

**CHILDREN'S SURGICAL CENTRE**

**STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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## STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2012

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**CHILDREN'S SURGICAL CENTRE**

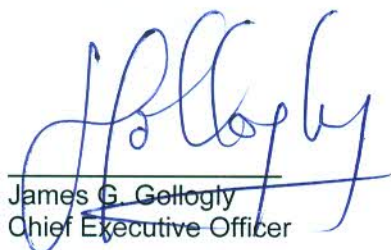
Rehabilitation surgery for disabled Cambodians  
National Rehabilitation Center, Kien Khleang

**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 2012 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. Golligly  
Chief Executive Officer

  
Kanyapak Reinvetch  
Chief Financial Officer

Phnom Penh, Kingdom of Cambodia

Date:

12 JUN 2013





## **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 2012 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 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 2012 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: 12 June 2013



# CHILDREN'S SURGICAL CENTRE

## STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 US\$	2011 US\$
<b>Income</b>			
Income from donors	3	1,029,372	1,100,049
In-kind donations	4	72,574	-
Interest income	5	13,688	15,366
Other income	6	32,789	29,622
		<u>1,148,423</u>	<u>1,145,037</u>
<b>Expense</b>			
Staff salaries	7	574,180	546,637
Grant to NGOs	8	197,748	64,809
Medical consumables	9	178,576	138,969
Operating costs	10	112,405	95,789
Depreciation	16	80,909	44,801
Medical equipment	11	47,908	41,455
Repairs and maintenance	12	42,113	34,583
Utilities		26,981	20,330
Payment for services	13	18,485	17,231
Professional fees		14,721	10,196
Training for medical staff		8,891	2,885
Security and warehouse rental		7,986	7,389
Office equipment		201	4,481
Smile train phone project		-	1,468
Others		-	12,733
		<u>1,311,104</u>	<u>1,043,756</u>
(DIFICIT)/SURPLUS OF INCOME OVER EXPENDITURES		(162,681)	101,281
FUND BALANCE, BEGINNING OF THE YEAR		<u>1,610,156</u>	<u>1,508,875</u>
FUND BALANCE, END OF THE YEAR		<u>1,447,475</u>	<u>1,610,156</u>
Represented by:			
Deposits and prepayments	14	5,965	11,200
Advances and other receivables		6,859	3,765
Cash and cash equivalents	15	568,688	942,470
Property and equipment	16	532,111	422,773
Publically traded equity	17	335,432	231,288
Accrued tax liabilities and other payables		(1,580)	(1,340)
		<u>1,447,475</u>	<u>1,610,156</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 2012

#### 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, United State 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 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 2012

#### 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 statements have 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, 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 stocks and accrued tax liabilities and other payables.

##### *d. In-kind donations*

Upon receipt, in-kind donations received overseas are recognised as income and related expenses or 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.

##### *e. Inventory*

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

##### *f. 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. The items with the cost of 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.

## CHILDREN'S SURGICAL CENTRE

### NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2012

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

##### f. *Property and equipment* (continued)

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

##### g. *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.

##### h. *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 2012. All exchange differences arising on settlement or restatement are recognised in the statement of income, expenditures, and fund balance.

##### i. *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

	2012 US\$	2011 US\$
Income from international donors (a)	1,001,631	1,099,549
Income from local donors	27,741	500
	<u>1,029,372</u>	<u>1,100,049</u>

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



# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2012

### 3. INCOME FROM DONORS (continued)

The followings are the detail of income from international donors.

