

# Financial statements and independent auditor's report

Ponleu Ney Kdey Sangkhum  
31 December 2014

# Contents

Report of Management	1
Independent auditor's report	3
Statement of fund balance	5
Statement of receipts and expenditure for the year ended 31 December 2014	6
Notes to the financial statements	7

# Report of Management

Management submits its report together with the audited financial statements of Ponleu Ney Kdey Sangkhum for the year ended 31 December 2014.

## **The Organisation**

Ponleu Ney Kdey Sangkhum (“PNKS” or “the Organisation”) is a Cambodian non-government organisation that works with poor communities in Cambodia. The Organisation was established through the Agriculture Business and Community and Development (“ABCD”) program, originally implemented by Christian Outreach Relief and Development (“CORD”). It was registered with the Ministry of Interior on 30 January 2001.

PNKS principally involves in implementing Somleng projects in Prey Veng, Kampot and Kampong Speu province.

The main objective of the Somleng projects is to improve quality of life through better health, equity and greater self-reliance for the community, thereby enabling holistic and sustainable development. The project has three main objectives:

- Social Accountability
- Agriculture and Livelihood
- Health

The registered office of the Organisation is house No.19, Street 145, Sangkat Phsar Doeum Thkov, Khan Chamkar Morn, Phnom Penh, Kingdom of Cambodia.

## **Auditors**

The financial statements for the year ended 31 December 2014 have been audited by Grant Thornton (Cambodia) Ltd.

## **Responsibility of Management in respect of the financial statements**

Management is responsible for the financial statements which shows the Organisation’s fund balance as at 31 December 2014, and its receipts and expenditure for the year then ended, prepared, in all material respects, in accordance with the basis of accounting described in note 2 to the financial statements.

In preparing the financial statements, Management is required to:

- i. select suitable accounting policies and then apply them consistently,
- ii. insure that proper accounting records are kept which enable the financial statements to be prepared in compliance with the basis of accounting set out in note 2 to the financial statements, and
- iii. ensure the completeness of information concerning property and goods belonging to the Organisation.

Management is also responsible for safeguarding the assets of the Organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management assumes the responsibility to provide, and has provided, the auditor with all accounting records, supporting and other documents, minutes, and any pertinent information and explanations, either orally or by written confirmation, necessary for the audit.

**Approval of the financial statements**

We hereby approve the accompanying financial statements set out on pages 5 to 13 which shows the statement of fund balance as at 31 December 2014, and receipts and expenditure of the Organisation for the year then ended, prepared, in all material respects, in accordance with the accounting policies as described in note 2 to the financial statements.

On behalf of Management



Ms. Gunilla Bun  
Board Member  
Phnom Penh, Cambodia  
16 March 2015



Mr. Leak Chowan  
Development Manager  
Phnom Penh, Cambodia  
16 March 2015



# Independent auditor's report

**Grant Thornton (Cambodia) Limited**  
2<sup>nd</sup> Floor, 99 Norodom Boulevard  
Sangkat Beoung Raing  
Khan Daun Penh  
Phnom Penh  
Kingdom of Cambodia

T +855 23 966 520  
www.gt.com.kh

## **To the Management of Ponleu Ney Kdey Sangkhum**

We have audited the accompanying financial statements of Ponleu Ney Kdey Sangkhum (“the Organisation”) which comprise the statement of fund balance as at 31 December 2014, the statement of receipts and expenditure for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting as 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 misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organisation's preparation of financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the accompanying financial statements of Ponleu Ney Kdey Sangkhum as at and for the year ended 31 December 2014 are prepared, in all material respects, in accordance with the accounting basis and accounting policies as set out in note 2 to the financial statements.

**Basis of accounting and restriction on usage**

Without modifying our opinion, we draw attention to note 2 to the financial statements which describes the basis of accounting and accounting policies adopted by the Organisation. The financial statements are prepared for the information and use of the Management of the Organisation. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Management of the Organisation and should not be distributed to or used by other parties.

