

AFESIP CAMBODIA ORGANIZATION

**Financial Statements
for the year ended 31 December 2021
and
Report of the Independent Auditors**

Organisation information

Organisation	AFESIP Cambodia Organization	
Organisation document	Registration No.10952 issued by the Ministry of Interior on 8 August 2019	
Registered office	Village 24, Prey Sar Commune, Dankao District, Phnom Penh Kingdom of Cambodia	
Donors	Project Futures Solyna Foundation Royal Government of Cambodia Together1Heart Orphaned Starfish Foundation Cambodian Red Cross Cambodia Post Bank Natural Beauty Co.,LTD Heart Mothers	
Board of Directors	Claude Hildenbrand David Cooke Annalynne McCord Mam Somaly Vann Sina Lin Sylor	Chairman Director, Member of BOD Director, Member of BOD Director, Member of BOD Director, Member of BOD Treasury and Secretary of the BOD
Management team	Mam Somaly Lin Sylor Sao Chhoeurth Vann Sina	Founder and Managing Director Operations Director Co-Program Director Co-Program Director
Principal banker	Foreign Trade Bank of Cambodia Advanced Bank of Asia Ltd Wing Bank (Cambodia) Plc	
Auditors	KPMG Cambodia Ltd	

AFESIP Cambodia Organization

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អង្គការអាហ្វេស៊ីបកម្ពុជា AFESIP CAMBODIA

ភូមិ២៤ សង្កាត់ព្រៃស, ខ័ណ្ឌដង្កោ, ក្រុងភ្នំពេញ (ជិតមន្ទីរពេទ្យហ្លួងម៉ែ) ប្រអប់សំបុត្រ 2089 CCCBox:352
ទូរស័ព្ទផ្ទៃ: (855-12) 888 840 អ៊ីម៉ែល : info@afesip.org វេបសាយ : www.afesip.org

Statement by the management

I, the undersigned, on behalf of the management of AFESIP Cambodia Organization, do hereby state that the accompanying financial statements for the year ended 31 December 2021 as set out on pages 5 to 13 is prepared, in all material respects, in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Signed on behalf of the management,

Mrs. Mam Somaly
Co-Founder and Managing Director

Phnom Penh, Kingdom of Cambodia

Date: *28 September 2022*



KPMG Cambodia Ltd
GIA Tower, Sopheak Mongkul Street, Phum 14
Sangkat Tonle Bassac, Khan Chamkar Mon
Phnom Penh, Cambodia
+ 855 (17) 666 537 / + 855 (81) 533 999 | kpmg.com.kh

Report of the Independent Auditors

To the Donors and the Management of AFESIP Cambodia Organization

Opinion

We have audited financial statements of AFESIP Cambodia Organization (“the Organisation”), which comprises the statement of income and expenditure for the year ended 31 December 2021 and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 13 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies as described in Note 2 to the financial statements.

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 *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organisation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter – Basis of Accounting and Restriction on Use and Distribution

We draw attention to Note 2 to the financial statements, which describes the basis of accounting and the accounting policies adopted by the Organisation. The financial statements are prepared for the information of and use by the Donors and management of the Organisation. As a result, the financial statements may not be suitable for another purpose. The restriction on use does not limit the disclosure or distribution of our report if such disclosure or distribution is required by law and regulations. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, 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 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.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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 auditors' report to the related disclosures in the financial statements 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 auditors' 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 KPMG Cambodia Ltd