	2012 US\$	2011 US\$
CLSA Chairman's Trust	143,604	100,000
Vanda Promotions	108,000	211,772
World White Color Boxing Association	78,766	-
Kadoorie Charitable Foundation	70,000	-
Smile Train	61,000	75,530
Calicut Landmark Holdings (Igor's)	50,041	45,636
Better Digital Solutions	50,000	-
Disney Online Studios Canada Inc.	50,000	50,000
Monat, Charles	50,000	15,000
White Collar Boxing and Racing the Planet Individual Supporters	49,699	108,228
Zenith Media	40,000	-
Richard P. Haugland Foundation	37,534	-
Silicon Valley Community Foundation	25,000	-
Heimberg Law Group LLP	24,500	19,650
UNFPA	21,400	20,000
Pink Umbrella	20,242	-
International Financial Services	15,025	-
Sisko Promotions Inc.	15,000	-
ACF-Palcove Pty Ltd	-	53,434
Maitri Trust	-	50,000
Others (*)	119,561	350,799
	<u>1,029,372</u>	<u>1100,049</u>

(\*) The balance represents donations under \$15,000.

### 4. IN-KIND DONATIONS

	2012 US\$	2011 US\$
In-kind donation from:		
Publically traded equities	67,200	-
Others (*)	5,374	-
	<u>72,574</u>	<u>-</u>

(\*) This balance represents the donation from Board of Director on medical supplies and traveling expense for supporting the CSC during September 2012.



# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2012

### 5. INTEREST INCOME

	2012 US\$	2011 US\$
Interest income from:		
Publically traded equities	12,865	12,408
Cash at banks	823	2,958
	<u>13,688</u>	<u>15,366</u>

### 6. OTHER INCOME

	2012 US\$	2011 US\$
Cost recovery (*)	4,773	9,959
Other income	28,016	19,663
	<u>32,789</u>	<u>29,622</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 in payroll cost hence they can earn other income by providing surgical and other services at Chenda Polyclinic during working hours, those actual time will be calculated and recognised as cost recovery which is other income to CSC. It also includes the income earned from the provision of surgical operations to the Cambodian Acid Survivors Charity (CASC).

### 7. STAFF SALARIES

	2012 US\$	2011 US\$
Medical salaries	509,431	431,154
Administration department	64,749	115,483
	<u>574,180</u>	<u>546,637</u>

### 8. GRANT TO NGOs

	2012 US\$	2011 US\$
Grant to:		
CamKids	74,323	28,809
ACF	123,425	36,000
	<u>197,748</u>	<u>64,809</u>

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2012

### 9. MEDICAL CONSUMABLES

	2012 US\$	2011 US\$
Medical supplies	116,520	76,901
Food for patients	31,000	30,583
Fuel	18,982	17,167
Cleaning materials	6,314	6,719
Others	5,760	7,599
	<u>178,576</u>	<u>138,969</u>

### 10. OPERATING COSTS

	2012 US\$	2011 US\$
Staff benefits	45,207	28,972
Expenses related to CSC's lease house	17,779	16,471
Subscriptions, advertisement, and other fees	15,396	14,480
Bank charges	9,829	13,704
Office supplies and printing	6,537	6,780
Communications	5,566	4,496
Entertainment	2,975	1,761
Others	9,116	9,125
	<u>112,405</u>	<u>95,789</u>

### 11. MEDICAL EQUIPMENTS

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

### 12. REPAIRS AND MAINTENANCE

	2012 US\$	2011 US\$
Vehicles	25,215	24,165
Building and structure	9,530	6,075
Medical equipment	7,368	4,343
	<u>42,113</u>	<u>34,583</u>

## CHILDREN'S SURGICAL CENTRE

### NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2012

#### 13. 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.

#### 14. DEPOSITS AND PREPAYMENTS

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
Deposit on Credit Card	5,500	-
Deposit for Water Supply	465	-
Rental deposit	-	750
Prepayment for medical equipment	-	10,450
	<u>5,965</u>	<u>11,200</u>

#### 15. CASH AND CASH EQUIVALENTS

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
Cash at banks	557,865	939,748
Cash on hand	10,823	2,722
	<u>568,688</u>	<u>942,470</u>

