

**CHILDREN'S SURGICAL CENTRE**

**STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE  
FOR THE YEAR ENDED 31 DECEMBER 2015**

# CHILDREN'S SURGICAL CENTRE

## STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2015

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CHILDREN'S SURGICAL CENTRE

Rehabilitation Surgery for Disabled Cambodians  
National Rehabilitation Centre, 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 2015 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

Dr. James G. Gollogly  
Chief Executive Officer

KanyapakReinvetch  
Chief Financial Officer

Phnom Penh, Kingdom of Cambodia

Date: 14 JUL 2016

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Children's Surgical Centre (INGO), Registered in Alaska USA.

P.O. Box 1060, Phnom Penh, Cambodia, 12110

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

Tel: +855 23 430 202 E-mail: info@csc.org; Website: www.csc.org



## **Independent auditor's report**

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

We have audited the accompanying statement of income, expenditures and fund balance of the Children's Surgical Centre (the Organisation) for the year ended 31 December 2015 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 to 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, for determining that the basis of preparation is acceptable in the circumstances, 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 of 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 2015 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. Our report is intended solely for Children's Surgical Centre and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come.

For PricewaterhouseCoopers (Cambodia) Ltd.

  
By Benilda Fernando  
Director



Phnom Penh, Kingdom of Cambodia  
Date: 14 July 2016



# CHILDREN'S SURGICAL CENTRE

## STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US\$	2014 US\$
<b>Income</b>			
Income from donors	3	1,367,782	1,535,974
Interest income	4	24,888	23,599
Pharmacy income		49,200	43,702
Other income	5	6,858	6,527
		<u>1,448,728</u>	<u>1,609,802</u>
<b>Expense</b>			
Staff salaries	6	722,815	705,278
Medical consumables	7	235,333	271,568
Operating costs	8	137,705	131,232
Depreciation	15	132,957	165,718
Grant to NGOs	9	70,733	170,410
Repairs and maintenance	10	50,495	42,633
Utilities		32,947	31,155
Medical equipment	11	28,190	34,916
Currency exchange loss	12	24,972	22,200
Training for medical staff		18,800	19,562
Security and cleaning		7,812	9,001
Professional fees		7,210	18,799
Payment for services		2,500	11,800
Office equipment		371	-
		<u>1,472,840</u>	<u>1,634,272</u>
DEFICIT OF INCOME OVER EXPENDITURES		(24,112)	(24,470)
FUND BALANCE, BEGINNING OF THE YEAR		<u>1,478,180</u>	<u>1,502,650</u>
FUND BALANCE, END OF THE YEAR		<u>1,454,068</u>	<u>1,478,180</u>
Represented by:			
Cash and cash equivalents	13	896,387	775,894
Publicly traded equities	14	416,155	444,649
Property and equipment	15	116,660	238,022
Advances and other receivables		26,880	21,632
Deposits and prepayments	16	465	465
Accrued tax liabilities and other payables		(2,479)	(2,482)
		<u>1,454,068</u>	<u>1,478,180</u>

The accompanying notes on pages 5 to 14 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 2015

### 1. BACKGROUND AND PRINCIPAL ACTIVITIES

The Children's Surgical Centre (CSC) is a US Non-Governmental Organisation (the Organisation) registered with the Department of Community and Economic Development in the state of Alaska, United States of America. 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 is also registered 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 the 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.

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE  
FOR THE YEAR ENDED 31 DECEMBER 2015

**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. The financial statement has been generally prepared under the historical cost convention.

Significant accounting policies of CSC are outlined below.

**b. Income**

Income is defined as the receipts of funds from donors, interest income and pharmacy income.

b (1) Receipts of funds from donors and interest income are recognised using the cash basis in which receipts are recognised when received rather than when earned.

b (2) Pharmacy income are sales of pharmaceutical products directly to patients. They are recognised when the organisation sells the pharmaceutical product on the day the transaction takes place. These sales are usually in cash.

**c. Expenditures**

Expenditure is recognised when it is paid rather than when it is incurred except for rental deposits, prepayments, staff advances, receivables, property, plant and equipment, investment in security stocks and accrued tax liabilities and other payables.

**d. Inventory**

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

**e. Property and equipment**

Cost of property and equipment purchased during the year at the price of less than US\$10,000 is expensed in the statement of income, expenditures and fund balance in the year of purchase. Items costing US\$10,000 and above 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.

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

Building	4 years
Medical equipment	4 years
Vehicle	4 years

**f. Publicly 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 currency exchange (gain)/loss under the expenditures in 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 2015

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *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 balances denominated in currencies other than US\$ are retranslated using exchange rates as at 31 December 2015.

