

**CHILDREN'S SURGICAL CENTRE**

**STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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## CHILDREN'S SURGICAL CENTRE

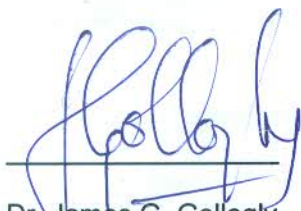
Rehabilitation Surgery for Disabled Cambodians  
National Rehabilitation Centre, Kien Khleang

### 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 2016 has been prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.

For and on behalf of the Board of Directors

  
Dr. James G. Gollogly  
Chief Executive Officer



  
Kanyapak Reinvetch  
Chief Financial Officer

Phnom Penh, Kingdom of Cambodia

Date: 22 AUG 2017



## **Independent auditor's report**

To the Board of Directors of Children's Surgical Centre

### **Our opinion**

In our opinion,

In our opinion, the financial statement of Children's Surgical Centre (the Organisation) is prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statement.

### **What we have audited**

The Organisation's financial statement comprises:

- the statement of income, expenditures and fund balance for the year ended 31 December 2016; and
- the notes to the statement of income, expenditures and fund balance, which include a summary of significant accounting policies and other explanatory information.

### **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 *Auditor's responsibilities for the audit of the financial statement* section of our report.

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

### **Independence**

We are independent of the Organisation accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the requirements of Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of KICPAA Code.

### **Emphasis of Matter - Basis of accounting and restriction on distribution and use**

We draw attention to Note 2 to the financial statement, which describe the basis of accounting. The financial statement is prepared in accordance with the accounting policies described in Note 2 to the financial statement. As a result, the financial statement may not be suitable for another 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. Our opinion is not modified in respect to this matter.

## **Responsibilities of management and those charged with governance for the financial statement**

Management is responsible for the preparation of the financial statement in accordance with accounting policies 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 financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Organisation'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 liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statement**

Our objectives are to obtain reasonable assurance about whether the financial statement 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 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 statement.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, 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 Organisation'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 Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement 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 auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.



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 PricewaterhouseCoopers (Cambodia) Ltd.

  
By Benilda Fernando  
Director

A circular blue ink stamp. The outer ring contains the text 'ព្រឹទ្ធសភា' at the top and 'អគ្គនាយកដ្ឋាន' at the bottom. The inner circle contains the text 'សមាជិកសម្រាប់' at the top, 'PricewaterhouseCoopers' in the middle, and '(Cambodia) Ltd.' at the bottom.

Phnom Penh, Kingdom of Cambodia  
Date: 22 August 2017

# CHILDREN'S SURGICAL CENTRE

## STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$	2015 US\$
<b>Income</b>			
Income from donors	3	1,699,697	1,367,782
Interest income	4	21,214	24,888
Pharmacy income		8,325	49,200
Other income	5	2,599	6,858
		<u>1,731,835</u>	<u>1,448,728</u>
<b>Expense</b>			
Staff salaries	6	787,158	722,815
Grant to NGOs	9	417,232	70,733
Medical consumables	7	270,528	235,333
Operating costs	8	152,086	137,705
Depreciation	15	100,934	132,957
Repairs and maintenance	10	82,528	50,495
Medical equipment	11	25,132	28,190
Utilities		36,003	32,947
Training for medical staff		23,272	18,800
Security and cleaning		5,400	7,812
Professional fees		4,674	7,210
Office equipment		2,530	371
Currency exchange loss	12	(4,298)	24,972
Payment for services		1,400	2,500
		<u>1,904,579</u>	<u>1,472,840</u>
DEFICIT OF INCOME OVER EXPENDITURES		(172,744)	(24,112)
FUND BALANCE, BEGINNING OF THE YEAR		<u>1,454,068</u>	<u>1,478,180</u>
FUND BALANCE, END OF THE YEAR		<u>1,281,324</u>	<u>1,454,068</u>
Represented by:			
Cash and cash equivalents	13	784,613	896,387
Publicly traded equities	14	447,729	416,155
Property and equipment	15	26,727	116,660
Advances and other receivables		8,283	26,880
Deposits and prepayments	16	19,365	465
Accrued tax liabilities and other payables		(5,393)	(2,479)
		<u>1,281,324</u>	<u>1,454,068</u>

The accompanying notes on pages 6 to 15 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 2016

#### 1. BACKGROUND AND PRINCIPAL ACTIVITIES

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.

## CHILDREN'S SURGICAL CENTRE

### NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2016

#### 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.

- (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.
- (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, advances and 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 (equivalent to lease term)
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 2016

#### 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 2016.

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

	2016 US\$	2015 US\$
Income from international donors	1,655,904	1,347,315
Income from local donors	43,793	20,467
	<u>1,699,697</u>	<u>1,367,782</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 2016

#### 3. INCOME FROM DONORS (continued)

Details of income from donors.