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

	<b>2012</b>	<b>2011</b>
	<b>US\$</b>	<b>US\$</b>
HSBC in Hong Kong	308,538	506,410
Wells Fargo Bank in USA	107,134	195,039
ANZ Bank in Cambodia	100,184	162,428
Cambodian Commercial Bank in Cambodia	22,005	9,042
PayPal (*)	20,004	66,829
	<u>557,865</u>	<u>939,748</u>

Cash at bank are maintained in current accounts and saving accounts. Current account is non-interest bearing whereas saving accounts is interest bearing and earned interest from 0.05% to 0.20% 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 2012

### 16. PROPERTY AND EQUIPMENT

	Medical equipment US\$	Vehicle US\$	Building US\$	Construction in progress US\$	Total US\$
Opening net book amount					
At 1 January 2011	22,774	-	-	-	22,774
Additions	228,800	10,000	-	206,000	444,800
Depreciation charge	(42,509)	(2,292)	-	-	(44,801)
Closing net book amount	<u>209,065</u>	<u>7,708</u>	<u>-</u>	<u>206,000</u>	<u>422,773</u>
As at 31 December 2011					
Cost	258,345	10,000	-	206,000	474,345
Accumulated depreciation	<u>(49,280)</u>	<u>(2,292)</u>	<u>-</u>	<u>-</u>	<u>(51,572)</u>
Net book amount	<u>209,065</u>	<u>7,708</u>	<u>-</u>	<u>206,000</u>	<u>422,773</u>
Opening net book amount					
At 1 January 2012	209,065	7,708	-	206,000	422,773
Additions	33,350	-	-	156,897	190,247
Depreciation charge	(70,849)	(2,500)	(7,560)	-	(80,909)
Transfers	-	-	362,897	(362,897)	-
Closing net book amount	<u>171,566</u>	<u>5,208</u>	<u>355,337</u>	<u>-</u>	<u>532,111</u>
As at 31 December 2012					
Cost	291,694	10,000	362,897	-	664,591
Accumulated depreciation	<u>(120,128)</u>	<u>(4,792)</u>	<u>(7,560)</u>	<u>-</u>	<u>(132,480)</u>
Net book amount	<u>171,566</u>	<u>5,208</u>	<u>355,337</u>	<u>-</u>	<u>532,111</u>

**CHILDREN'S SURGICAL CENTRE****NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE  
FOR THE YEAR ENDED 31 DECEMBER 2012****17. PUBLICLY TRADED EQUITIES**

This represents the share investment through Morgan Stanley Smith Barney as follows:

Company	2012		2011	
	No. shares	Costs (US\$)	No. shares	Costs (US\$)
Common stock and options	21,214	266,155	9,476	201,019
Preferred stock	300	13,304	300	13,304
Exchange traded funds	-	-	640	15,070
	<u>21,514</u>	<u>279,459</u>	<u>10,416</u>	<u>229,393</u>

The above security shares have been purchased and donated by a member of the Board of Director during 2010 and 2012.

As of 31 December 2012, the fair value of the security stock is US\$ 335,432 (2011 US\$231,288).

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2012

### 18. RELATED PARTY TRANSACTIONS

Significant related party transactions during the year are as follows:

	2012 US\$	2011 US\$
(a) <i>Cambodian Acid Survivors Charity (CASC)</i>		
Other income - surgical operations	2,000	4,500
Income - other administrative	-	132
Expenditures - medical consumables and supplies	(3,532)	(5,219)
	<u>(1,532)</u>	<u>(587)</u>
(b) <i>Chenda Polyclinic</i>		
Other income - cost recovery	2,174	5,459
Expenditures - payment for services	18,584	(18,243)
Expenditures - staff insurance	5,155	(4,279)
Expenditures - other medical supplies	6,528	(807)
	<u>32,441</u>	<u>(17,870)</u>
(c) <i>Key management remuneration</i>		
Per diem	113,620	138,000
House allowances	10,385	9,683
Insurance	25,062	12,906
	<u>149,067</u>	<u>160,589</u>