

CHILDREN'S SURGICAL CENTRE

STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE
FOR THE YEAR ENDED 31 DECEMBER 2010

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FOR THE YEAR ENDED 31 DECEMBER 2010

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CHILDREN'S SURGICAL CENTRE

Rehabilitation surgery for disabled Cambodians
National Rehabilitation Center, Kien Khleang

STATEMENT BY THE BOARD OF DIRECTORS

We state that, in our opinion representing the Board of Directors:

The accompanying statement of income, expenditures, and fund balance, together with the notes thereon, of the Children's Surgical Centre ("the Organisation") for the year ended 31 December 2010 has been prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statement.

For and on behalf of the Board of Directors


James G. Gelligly
Chief Executive Officer




Kanya Reinvetch
Chief Financial Officer

Phnom Penh, Kingdom of Cambodia
Date: 31 May 2011

Under the auspices of Children's Surgical Centre (INGO), Registered in Alaska USA.

P.O. Box 1060, Phnom Penh, Cambodia.

(National Rehabilitation Centre, Kien Khleang, Route 6A, Chroy Changvar, Phnom Penh, Cambodia)

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Independent auditor's report

To the Board of Directors of the Children's Surgical Centre

We have audited the accompany statement of income, expenditures, and fund balance of the Children's Surgical Centre ("the Organisation") for the year ended 31 December 2010 and a summary of significant accounting policies and other explanatory information (together the "financial statement"). The financial statement has been prepared by management in accordance with the accounting policies described in Note 2 of the financial statement.

Management's responsibility for the financial statement

Management is responsible for the preparation of the financial statement in accordance with the basis described in Note 2 to the financial statement and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation the financial statement 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 entity'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 statement.

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 financial statement of Children's Surgical Centre for the year ended 31 December 2010 is prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statement.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to Children's Surgical Centre. As a result, the financial statement may not be suitable for another purpose. This report is intended solely for Children's Surgical Centre and should not be distributed to or used by parties other than the Children's Surgical Centre.

For PricewaterhouseCoopers (Cambodia) Ltd.


By Benilda Fernando
Director



Phnom Penh, Kingdom of Cambodia
Date: 31 May 2011

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 US\$	2009 US\$
INCOME			
Income from donors	3	1,394,633	682,296
In-kind donations	4	242,854	50,459
Interest income		5,627	1,477
Other income	5	17,708	6,852
		<u>1,660,822</u>	<u>741,084</u>
EXPENDITURES			
Staff salaries		481,522	403,594
Medical consumables	6	143,516	140,723
Operating costs	7	70,920	68,303
Grant to NGOs	8	43,804	-
Repairs and maintenance		35,956	36,258
Professional fees	9	18,786	12,453
Utilities		18,265	15,842
Office equipment		12,774	3,446
Payment for services	10	7,125	17,420
Depreciation	13	6,771	-
Security and warehouse rental		6,613	10,296
Smile Train Phone Project		2,950	-
Training for medical staff		2,323	16,055
Medical equipment		-	14,378
Other assets		360	-
Others		1,714	795
		<u>853,399</u>	<u>739,563</u>
SURPLUS OF INCOME OVER EXPENDITURES		807,423	1,521
FUND BALANCE, BEGINNING OF THE YEAR		<u>701,452</u>	<u>699,931</u>
FUND BALANCE, END OF THE YEAR		<u>1,508,875</u>	<u>701,452</u>
Represented by:			
Deposits and prepayments	11	10,750	16,734
Advances and other receivables		3,440	6,545
Cash and cash equivalents	12	1,240,867	680,098
Property plant and equipment	13	22,774	-
Publicly traded equities	14	233,069	-
Accrued tax liabilities and other payables		<u>(2,025)</u>	<u>(1,925)</u>
		<u>1,508,875</u>	<u>701,452</u>

The accompanying notes on pages 5 to 13 form an integral part of the statement of income, expenditures, and fund balance.

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

1. BACKGROUND AND PRINCIPAL ACTIVITIES

The Children's Surgical Center ("CSC") is a US Non-Governmental Organisation ("the Organisation") registered with the Department of Community and Economic Development in the state of Alaska. It was incorporated as ROSE Charities Cambodia on 31 May 2002. Subsequently, ROSE Charities Cambodia's name was changed to CSC on 12 February 2008.

In implementing the program activities in Cambodia, the Organisation also registers with various ministries, including the Ministry of Foreign Affairs, Ministry of Health, Ministry of Social Affairs, Veterans and Youth Rehabilitation, and Council for Development of Cambodia.

On 12 November 2010, the Organisation obtained 501(c) (3) tax-exempt status with the United States Internal Revenue Service which allows U.S. donors to receive a tax deduction for qualified donations made to the Organisation. The retroactive effective date of this status is 6 October 2009. Prior to this period and since 31 May 2002 the Organisation was accorded status as a 501(c)(4) tax-exempt entity.