**Other matter**

The financial statements of the Organisation for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 28 February 2014.

**GRANT THORNTON (CAMBODIA) LIMITED**

Certified Public Accountants

Registered Auditors

**Ronald Coronel Almera**

Partner – Audit and Assurance

Phnom Penh, Kingdom of Cambodia  
16 March 2015

# Statement of fund balance as at 31 December

	Notes	2014 USD	2013 USD
Opening fund balance		120,073	90,988
Surplus of receipts over expenditure		6,882	29,085
<b>Closing fund balance</b>		<b>126,955</b>	<b>120,073</b>
<b>Represented by:</b>			
<b>Assets:</b>			
Advances and deposits	3	13,964	7,364
Cash and bank balance	4	181,846	173,220
		<b>195,810</b>	<b>180,584</b>
<b>Liabilities:</b>			
Staff welfare and fund payables	5	59,445	52,859
Other payables	6	9,410	7,652
		<b>68,855</b>	<b>60,511</b>
		<b>126,955</b>	<b>120,073</b>

# Statement of receipts and expenditure for the year ended 31 December

	Notes	2014 USD	2013 USD
<b>Receipts</b>			
Funds received from donors	7	370,838	466,749
Other income	8	6,556	10,625
<b>Total receipts</b>		<b>377,394</b>	<b>477,374</b>
<b>Expenditures</b>			
<b>Direct costs</b>			
HIV/AIDS Prevention and care programme	9	21,601	38,464
Livelihood programme	10	42,838	57,025
Social accountability programme	11	23,624	41,201
Direct operating and administrative costs	12	222,188	212,953
Capacity development programme	13	18,583	31,263
Climate change programme	14	-	1,422
<b>Indirect costs</b>			
Indirect operating and administrative costs	15	40,465	45,702
Capital costs	16	1,213	20,259
<b>Total expenditure</b>		<b>370,512</b>	<b>448,289</b>
<b>Surplus of receipts over expenditures</b>		<b>6,882</b>	<b>29,085</b>



# Notes to the financial statements

## **1. Background and principal activities**

Ponleu Ney Kdey Sangkum (“PNKS” or “the Organisation”) is a Cambodian non-government organisation that works with poor communities in Cambodia. The Organisation was established through the Agriculture Business and Community and Development (“ABCD”) program, originally implemented by Christian Outreach Relief and Development (“CORD”). It was registered with the Ministry of Interior on 30 January 2001.

PNKS principally involves in implementing Somleng projects in Prey Veng, Kampot and Kampong Speu province.

The main objective of the Somleng projects is to improve quality of life through better health, equity and greater self-reliance for the community, thereby enabling holistic and sustainable development. The project has three main objectives:

- Social Accountability
- Agriculture and Livelihood
- Health

The registered office of the Organisation is house No.19, Street 145, Sangkat Phsar Doeum Thkov, Khan Chamkar Morn, Phnom Penh, Kingdom of Cambodia.

## **2. Summary of significant accounting policies**

### **2.1. Basis of preparation of financial statements**

The financial statement which is expressed in United States Dollars (“USD”) has been prepared in accordance with the modified cash basis of accounting. This is a basis of accounting that is designed to meet the requirements of the Organisation; it is not designed to produce a statement of receipts and expenditure and fund balance that is compatible with International Financial Reporting Standards.

Under this basis of accounting, income is recognised when received rather than when earned and payments are recognised when paid rather than when incurred, except for:

- i) Advance payment to employees and suppliers which are initially recognised as advances and only recognised as expenditure when they have been liquidated by supporting invoices.
- ii) Staff welfare and fund payables to employees are accrued when incurred.
- iii) Amount payable to suppliers and provision of expenses are recorded in other payables in the statement of fund balance when incurred.

### **2.2. Cash and bank balance**

Cash and bank includes cash in bank and cash on hand.

### **2.3. Recognition of income**

Income is defined as the funds received by the Organisation from donors. Other income represent income from savings accounts held at banks and other self-generated activities. The income is recognised when received, and recorded at the gross amount of bank charges.