Guek Teav
Partner

Phnom Penh, Kingdom of Cambodia

28 September 2022

AFESIP Cambodia Organization

Statement of income and expenditure for the year ended 31 December 2021

	Note	2021		2020	
		US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Income					
Grant income	4	672,566	2,735,998	382,801	1,560,680
Other income	5	1,075	4,373	4,743	19,337
		<u>673,641</u>	<u>2,740,371</u>	<u>387,544</u>	<u>1,580,017</u>
Expenditure					
Recovery services	6	306,066	1,245,076	188,164	767,145
Education and training	7	104,096	423,463	49,356	201,224
Economy empowerment	8	25,226	102,619	9,326	38,022
Social outreach prevention	9	-	-	17,178	70,035
Social enterprise	10	-	-	8,954	36,505
Survivor Empowerment Network	11	44,563	181,282	-	-
Overhead costs	12	49,586	201,716	62,583	255,151
		<u>529,537</u>	<u>2,154,156</u>	<u>335,561</u>	<u>1,368,082</u>
Surplus of income over expenditure		144,104	586,215	51,983	211,935
Fund balance at beginning of the year		159,092	643,527	107,109	436,470
Currency translation differences		-	5,479	-	(4,878)
Fund balance at end of the year		<u><u>303,196</u></u>	<u><u>1,235,221</u></u>	<u><u>159,092</u></u>	<u><u>643,527</u></u>
Represented by:					
Cash and bank balances	13	339,314	1,382,366	199,560	807,220
Advances		12,168	49,572	4,291	17,357
Seniority indemnity payable	14	(48,286)	(196,717)	(35,116)	(142,044)
Salary payable		-	-	(9,643)	(39,006)
		<u>303,196</u>	<u>1,235,221</u>	<u>159,092</u>	<u>643,527</u>


Mrs. Mam Somaly

Co-Founder and Managing Director

Date: 28 September 2022

The accompanying notes form an integral part of this statement.

AFESIP Cambodia Organization

Notes to the financial statements for the year ended 31 December 2021

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1. Background and activities

AFESIP Cambodia Organization (“the Organisation”) is a non-profit organisation that was established in 1996, by Mrs. Mam Somaly, a victim of trafficking and works to care for and secure the rights of young women and girls who are victims or at risk of being victims of sexual trafficking, violence, abuse, indentured slavery or exploitation and to successfully recover, educate, train, and reintegrate them into mainstream society through financial independence in a sustainable and innovative manner. The Organisation is funded by grants and contribution from its donors, which comprise both Cambodian and international NGOs.

Currently, there is only one centre in Phnom Penh called “Tom Dy” centre is being operated by the Organisation. Many victims and survivors still rely upon programs and facilities run by AFESIP Cambodia. In response to the main objectives, the Organisation has focused on 4 key program areas:

1. Recovery Services (Residential Centre);
2. Educations and Trainings;
3. Economy Empowerment (Re-integration);
4. Survivor Empowerment Network (SEN).

Survivor Empowerment Network is a new Program developed by the Organisation with the aim is to change the life of a victim at risk to become a survivor who is prepared for a new life of personal responsibility and accountability with the skills necessary to sustain herself and he family.

The Organisation’s head office is located at village 24, Prey Sar Commune, Dankao District, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2021, the Organisation has 27 employees (31 December 2020: 30 employees).

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2021

2. Significant accounting policies

The following significant accounting policies have been adopted by the Organisation in the preparation of these financial statements.

(a) Basis of accounting

The financial statements, which is expressed in United States Dollars (“US\$”), has been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting that is designed to meet the requirements of the Organisation; it is not designed to produce financial statements that is compatible with International Financial Reporting Standards.

Under this basis of accounting, income is recognised when funds are received rather than when it is earned and expenditure is recognised when payments are made rather than when it is incurred, except for the treatments of the followings:

- (i) Advances made to staffs and suppliers that are initially recognised as a receivable and only recognised as payments when they have been liquidated by supporting invoices; and
- (ii) Seniority indemnity are accrued and recognised as expenditure and payable and only recognised as payments when they have been paid to staff.
- (iii) Volunteer services or goods and services in kind is not required to be recorded and recognized in the financial statements of the Organisation. However, the organisation is required to report on the use of those volunteers or the goods in kind.

(b) Non-expendable equipment

The cost of non-expendable equipment is charged to the statement of income and expenditure upon acquisition. For control and management purposes, a memorandum account for non-expendable equipment is maintained by way of a non-expendable equipment listing.