The objectives of the Organisation are as follows:

- To maintain reasonable output of free operations to help rehabilitate poor and disabled people in Cambodia.
- To provide postgraduate surgical training to Cambodian surgeons and other support personnel; so that, a range of rehabilitation operations can be done for common disabling conditions.
- To establish and sustain a rehabilitation surgery unit which will eventually be completely under the control of Cambodians, without the needs for permanent expatriate directors.
- To eventually find a way to make the unit self-supporting, so that it can be financially independent of outside assistance.
- To support and encourage the development of some Referral Hospitals to improve surgical rehabilitation services to rural Cambodians.

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Basis of preparation*

The statement of income, expenditures, and fund balance, expressed in United States dollars ("US\$"), has been prepared in accordance with CSC's internal accounting policies. Significant accounting policies of CSC are outlined below. The financial statements have been generally prepared under the historical cost convention.

b. *Income*

Income is defined as the receipts of funds from donors, self-generated local income, interest income and in-kind donations.

Income is recognised using cash basis in which receipts are recognised when received rather than when earned.

c. *Expenditures*

Expenditures represent costs paid and accrued in meeting the Organisation's objectives. Expenditures is recognised upon disbursement, except for rental deposits, prepayments, staff advances, receivables, property, plant and equipment, investment in security stock and accrued tax liabilities and other payables.

c. *In-kind donations*

Upon receipt, in-kind donations received overseas are recognised as income and related expenses and asset in the statement of income, expenditures, and fund balance. The recorded in-kind donations are based on the invoice value.

In-kind donations received locally in Cambodia are not recognised in the statement of income, expenditures, and fund balance.

d. *Inventory*

The cost of inventory, purchased medical supplies, is recorded as an expense when paid.

e. *Property and equipment*

The cost of property and equipment purchased during the year, with the cost of less than US\$10,000 is expensed in the statement of income, expenditures, and fund balance in the year of purchase. The items with the cost of US\$10,000 are capitalised and depreciated over the useful life of the assets.

Property and equipment are stated at cost less accumulated depreciation. The cost is the purchased price based on invoice.

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. *Property and equipment (continued)*

Property and equipment are depreciated using the declining method at rates calculated to write off the cost of each asset over its expected useful life as follows:

Medical equipment	4 years
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f. *Publically traded equities*

Publically traded equities are recorded at fair value at the date of acquisition and subsequently recognised at fair value. Change in fair value is recognised as gain or expense in an account under the expenditures in the statement of income, expenditures, and fund balance.

g. *Foreign currency translations*

Transactions denominated in currencies other than US\$ are converted into US\$ at the exchange rate prevailing on the date of the transaction. Fund balance denominated in currencies other than US\$ is retranslated at exchange rates ruling as at 31 December 2010. All exchange differences arising on settlement or restatement are recognised in the statement of income, expenditures, and fund balance.

h. *Related parties*

Related parties are those individuals and Organisations where one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

3. INCOME FROM DONORS

	2010 US\$	2009 US\$
Income from overseas donors (*)	1,388,206	675,274
Income from local donors	6,427	7,022
	<u>1,394,633</u>	<u>682,296</u>

(*) Overseas donors are corporate companies, foundations and individuals; mainly from the United States of America, Hong Kong, Singapore, Australia, and United Kingdom.

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

4. IN-KIND DONATIONS

	2010 US\$	2009 US\$
Publicly traded equities	234,165	-
Services	7,541	25,978
Supplies and equipment	1,148	24,481
	<u>242,854</u>	<u>50,459</u>

The donations in-kind are recognised as asset and expenditures during the year as below:

	2010 US\$	2009 US\$
<i>Asset</i>		
Publicly traded equities	234,165	-
<i>Expenditures – Services</i>		
Operating costs	2,074	16,246
Professional fees	5,467	9,732
	<u>7,541</u>	<u>25,978</u>
<i>Expenditures - Supplies and equipment</i>		
Medical consumables	261	24,481
Repairs and maintenance	110	-
Medical equipment	-	-
Office equipment	777	-
	<u>1,148</u>	<u>24,481</u>
	<u>242,854</u>	<u>50,459</u>

5. OTHER INCOME

	2010 US\$	2009 US\$
Cost recovery (*)	13,100	6,749
Others	4,608	103
	<u>17,708</u>	<u>6,852</u>

(*) Cost recovery represents the commission income which CSC earned from referring some patients who are able to pay to Chenda Polyclinic. It also includes the income earned from the provision of surgical operations from the Cambodian Acid Survivors Charity (CASC). Please refer to note 10.

