c	15,555,199	(812,064)	14,743,135
Closing Equity Balance		44,030,702	(18,446,184)	25,584,518

Statement of Financial Position	Notes	31-Dec-22		
		Previous: Modified Cash Basis	Transition Impact	Revised: Accruals Basis
CURRENT ASSETS				
Cash & Cash Equivalents		19,804,701	-	19,804,701
Prepayments		2,310,000	-	2,310,000
Funding Receivables		26,822,754	-	26,822,754
Health Insurance Receivables		130,000	-	130,000
Guarantee Deposits		500,000	-	500,000
Earned Income	a	-	25,260,722	25,260,722
TOTAL CURRENT ASSETS		49,567,455	25,260,722	74,828,177
LIABILITIES & EQUITY				
CURRENT LIABILITIES				
Funding Payables		4,276,068	-	4,276,068
Tax on Salary payable		1,260,684	-	1,260,684
Other Payables	b	-	5,331,740	5,331,740
Unearned Income	a	-	38,375,167	38,375,167
TOTAL CURRENT LIABILITIES		5,536,752	43,706,907	49,243,659
EQUITY				
Retained Earnings	c	15,555,199	(812,064)	14,743,135
Net Surplus / (Deficit) for the year		28,475,504	(17,634,121)	10,841,383
TOTAL EQUITY		44,030,703	(18,446,185)	25,584,518
TOTAL EQUITY & LIABILITIES		49,567,455	25,260,722	74,828,177

Notes:

- a) Income adjustments made to recognise earned income in 2022:
- Current Assets, Earned Income / Funds spent and not received:
 - i. The Cold Mountain Fund of RSF Social Finance: 25,260,722
 - Current Liabilities, Unearned Income / Funds received but not yet spent:
 - i. Credit Suisse APAC Foundation: 18,417,274
 - ii. Anonymous donor (OFF): 15,833,828
 - iii. The Intrepid Foundation: 4,124,064
- b) Adjustment to expenses accrued in the financial year 2022, for utilities and audit fees, and adjusted as "Other Payables" under liabilities
- c) Opening Retained Funds, pertains to similar adjustments made for the financial year 2021, in transitioning to the accruals basis of accounting

17. Authorization of Financial Statements

The financial statements of the Organization for the year 31 December 2023 were authorized for issue on 5 April 2024.

ANNEX: DISCLOSURE OF DONORS FUND BALANCES

STATEMENT OF CHANGES IN EQUITY

31-Dec-23

FUND ACCOUNT	OPENING	INCOME	UN/EARNED INCOME	EXPENSES	CLOSING
FI / Credit Suisse APAC Foundation	-	18,417,274	-	18,417,274	-
FI / Intrepid Foundation	-	4,606,464	2,685,946	7,292,410	-
FI / Anonymous (OFF)	-	28,494,597	-	28,494,597	-
FI / The Cold Mountain Fund of RSF Social Finance	-	124,188,406	(16,189,121)	107,999,285	-
FI / Paul Newfield	(116,300)	70,775,505	-	58,001,632	12,657,573
TNCM Reserves	25,700,818	495,172	-	(2,891,910)	29,087,900
	25,584,518	246,977,418	(13,503,175)	217,313,288	41,745,473

STATEMENT OF CHANGES IN EQUITY

31-Dec-22

FUND ACCOUNT	OPENING	INCOME	UN/EARNED INCOME	EXPENSES	CLOSING
FI / Credit Suisse Asia Pacific Foundation	-	59,449,248	(18,417,274)	41,031,974	-
FI / CW Asia Fund Foundation	-	36,665,127	-	36,665,127	-
FI / Foundation Next	-	14,554,420	-	14,554,420	-
FI / Give 2 Asia	-	12,072,785	-	12,072,785	-
FI / Intrepid Foundation	-	32,337,282	(4,124,064)	28,213,218	-
FI / Orr Family-Anon	-	15,833,828	(15,833,828)	-	-
FI / Skoll Foundation	364,830	-	-	364,830	-
FI / Paul Newfield	-	-	-	116,300	(116,300)
FI /Tourism Cares	-	6,338,565	-	6,338,565	-
FI / The Cold Mountain Fund of RSF Social Finance	-	-	25,260,722	25,260,722	-
Angela Baker	118,676	-	-	118,676	-
Myanmar Reserve	14,259,629	11,476,237	-	35,048	25,700,818
	14,743,135	188,727,492	(13,114,444)	164,771,665	25,584,518