	2016 US\$	2015 US\$
Watsi.org	421,798	221,377
Vanda Promotions	168,738	276,122
Credit Lyonnais SA Chairman's Trust	119,214	-
DAK Foundation	113,975	120,011
Iherb Charitable Foundation	94,600	-
Peter Bennett Foundation	75,000	75,000
Kadoorie Charitable Foundation	69,989	-
Computershare	66,263	22,875
Royal City of Dublin Hospital Trust	63,968	-
Monat, Charles	50,000	50,000
Smile Train	43,323	30,750
Rotary Club Phnom Penh	26,681	9,000
Rotary Club Australia	22,358	-
Singapore Asset Managers and Brokers Awards	18,212	-
Vision Beyond Australia	16,910	11,848
Morris, Anthony	15,000	-
Gall, Nick	12,000	12,000
SX Foundation	10,501	-
Heimberg Law Group LLP	10,400	20,600
Moser, Mark	10,113	15,100
Chris Sandford	10,000	-
Dreyfus Charitable Foundation	-	102,560
Tao Trust Singapore Pte. Ltd	-	25,000
Pink Umbrella	-	21,657
WonderWork Inc.	-	20,000
Asia Brokers Charity Ltd	-	19,350
Pederson, Jodi	-	19,000
Schwab Charitable Fund	-	17,500
Khoo, Douglas	-	10,000
Others(*)	260,654	268,032
	<u>1,699,697</u>	<u>1,367,782</u>

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

#### 4. INTEREST INCOME

	2016 US\$	2015 US\$
Financial income from publicly traded equities	20,519	21,435
Interest from cash at banks	695	3,453
	<u>21,214</u>	<u>24,888</u>

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2016

### 5. OTHER INCOME

	2016 US\$	2015 US\$
Cost recovery (*)	2,599	6,858
	<u>2,599</u>	<u>6,858</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

	2016 US\$	2015 US\$
Medical salaries	617,177	653,790
Administration department	169,981	69,025
	<u>787,158</u>	<u>722,815</u>

### 7. MEDICAL CONSUMABLES

	2016 US\$	2015 US\$
Medical supplies	185,339	130,304
Food for patients	42,871	38,815
Other patient expenses	11,615	4,747
Cost of pharmaceutical products sold	10,969	43,233
Fuel	10,355	11,892
Cleaning materials	9,379	6,342
	<u>270,528</u>	<u>235,333</u>

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2016

### 8. OPERATING COSTS

	2016 US\$	2015 US\$
Staff benefits	61,391	52,908
Expenses related to CSC's lease house	18,527	18,032
Bank charges	15,913	14,217
Communications	8,938	6,250
Office supplies and printing	6,576	6,732
Entertainment	2,317	1,463
Others	38,424	38,103
	<u>152,086</u>	<u>137,705</u>

### 9. GRANT TO NGOs

	2016 US\$	2015 US\$
Grant to:		
The Sunrise Cambodia	256,740	11,785
The New Hope for Cambodian Children	140,931	-
The Cambodian Children's Charity: CamKids	19,561	58,948
	<u>417,232</u>	<u>70,733</u>

### 10. REPAIRS AND MAINTENANCE

	2016 US\$	2015 US\$
Vehicles	33,658	33,918
Building and structure	29,883	14,716
Medical equipment	18,987	1,861
	<u>82,528</u>	<u>50,495</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 2016

### 13. CASH AND CASH EQUIVALENTS

	2016 US\$	2015 US\$
Cash on hand	3,001	3,152
Cash at banks	737,705	841,619
Money market cash	43,907	51,616
	781,612	893,235
	784,613	896,387

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

	2016 US\$	2015 US\$
Wells Fargo Bank in USA	363,518	600,732
PayPal (*)	55,193	17,643
HSBC in Hong Kong	80,997	41,919
Cambodian Commercial Bank in Cambodia	222,538	168,104
Money Market Cash from Publicly Traded Equities	43,907	51,615
ANZ Bank in Cambodia	15,459	13,222
	781,612	893,235

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 2016

### 14. PUBLICLY TRADED EQUITIES

	Common stocks		Total
	# of shares	Cost in US\$	US\$
Beginning balances, as at 1 January 2015	15,328	444,649	444,649
Add/(Deduct)	-	-	-
Donations	-	-	-
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
Beginning balances, as at 1 January 2016	14,068	416,155	416,155
Add/(Deduct)			
Exchange traded funds	(882)	20,023	20,023
Fair value adjustment (*)	-	11,551	11,551
	(882)	31,574	31,574
Ending balance, as at 31 December 2016	13,186	447,729	447,729

	2016		2015	
	# of shares	Value in US\$	# of shares	Value in US\$
Common stock and options	13,186	447,729	14,068	416,155
	13,186	447,729	14,068	416,155

(\*) 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 2016

### 15. PROPERTY AND EQUIPMENT

	Medical equipment US\$	Vehicle US\$	Building US\$	Total US\$
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>
Opening net book amount				
At 1 January 2016	29,486	-	87,174	116,660
Additions	11,000	-	-	11,000
Depreciation charge	(13,759)	-	(87,174)	(100,933)
Closing net book amount	<u>26,727</u>	<u>-</u>	<u>-</u>	<u>26,727</u>
As at 31 December 2016				
Cost	341,180	10,000	376,647	727,827
Accumulated depreciation	(314,453)	(10,000)	(376,647)	(701,100)
Net book amount	<u>26,727</u>	<u>-</u>	<u>-</u>	<u>26,727</u>

### 16. DEPOSITS AND PREPAYMENTS

	2016 US\$	2015 US\$
Deposit for purchasing of digital X-Ray	18,900	-
Deposit for water supply	<u>465</u>	<u>465</u>
	<u>19,365</u>	<u>465</u>

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2016

### 17. RELATED PARTY TRANSACTIONS

Significant related party transactions during the year were as follows:

	<u>2016 US\$</u>	<u>2015 US\$</u>
(a) <i>Chenda Polyclinic</i>		
Other income - cost recovery	2,599	6,858
Expenditures - payment for services	(1,400)	(4,416)
Expenditures - staff insurance	(6,844)	(6,496)
Expenditures - other medical supplies	(800)	-
	<u>(6,445)</u>	<u>(4,054)</u>
(b) <i>Key management remuneration</i>		
Per diem	139,565	129,036
House allowances	13,011	12,643
Insurance	22,528	20,245
	<u>175,104</u>	<u>161,924</u>