## 2.4. Expenditure

Expenses are recognised on a cash basis of accounting except for staff advances and rental deposits, staff welfare fund and accruals for professional and consultant fees and capital expenditures.

## 2.5 Staff welfare fund

The Organisation has a defined contribution retirement plan (staff welfare fund), which consists of pension and severance funds covering all eligible employees. Staff welfare fund contributions are made by the Organisation on an annual basis to each employee at one month's basis salary.

The contributions made by the Organisation to the fund are charged to the statement of receipts and expenditure, and the outstanding balance of the fund is recorded in the balance sheet as "staff welfare fund payable".

The staff welfare fund will be fully paid to employee upon their retirement or resignation if they have worked for the Organisation for more than five years. If employees have worked for the Organisation for less than five years, they will only be entitled to receive 50% of the total contribution.

Employee who has work for the Organisation for more than one year can request staff loans up to 70% of their welfare cumulative fund balances.

The fund is maintained in a separate bank account, but it is under the Organisation's name. Any interest earned from the fund is proportionately applied to each member of staff based on their cumulative fund balances.

## 2.6 Property and equipment

The cost of property and equipment purchased during the year is expensed in the statement of income and expenditure in the year in which the purchases are made.

## 2.7 Advances and deposits

Staff advances and office rental deposits are recorded as other receivables and recognised as expenditure upon liquidation.

## 2.8 Foreign currency transactions

The Organisation executes transactions and maintains its accounting records primarily in United States Dollars ("USD"). Transactions in currencies other than USD are converted into USD at the rate of exchange prevailing on the transaction dates. Fund balances denominated in currencies other than USD at the reporting date are translated into USD at the open market rates of exchange ruling at that date. Exchange differences are recognised in the statement of receipts and expenditure.

## 3 Advances and deposits

	31 December 2014 USD	31 December 2013 USD
Staff loans(*)	13,964	5,150
Deposit on office rental	-	1,800
Other advances	-	414
	<b>13,964</b>	<b>7,364</b>

(\*)Each employee who has worked for the Organisation for more than one year can request staff loans up to a maximum amount of 70% of their cumulative welfare fund. These staff loans bear interest at the rate of 10% per annum. These loans were disbursed to the staff using the staff welfare fund.

#### 4 Cash and bank balance

	31 December 2014 USD	31 December 2013 USD
Cash on hand (a)	6,748	6,954
Cash at banks		
Current accounts (b)	106,928	96,545
Saving account (c)	44,767	47,078
Fixed deposit (d)	23,403	22,643
	<b>181,846</b>	<b>173,220</b>

- (a) Cash on hand includes staff welfare fund amounting to USD709.  
 (b) Current accounts are maintained with local banks and bear no interest.  
 (c) This is the staff welfare fund account maintained with a local bank with the interest rate of 0.75% per annum.  
 (d) This deposit is maintained with a local micro finance institution and earns an interest rate of 3.5% per annum with a maturity of three months.

#### 5 Staff welfare and fund payables

	31 December 2014 USD	31 December 2013 USD
Beginning balance for the year	52,859	51,192
Contributions during the year (*)	11,212	11,281
Interest income	1,220	972
Payments to staff	(5,846)	(1,933)
Reversal of over accrual (**)	-	(8,653)
	<b>59,445</b>	<b>52,859</b>

(\*) This represents the contribution to pension and severance for PNKS staff during the year.

(\*\*) This represents reversal of amount over accrued in the previous years.

#### 6 Other payables

	31 December 2014 USD	31 December 2013 USD
Consultant fees payable	5,669	4,829
Payable for digging well	-	2,823
Car replacement provision(***)	3,000	-
Others	741	-
	<b>9,410</b>	<b>7,652</b>

(\*\*\*) This represents provision for changing a new car.

