

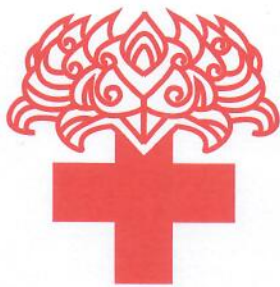
CHILDREN'S SURGICAL CENTRE

**STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE
FOR THE YEAR ENDED 31 DECEMBER 2018**

CHILDREN'S SURGICAL CENTRE

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FOR THE YEAR ENDED 31 DECEMBER 2018**

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CHILDREN'S SURGICAL CENTRE

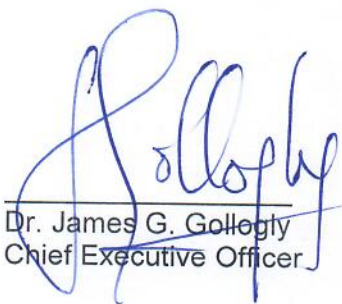
Rehabilitation Surgery for Disabled Cambodians
National Rehabilitation Centre, Kien Khleang

STATEMENT BY BOARD OF DIRECTORS

I, James G. Gollogly, the Chief Executive Officer of Children's Surgical Centre, representing the Board of Directors, do hereby state that in my opinion:

The accompanying statement of income, expenditures and fund balance together with the notes thereon, of Children's Surgical Centre ("the Organisation") for the year ended 31 December 2018 has been prepared, in all material respects, in accordance with the basis set out in Note 2 to the statement of income and expenditures and fund balance.

For and on behalf of Board of Directors



Dr. James G. Gollogly
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 01 OCT 2019

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 Children's Surgical Centre

Our opinion

In our opinion, the financial statement of Children's Surgical Centre (the Organisation) for the year ended 31 December 2018 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 2018; and
- the notes to the financial statement, which include a summary of significant accounting policies.

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 in 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.



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 C. Fernando
Director

A circular blue ink stamp. The outer ring contains the text "ព្រះរាជាណាចក្រកម្ពុជា" at the top and "អង្គការក្រៅរដ្ឋាភិបាល" at the bottom. The inner circle contains the text "ប្រាសាទភ្នំពេញ" at the top, "ហាមឱ្យដឹង (មេមត់)" in the middle, and "PricewaterhouseCoopers (Cambodia) Ltd." at the bottom.

Phnom Penh, Kingdom of Cambodia
01 October 2019

CHILDREN'S SURGICAL CENTRE

STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Income			
Income from donors	4	1,107,203	1,622,386
Interest income	5	8,368	21,499
Other income		-	5,125
		<u>1,115,571</u>	<u>1,649,010</u>
Expenditures			
Staff salaries	6	942,546	875,705
Medical consumables	7	208,425	247,295
Operating costs	8	78,720	84,758
Repairs and maintenance	9	69,356	70,226
Utilities		36,186	36,330
Grant to NGOs	10	28,500	63,000
Depreciation	14	19,350	14,339
Medical equipment	11	16,600	48,732
Professional fees		7,722	8,844
Security and cleaning		6,675	6,500
Office equipment		2,916	1,333
Training for medical staff		1,519	21,071
Payment for services		1,317	2,200
Gain on fair value	12	(10,638)	(37,998)
		<u>1,409,194</u>	<u>1,442,335</u>
(DEFICIT)/SURPLUS OF INCOME OVER EXPENDITURES		(293,623)	206,675
FUND BALANCE, BEGINNING OF THE YEAR		<u>1,487,999</u>	<u>1,281,324</u>
FUND BALANCE, END OF THE YEAR		<u>1,194,376</u>	<u>1,487,999</u>
REPRESENTED BY:			
Cash and bank balances	13	1,155,904	893,787
Property and equipment	14	32,563	51,913
Advances and other receivables		8,711	26,200
Deposits and prepayments		634	465
Publicly traded equities	15	-	516,923
Accrued tax liabilities and other payables		(3,436)	(1,289)
		<u>1,194,376</u>	<u>1,487,999</u>

The accompanying notes on pages 6 to 14 form an integral part of the statement of income, expenditures and fund balance.

CHILDREN'S SURGICAL CENTRE

NOTES TO STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2018

1. BACKGROUND AND PRINCIPAL ACTIVITIES

Children's Surgical Centre is a US Non-Governmental Organisation (CSC or 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

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. New financial reporting framework

On 27 March 2018, the National Accounting Council of Ministry of Economy and Finance (MoEF) issued Prakas No. 335 MoEF.BK on the implementation of Cambodian Financial Reporting Standard for Not-for-profit Entities (CFRS for NFPEs) which follows cash-based accounting. NFPEs are required to prepare their financial statement in accordance with CFRS for NFPEs for accounting period beginning on or after 1 January 2018.

The National Accounting Council of the Ministry of Economy and Finance through Circular No. 030 dated 21 January 2019 approved not for profit entities to delay adoption of CFRS for NFPEs until further notice.

At this stage, the Organisation does not intend to adopt the standard before its effective date.