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

	2015 US\$	2014 US\$
Income from international donors	1,347,315	1,515,762
Income from local donors	20,467	20,212
	<u>1,367,782</u>	<u>1,535,974</u>

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

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2015

### 3. INCOME FROM DONORS (continued)

Details of income from donors.

	2015 US\$	2014 US\$
Vanda Promotions	276,122	271,993
Watsi.org	221,377	137,435
Rotary-DAK Foundation	120,011	-
Dreyfus Charitable Foundation	102,560	90,460
Peter Bennett Foundation	75,000	75,000
Monat, Charles	50,000	50,000
Smile Train	30,750	41,750
Tao Trust Singapore Pte. Ltd	25,000	-
Computershare	22,874	161,841
Pink Umbrella	21,657	27,869
Heimberg Law Group LLP	20,600	26,790
WonderWork Inc.	20,000	-
Asia Brokers Charity Ltd	19,350	-
Pederson, Jodi	19,000	15,000
Schwab Charitable Fund	17,500	10,000
Moser, Mark	15,100	-
Gall, Nick	12,000	12,000
Vision Beyond Australia	11,849	-
Khoo, Douglas	10,000	-
Credit Lyonnais SA Chairman's Trust	-	189,916
Frymann, Stan	-	36,660
Sutherland, Mary-Anne	-	18,270
DAK Foundation (Rickards)	-	11,083
Fultheim, Gary	-	11,000
Cristofori, Sandra	-	10,000
The United Nations Population Fund		7,431
Ashley Collins Studio		7,245
Silicon Valley Community Foundation		1,100
Others(*)	277,032	323,131
	<u>1,367,782</u>	<u>1,535,974</u>

(\*) The balance represents donations under US\$10,000.

### 4. INTEREST INCOME

	2015 US\$	2014 US\$
Financial income from publicly traded equities	21,435	23,265
Interest from cash at banks	3,453	334
	<u>24,888</u>	<u>23,599</u>

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2015

### 5. OTHER INCOME

	2015 US\$	2014 US\$
Cost recovery (*)	6,858	6,527
	<u>6,858</u>	<u>6,527</u>

(\*) Cost recovery represents the actual time charge of CSC doctors who provided service at Chenda Polyclinic. Doctor's salary is fully charged from CSC under payroll costs hence they can earn other income by providing surgical and other services at Chenda Polyclinic during working hours. The actual time will be calculated and recognised as cost recovery, which is other income to CSC.

### 6. STAFF SALARIES

	2015 US\$	2014 US\$
Medical salaries	653,790	635,679
Administration department	69,025	69,599
	<u>722,815</u>	<u>705,278</u>

### 7. MEDICAL CONSUMABLES

	2015 US\$	2014 US\$
Medical supplies	130,304	151,777
Cost of pharmaceutical products sold	43,233	42,360
Food for patients	38,815	43,228
Fuel	11,892	18,368
Cleaning materials	6,342	6,548
Other patient expenses	4,747	9,287
	<u>235,333</u>	<u>271,568</u>

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2015

### 8. OPERATING COSTS

	2015 US\$	2014 US\$
Staff benefits	52,908	45,236
Expenses related to CSC's lease house	18,032	14,635
Bank charges	14,217	16,825
Office supplies and printing	6,732	6,350
Communications	6,250	10,185
Entertainment	1,463	1,146
Organisation fees and outreach expenses	-	28,365
Others	38,103	8,490
	<u>137,705</u>	<u>131,232</u>

### 9. GRANT TO NGOs

	2015 US\$	2014 US\$
Grant to:		
The Cambodian Children's Charity: CamKids	58,948	97,910
The Australia Cambodia Foundation	11,785	72,500
	<u>70,733</u>	<u>170,410</u>

Grant to NGOs is the passed-through fund from bank account of CSC to The Cambodian Children's Charity: Camkids and The Australia Cambodia Foundation.

### 10. REPAIRS AND MAINTENANCE

	2015 US\$	2014 US\$
Vehicles	33,918	25,815
Building and structure	14,716	8,716
Medical equipment	1,861	8,102
	<u>50,495</u>	<u>42,633</u>

### 11. MEDICAL EQUIPMENT

This represents medical equipment and other assets that cost less than US\$10,000.

### 12. CURRENCY EXCHANGE LOSS

This relates to exchange loss for the year from CSC's common shares in the US market.



# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2015

### 13. CASH AND CASH EQUIVALENTS

	2015 US\$	2014 US\$
Cash on hand	3,152	9,017
Cash at banks	841,619	738,677
Money market cash	51,616	28,200
	<u>893,235</u>	<u>766,877</u>
	<u>896,387</u>	<u>775,894</u>

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

	2015 US\$	2014 US\$
Wells Fargo Bank in USA	600,732	514,755
PayPal (*)	17,643	86,574
HSBC in Hong Kong	41,919	74,378
Cambodian Commercial Bank in Cambodia	168,104	37,293
Money Market Cash from Publicly Traded Equities	51,615	28,200
ANZ Bank in Cambodia	13,222	25,677
	<u>893,235</u>	<u>766,877</u>

Cash at bank is maintained in current accounts, savings accounts and fixed deposit account. Current accounts are non-interest bearing whereas savings accounts are interest bearing and earned interest from 0.03% to 0.20% per annum. Fixed deposit account is required by the bank for its credit card usage which earned interest at 2.6% per annum.

(\*) This account is the online donation account.

CHILDREN'S SURGICAL CENTRE

NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE  
FOR THE YEAR ENDED 31 DECEMBER 2015

14. PUBLICLY TRADED EQUITIES

	Common stocks		Preferred stocks		Total
	# of shares	Cost in US\$	# of shares	Cost in US\$	US\$
Beginning balances, as at 1 January 2014	13,026	397,153	-	-	397,153
Add/(Deduct)					
Donations	2,302	57,061	-	-	57,061
Exchange traded funds	-	-	-	-	-
Fair value adjustment (*)	-	(9,565)	-	-	(9,565)
	2,302	47,496	-	-	47,496
Ending balance, as at 31 December 2014	15,328	444,649	-	-	444,649
Beginning balances, as at 1 January 2015	15,328	444,649	-	-	444,649
Add/(Deduct)					
Exchange traded funds	(1,260)	(15,311)	-	-	(15,311)
Fair value adjustment (*)	-	(13,183)	-	-	(13,183)
	(1,260)	(28,494)	-	-	(28,494)
Ending balance, as at 31 December 2015	14,068	416,155	-	-	416,155

	2015		2014	
	# of shares	Cost in US\$	# of shares	Cost in US\$
Common stock and options	14,068	416,155	15,328	444,649
	14,068	416,155	15,328	444,649

(\*) Fair value adjustment represents the adjustments made resulting from the changes in the market price (fair value) of the publicly traded equity.

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2015

### 15. PROPERTY AND EQUIPMENT

	Medical equipment US\$	Vehicle US\$	Building US\$	Total US\$
Opening net book amount				
At 1 January 2014	98,643	2,708	275,498	376,849
Additions	26,891	-	-	26,891
Depreciation charge	(69,056)	(2,500)	(94,162)	(165,718)
Closing net book amount	<u>56,478</u>	<u>208</u>	<u>181,336</u>	<u>238,022</u>
As at 31 December 2014				
Cost	318,585	10,000	376,647	705,232
Accumulated depreciation	(262,107)	(9,792)	(195,311)	(467,210)
Net book amount	<u>56,478</u>	<u>208</u>	<u>181,336</u>	<u>238,022</u>
Opening net book amount				
At 1 January 2015	56,478	208	181,336	238,022
Additions	11,595	-	-	11,595
Depreciation charge	(38,587)	(208)	(94,162)	(132,957)
Closing net book amount	<u>29,486</u>	<u>-</u>	<u>87,174</u>	<u>116,660</u>
As at 31 December 2015				
Cost	330,180	10,000	376,647	716,827
Accumulated depreciation	(300,694)	(10,000)	(289,473)	(600,167)
Net book amount	<u>29,486</u>	<u>-</u>	<u>87,174</u>	<u>116,660</u>

### 16. DEPOSITS AND PREPAYMENTS

	2015 US\$	2014 US\$
Deposit for Water Supply	<u>465</u>	<u>465</u>
	<u>465</u>	<u>465</u>

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2015

### 17. RELATED PARTY TRANSACTIONS

Significant related party transactions during the year were as follows:

	2015 US\$	2014 US\$
(a) <i>Cambodian Acid Survivors Charity (CASC)</i>		
Expenditures - medical consumables and supplies	-	(33)
	-	(33)
(b) <i>Chenda Polyclinic</i>		
Other income - cost recovery	6,858	6,527
Expenditures - payment for services	(4,416)	(12,522)
Expenditures - staff insurance	(6,496)	(5,871)
Expenditures - other medical supplies	-	(780)
	(4,054)	(12,646)
(c) <i>Key management remuneration</i>		
Per diem	129,036	124,075
House allowances	12,643	10,203
Insurance	20,245	17,740
	161,924	152,018

### 18. SUBSEQUENCE EVENTS

On 31 March 2016, Children's Surgical Centre decided to close its pharmacy. CSC made this decision to comply with Ministry of Social Affair, Veterans and Youth Rehabilitation (MOSAVY) requirements.