#### 7 Funds received from donors

	2014 USD	2013 USD
TEAR Fund Australia	198,964	183,980
Transform Aid International	111,975	118,035
Danmission	38,236	79,801
Diakonia	21,663	55,960
Diaconaat/CORD-DH	-	26,704
ForumSyd	-	2,269
	<b>370,838</b>	<b>466,749</b>

## 8 Other income

	2014 USD	2013 USD
Sales of vehicles and other assets	1,110	4,843
Income from office sharing	4,350	3,170
Interest income	809	483
Others	287	2,129
	<b>6,556</b>	<b>10,625</b>

## 9 HIV/AIDS Prevention and care programme

	2014 USD	2013 USD
Promote personal hygiene	9,710	-
Promote cleaning environment	7,245	-
Promote women and children nutrition	3,686	-
Strengthen health network	960	3,756
Promote primary health care	-	14,670
Improve health center services	-	9,175
Promote safe drinking water	-	10,863
	<b>21,601</b>	<b>38,464</b>

## 10 Livelihood Programme

	2014 USD	2013 USD
Improve community water management	21,830	3,800
Promote home garden	9,421	-
Address water management	3,380	-
Promote cooperative	2,860	-
Agriculture experiment	2,587	-
Strengthen water management	1,595	18,644
Address water issue	1,165	-
Promote adaptation	-	11,748
Promote local business	-	10,469
Strengthen disaster preparedness	-	8,404
Enable farmer association/women association to reach vulnerable group	-	3,960
	<b>42,838</b>	<b>57,025</b>

## 11 Social accountability programme

	2014 USD	2013 USD
Promote independence of VDA/CDA	10,448	-
Promote role model poor ID	7,054	-
Develop ID poor capacity	4,453	-
Promote safe migration	1,669	-
Strengthen rights and peace	-	11,595
Link vulnerable group to other	-	10,776
Promote local democracy	-	8,154
Respond to the needs of vulnerable group	-	7,043
Men and women participation	-	3,633
	<b>23,624</b>	<b>41,201</b>

## 12 Direct operating and administrative costs

	2014 USD	2013 USD
Payroll costs	147,938	143,410
Staff insurance and benefits	21,592	14,364
Transportation	21,459	19,757
Premises running costs	22,142	19,589
Evaluation and monitoring	7,570	11,800
Network Prey Veng and other networks for advocacy movement	1,487	4,033
	<b>222,188</b>	<b>212,953</b>

## 13 Capacity development programme

	2014 USD	2013 USD
Annual review and planning	10,453	11,052
Capacity development	7,830	19,806
Public relations and networks	300	405
	<b>18,583</b>	<b>31,263</b>

## 14 Climate change programme

	2014 USD	2013 USD
Annual reflection on climate change	-	1,422
	<b>-</b>	<b>1,422</b>

## 15 Indirect operating and administrative costs

	2014 USD	2013 USD
Payroll costs	15,612	20,828
Office rental and utilities	5,869	5,569
Professional fee	5,300	8,246
Office supplies and communication	5,232	7,039
Transportation costs	4,029	990
Staff insurance and benefits	2,698	3,030
Other expense	1,725	-
	<b>40,465</b>	<b>45,702</b>