CHILDREN'S SURGICAL CENTRE

NOTES TO STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New financial reporting framework (continued)

Note 2 to the financial statement which is based on the Organisation's internal policies, the current basis of accounting, is different to CFRS for NFPEs in a number of areas. Consequently, the adoption of CFRS for NFPEs will have some impact on the financial statement of the Organisation.

c. Income

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

- (1) Receipts of funds from donors are recognised using the cash basis in which receipts are recognised when received rather than when earned.
- (2) Interest incomes included the interest income earned from the deposits with the banks and the income from the investment with public traded equities using the cash basis in which the incomes are recognised when received rather than when earned.

d. Expenditures

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

e. Cash and bank balances

Cash and bank balances consist of cash on hand, cash at bank and money market funds with insignificant risk of changes in value.

f. Inventory

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

g. 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

h. Publicly traded equities

Publicly 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. Those equities are actively traded in the United States on the New York Stock Exchange.

CHILDREN'S SURGICAL CENTRE

NOTES TO STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Tax payable

Tax payable represents the monthly salary tax and withholding tax payable to the General Department of Taxation.

j. 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 period-end exchange rates.

All exchange differences arising on settlement or restatement are recognised in the statement of income, expenditures and fund balance.

k. 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. LAWS AND REGULATIONS

a. Taxes

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and fund balance in the period in which the determination is made.

b. Seniority payment

In June 2018, the Cambodian government amended the Labour Law introducing the seniority pay scheme. Subsequently in 21 September 2018, Prakas No. 443 K.B/Br.K.Kh.L. was issued providing guidelines on the implementation of the law. In accordance with the law/prakas, each entity is required to pay each employee the following seniority scheme:

- (i) Annual service – effective January 2019, 15 days of their monthly salary each year.
- (ii) Past years of seniority service – employees are entitled to 15 days of their salary per year of service since the commencement of employment up to maximum of six months.

On 22 March 2019, the Ministry of Labour and Vocational Training issued a guideline number 042/29 K.B/S.N.N.Kh.L, to delay the payment of the seniority payment for past years to 2021 and paying 6 days per year in which 3 days in June and 3 days in December.

CHILDREN'S SURGICAL CENTRE

NOTES TO STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2018

4. INCOME FROM DONORS

	2018 US\$	2017 US\$
Income from international donors	1,083,636	1,613,648
Income from local donors	23,567	8,738
	<u>1,107,203</u>	<u>1,622,386</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.

Details of income from donors.

	2018 US\$	2017 US\$
Watsi.org	300,751	547,268
Dreyfus Charitable Foundation	107,726	101,760
Peter Bennett Foundation	75,000	-
Kadoorie Charitable Foundation	57,365	-
Monat, Charles	50,000	50,000
Fund Managers', Asian Bankers' and Brockers' Awards	47,828	-
Smile Train	31,467	53,706
Lutz & Hedda Franz Limited	24,964	25,000
Vanda Promotions	21,226	231,170
Moser, Mark	20,266	20,000
Partners for Equity Limited	18,626	-
Vision Beyond Australia	17,296	17,325
Moore, Brian	13,320	-
Korea International School	12,996	-
Gall, Nick	12,000	10,000
Simply Giving Pte. Ltd.	-	47,682
DAK Foundation	-	102,549
Royal City of Dublin Hospital Trust	-	63,953
Iherb Charitable Foundation	-	63,000
WonderWork Inc.	-	30,000
O'Neil, Sue	-	13,695
Others (*)	296,372	245,278
	<u>1,107,203</u>	<u>1,622,386</u>

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

CHILDREN'S SURGICAL CENTRE**NOTES TO STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE
FOR THE YEAR ENDED 31 DECEMBER 2018****5. INTEREST INCOME**

	2018 US\$	2017 US\$
Financial income from publically traded equities	7,097	20,414
Interest from cash at banks	1,271	1,085
	<u>8,368</u>	<u>21,499</u>

6. STAFF SALARIES

	2018 US\$	2017 US\$
Medical staff salaries	671,624	646,103
Administration salaries	175,154	170,192
Staff benefits	95,768	59,410
	<u>942,546</u>	<u>875,705</u>

7. MEDICAL CONSUMABLES

	2018 US\$	2017 US\$
Medical supplies	130,449	172,289
Food for patients	49,075	44,606
Fuel	14,703	12,715
Cleaning materials	9,119	13,572
Other patient expenses	5,079	4,113
	<u>208,425</u>	<u>247,295</u>

8. OPERATING COSTS

	2018 US\$	2017 US\$
Expenses related to CSC's lease house	19,862	14,780
Bank charges	13,887	14,768
Communications	8,887	9,239
Office supplies and printing	4,197	5,965
Entertainment	2,408	2,804
Others	29,479	37,202
	<u>78,720</u>	<u>84,758</u>

CHILDREN'S SURGICAL CENTRE**NOTES TO STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE
FOR THE YEAR ENDED 31 DECEMBER 2018****9. REPAIRS AND MAINTENANCE**

	2018 US\$	2017 US\$
Vehicles	28,248	30,138
Building and structure	26,165	23,758
Medical equipment	14,943	16,330
	<u>69,356</u>	<u>70,226</u>

10. GRANT TO NGOS

	2018 US\$	2017 US\$
Grant to The Sunrise Cambodia	28,500	63,000
	<u>28,500</u>	<u>63,000</u>

Grants to NGOs are made from CSC bank accounts segregated to benefit the other NGOs in Cambodia for which CSC collects funds in the USA and makes grants to those NGO.