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

6. MEDICAL CONSUMABLES

	2010 US\$	2009 US\$
Medical supplies	96,045	98,990
Food for patients	25,893	21,333
Fuel	9,209	9,811
Cleaning materials	7,652	7,215
Others	4,717	3,374
	<u>143,516</u>	<u>140,723</u>

7. OPERATING COSTS

	2010 US\$	2009 US\$
Staff benefits	18,075	26,074
Expenses related to CSC's leased house	21,453	16,022
Communications	5,022	9,702
Office supplies and printing	6,863	4,272
Subscriptions, advertisement, and other fees	8,817	3,630
Fundraising expenses	2,345	3,163
Entertainment	676	2,555
Others	7,669	2,885
	<u>70,920</u>	<u>68,303</u>

8. GRANT TO NGOS

	2010 US\$	2009 US\$
Grant to CamKids	6,104	-
Grant to Cambodian Acid Survivors Charity (CASC)	<u>37,700</u>	<u>-</u>
	<u>43,804</u>	<u>-</u>

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

9. PROFESSIONAL FEES

This represents the financial audit and oversea tax service fee of Organisation.

10. PAYMENT FOR SERVICES

This represents the payment for the services where the Chenda Polyclinic allows spaces and facilities for surgical operations for some patients of the Organisation.

11. DEPOSITS AND PREPAYMENTS

	2010 US\$	2009 US\$
Rental deposit	750	750
Prepayment (*)	10,000	15,984
	<u>10,750</u>	<u>16,734</u>

(*) In 2010, this represents the 100% payment made in advance for the purchase of truck.

12. CASH AND CASH EQUIVALENT

	2010 US\$	2009 US\$
Cash at bank	1,239,171	678,965
Cash on hand	1,696	1,133
	<u>1,240,867</u>	<u>680,098</u>

The balances of cash at bank are at various banks, below:

	2010 US\$	2009 US\$
Cambodian Commercial Bank in Cambodia	76,379	11,736
ANZ Bank in Cambodia (*)	253,429	208,457
Wells Fargo Bank in USA	211,378	45,296
HSBC in Hong Kong	646,853	413,476
PayPal accounts (**)	51,132	-
	<u>1,239,171</u>	<u>678,965</u>

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

12. CASH AND CASH EQUIVALENT (continued)

Cash at bank are maintained in current and saving accounts and fixed deposits

(*) Included in the bank balance is a fixed deposit balance of US\$240,000 (2009: US\$150,000) for three one to 6 month period bearing an interest rate ranging up to 2.65% p.a.

(**) These accounts are the online donation accounts.

13. PROPERTY PLANT AND EQUIPMENT

Details analysis of the fixed asset balance is as below:

	Medical equipment US\$
Cost	
At 1 January 2010	-
Additions	29,545
At 31 December 2010	29,545
Accumulated depreciation	
At 1 January 2010	-
Depreciation charge	(6,771)
At 31 December 2010	(6,771)
Carrying amount	
At 1 January 2010	-
At 31 December 2010	22,774

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

14. PUBLICALLY TRADED EQUITIES

This represents the share investment through Morgan Stanley SmithBarney in the following companies:

Company	No. shares	Costs (US\$)
Citigroup Inc	2,000	8,360
General Electric Co	5,000	80,800
Genworth Finl Inc	8,000	107,520
Hartford Finl SVCS Group Inc	1,500	37,485
	16,500	234,165

The above security shares have been purchased and donated by a member of the Board of Director during 2010.

As of 31 December 2010, the fair value of the security stock is US\$ 233,069.

15. RELATED PARTY TRANSACTIONS

Significant related party transactions during the year are as follows:

	2010 US\$	2009 US\$
(a) <i>Cambodian Acid Survivors Charity (CASC)</i>		
Other income - Surgical operations	6,000	781
Expenditures - Medical consumables and supplies	1,459	2,714
Donations in cash from CSC to CASC	37,700	-
(b) <i>Children's Surgical Centre U.S.A (CSC USA)</i>		
Receipts:		
• Donations in cash	123,908	25,000
• In-kind donations - Equipment	109	38,512
• In-kind donations - Executive compensation	2,074	11,946
• In-kind donations - Others	6,506	-
(c) <i>Chenda Polyclinic</i>		
Other income - Cost recovery	7,100	5,301
Expenditures - payment for services	7,125	17,420
Expenditures - staff insurance	4,050	-
Expenditures - Other medical supplies	79	-

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

15. RELATED PARTY TRANSACTIONS (continued)

(d) Key management remuneration

	2010 US\$	2009 US\$
Per diem	94,998	62,100
House allowances	12,103	9,223
Insurance - in-kind donations by CSC USA	2,074	11,946
	<u>109,175</u>	<u>83,269</u>

(e) Board of directors

During the year, the Organisation has received a donation of security stock amounting to US\$ 234,165.

Significant related party balances as of 31 December are as follows:

	2010 US\$	2009 US\$
<i>Receivables from</i>		
• Chenda Polyclinic	-	748
• CSC USA	-	-
	<u>-</u>	<u>748</u>

Payables to :

• Chenda Polyclinic	807	807
• CSC USA	-	-
	<u>807</u>	<u>807</u>