## 16 Capital costs

	2014 USD	2013 USD
Office equipment	1,213	6,965
Vehicle and motorbike	-	13,294
	<b>1,213</b>	<b>20,259</b>

**17 Separate fund balance for the year ended 31 December 2014**

	<b>Tear Fund Australia USD</b>	<b>Diakonia USD</b>	<b>Danmission USD</b>	<b>ForumSyd USD</b>	<b>Diaconaat/ CORD-DH USD</b>	<b>Transform Aid International USD</b>	<b>Other USD</b>	<b>2014 Total USD</b>
<b>Receipts</b>								
Fund received from donors	198,964	21,663	38,236	-	-	111,975	-	<b>370,838</b>
Other receipts	-	-	-	-	-	-	6,556	<b>6,556</b>
	<b>198,964</b>	<b>21,663</b>	<b>38,236</b>	<b>-</b>	<b>-</b>	<b>111,975</b>	<b>6,556</b>	<b>377,394</b>
<b>Expenditure</b>								
Direct Costs								
HIV/AIDS Prevention and care programme	12,491	-	-	-	-	9,110	-	<b>21,601</b>
Livelihood programme	7,859	-	3,319	-	21,830	9,830	-	<b>42,838</b>
Social accountability programme	7,996	2,508	2,685	-	-	10,435	-	<b>23,624</b>
Direct operating and administrative costs	108,610	13,765	32,626	-	2,431	64,756	-	<b>222,188</b>
Capacity development programme	6,855	1,635	4,573	-	-	5,520	-	<b>18,583</b>
Climate change programme	-	-	-	-	-	-	-	<b>-</b>
Indirect costs								
Indirect operating and administrative costs	18,051	3,167	4,150	-	-	13,372	1,725	<b>40,465</b>
Capital costs	-	638	-	-	-	575	-	<b>1,213</b>
	<b>161,862</b>	<b>21,713</b>	<b>47,353</b>	<b>-</b>	<b>24,261</b>	<b>113,598</b>	<b>1,725</b>	<b>370,512</b>
<b>Surplus/(deficit) for the year</b>	37,102	(50)	(9,117)	-	(24,261)	(1,623)	4,831	<b>6,882</b>
Opening fund balance	17,775	50.	9,696	2	26,339	38,509	27,702	<b>120,073</b>
<b>Fund balance at the end of the year</b>	<b>54,877</b>	<b>-</b>	<b>579</b>	<b>2</b>	<b>2,078</b>	<b>36,886</b>	<b>32,533</b>	<b>126,955</b>

## 18 Separate fund balance for the year ended 31 December 2013

								2013
	Tear Fund Australia USD	Diakonia USD	Danmission USD	ForumSyd USD	Diaconaat/ CORD-DH USD	Transform Aid International USD	Other USD	Total USD
<b>Receipts</b>								
Fund received from donors	183,980	55,960	79,801	2,269	26,704	118,035	-	466,749
Other receipts	-	-	-	-	-	-	10,625	10,625
	<b>183,980</b>	<b>55,960</b>	<b>79,801</b>	<b>2,269</b>	<b>26,704</b>	<b>118,035</b>	<b>10,625</b>	<b>477,374</b>
<b>Expenditure</b>								
Direct Costs								
HIV/AIDS Prevention and care programme	23,256	-	-	-	-	15,208	-	38,464
Livelihood programme	21,051	-	13,218	-	3,800	18,956	-	57,025
Social accountability programme	12,412	8,101	4,484	-	-	16,204	-	41,201
Direct operating and administrative costs	82,727	27,349	42,996	1,004	1,619	64,113	(6,855)	212,953
Capacity development programme	10,847	8,682	4,583	2,573	-	4,578	-	31,263
Climate change programme	-	-	-	1,422	-	-	-	1,422
Indirect costs								
Indirect operating and administrative costs	17,962	7,051	6,629	-	14	10,630	3,416	45,702
Capital costs	5,483	5,549	584	-	-	4,083	4,560	20,259
	<b>173,738</b>	<b>56,732</b>	<b>72,494</b>	<b>4,999</b>	<b>5,433</b>	<b>133,772</b>	<b>1,121</b>	<b>448,289</b>
<b>Surplus/(deficit) for the year</b>	10,242	(772)	7,307	(2,730)	21,271	(15,737)	9,504	29,085
Opening fund balance	7,533	822	2,389	2,732	5,068	54,246	18,198	90,988
<b>Fund balance at the end of the year</b>	<b>17,775</b>	<b>50</b>	<b>9,696</b>	<b>2</b>	<b>26,339</b>	<b>38,509</b>	<b>27,702</b>	<b>120,073</b>

## 19 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the 31 December 2014 reporting date and the date of authorisation of these financial statements.

## 20 Approval of the financial statements

The financial statements were authorised for issuance by the Management of the Organisation on 16 March 2015.