11. MEDICAL EQUIPMENT

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

12. GAIN ON FAIR VALUE

This relates to gain on fair value as a result of higher market price of CSC's common shares in the US market and the minor currency exchange gain or loss.

	2018 US\$	2017 US\$
Exchange loss/(gain)	726	(321)
Gain on fair value	(11,364)	(37,677)
	<u>(10,638)</u>	<u>(37,998)</u>

CHILDREN'S SURGICAL CENTRE

NOTES TO STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2018

13. CASH AND BANK BALANCES

	2018 US\$	2017 US\$
Cash on hand	941	1,070
Cash at banks	589,879	862,738
Money market funds	565,084	29,979
	<u>1,154,963</u>	<u>892,717</u>
	<u>1,155,904</u>	<u>893,787</u>

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

	2018 US\$	2017 US\$
<i>Balance with local banks</i>		
Cambodian Commercial Bank	153,954	110,502
ACLEDA Bank	6,564	-
ANZ Royal Bank	-	13,792
	<u>160,518</u>	<u>124,294</u>
<i>Balance with overseas banks</i>		
Money Market Funds with UBS Financial Services Inc.	565,084	29,979
Wells Fargo Bank in USA	327,997	660,841
PayPal (*)	101,364	77,603
	<u>994,445</u>	<u>768,423</u>
	<u>1,154,963</u>	<u>892,717</u>

Cash at bank is maintained in current accounts, savings accounts and fixed deposit accounts. Current accounts are non-interest bearing whereas savings accounts are interest bearing and earned interest from 0.03% to 0.20% per annum (2017: 0.03% to 0.20%). Fixed deposit accounts are required by the bank for its credit card usage which earned interest at 2.6% per annum (2017: 2.6%).

(*) This account is the online account which is used for donation transactions.

CHILDREN'S SURGICAL CENTRE

NOTES TO STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2018

14. PROPERTY AND EQUIPMENT

	Medical equipment US\$	Vehicle US\$	Building US\$	Total US\$
Opening net book amount				
At 1 January 2017	26,727	-	-	26,727
Additions	18,899	20,626	-	39,525
Depreciation charge	(14,339)	-	-	(14,339)
Closing net book amount	31,287	20,626	-	51,913
As at 31 December 2017				
Cost	360,079	30,626	376,647	767,352
Accumulated depreciation	(328,792)	(10,000)	(376,647)	(715,439)
Net book amount	31,287	20,626	-	51,913
Opening net book amount				
At 1 January 2018	31,287	20,626	-	51,913
Depreciation charge	(14,194)	(5,156)	-	(19,350)
Closing net book amount	17,093	15,470	-	32,563
As at 31 December 2018				
Cost	360,079	30,626	376,647	767,352
Accumulated depreciation	(342,986)	(15,156)	(376,647)	(734,789)
Net book amount	17,093	15,470	-	32,563

15. PUBLICLY TRADED EQUITIES

	Common stocks	
	# of shares	Cost in US\$
Beginning balances, as at 1 January 2017	13,396	447,729
(Deduct)/add		
Exchange traded funds	(1,728)	34,535
Fair value adjustment (*)	-	34,659
	(1,728)	69,194
Ending balance, as at 31 December 2017	11,668	516,923
Beginning balances, as at 1 January 2018	11,668	516,923
(Deduct)/add		
Exchange traded funds	(11,668)	(528,287)
Fair value adjustment (*)	-	11,364
	(11,668)	(516,923)
Ending balance, as at 31 December 2018	-	-

(*) 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 STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2018

16. RELATED PARTY TRANSACTIONS

Significant related party transactions during the year were as follows:

	2018 US\$	2017 US\$
(a) <i>Chenda Polyclinic</i>		
Expenditures - staff insurance	(8,120)	(2,200)
Expenditures - payment for services	(1,317)	(7,192)
Expenditures - other medical supplies	(28)	-
Other income - cost recovery	-	5,125
Expenditures - purchase of fixed assets	-	(20,625)
	<u>(9,465)</u>	<u>(24,892)</u>
(b) <i>Key management remuneration</i>		
Salaries and per diem	150,945	145,148
House allowances	13,967	11,294
Insurance	34,897	24,124
	<u>199,809</u>	<u>180,566</u>

17. COMMITMENT

All employees as at 31 December 2018 are entitled to past years seniority service. The Management has estimated the maximum seniority payment payable for past years at approximately US\$187,582.