(c) Foreign currency transactions

The Organisation transacts and maintains its accounting records primarily in United States Dollars (“US\$”). Transactions in currencies other than US\$ are converted into US\$ at the exchange rates prevailing on the transaction dates. Cash denominated in currencies other than US\$ at the reporting date are translated into US\$ at the open market exchange rates ruling at that date. All foreign exchange differences are recognised in the statement of income and expenditure.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2021

2. Significant accounting policies (continued)

(d) New standards and interpretation not yet adopted

On 27 March 2018, the National Accounting Council of the Ministry of Economy and Finance (“MEF”) issued a Prakas No. 335 MoEF. BK on the Implementation of Cambodian Financial Reporting Standard for Not-For-Profit Entities (“CIFRS for NFPEs”) which follows cash basis of accounting and is effective for the period beginning on or after 1 January 2018 in compliance with the Law on Association and NGO and relevant provision in effect.

On 21 January 2019, the National Accounting Council of the MEF announced to delay the implementation of the CIFRS for NFPEs until further notice.

On 15 March 2022, ACAR issued an instruction on the implementation of Accounting and Auditing obligation for Non-Governmental Organisation (NGO) to enforce the application of the CFRS for NFPEs which is applicable from 2022. The NGO is required to submit a written notification to ACAR should it adopts the Cambodian International Financial Reporting Standards (“CIFRSs”) or the Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

The Management is currently assessing the impact of this standard and will aim to respond accordingly for adoption of these new standards.

3. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollar which is the Organisation’s functional currency. The translations of United States Dollars amounts into Khmer Riel (“KHR”) meets the presentation requirements pursuant to Law on Accounting and Auditing.

Assets and liabilities are translated at the closing rate as at the reporting date. The statement of income and expenditure is translated into KHR at the average rate for the year, which have been deemed to approximate the exchange rates at the date of transaction as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as “Currency Translation Differences” in statement of income and expenditure.

The Organisation uses the following exchange rates:

Financial year end		Closing rate	Average rate
31 December 2021	US\$1 =	KHR4,074	KHR4,068
31 December 2020	US\$1 =	<u>KHR4,045</u>	<u>KHR4,077</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2021

4. Grant income

	2021		2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Solyna Foundation	172,985	703,703	31,665	129,098
Natural Beauty Co., Ltd	172,173	700,400	-	-
Project Futures	92,338	375,631	172,453	703,091
Together1Heart	68,704	279,488	22,000	89,694
Royal Government of Cambodia	63,781	259,461	64,380	262,477
Orphaned Starfish Foundation	19,900	80,953	18,725	76,342
Heart Mothers	10,000	40,680	-	-
Cambodian Red Cross	7,306	29,721	7,325	29,864
Cambodia Post Bank	2,458	9,999	-	-
Other individuals (*)	62,921	255,962	66,253	270,114
	<u>672,566</u>	<u>2,735,998</u>	<u>382,801</u>	<u>1,560,680</u>

(*) This income was received through donations to the Organisation's bank account held at the Foreign Trade Bank of Cambodia. The donations are online donation through ABA Pay, PayWay, PayPal, Wing, visitor-to-shelters fees charged, and in-person donations. The majority of donors could not be identified, and some individuals specifically requested to be anonymous.

5. Other income

	2021		2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Self-generated income	-	-	3,424	13,960
Interest income	275	1,119	30	122
Others	800	3,254	1,289	5,255
	<u>1,075</u>	<u>4,373</u>	<u>4,743</u>	<u>19,337</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2021

6. Recovery services

	2021		2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Project staff salary and fringe benefits	144,348	587,208	97,177	396,191
Food, clothes, domestic and gas-wood	44,395	180,599	47,319	192,920
Centre operating costs	54,727	222,629	16,303	66,467
Psycho and medical supports	52,283	212,687	23,316	95,059
Social recreational and gardening costs	10,288	41,852	4,006	16,332
Vocational life skills and training	25	101	43	176
	<u>306,066</u>	<u>1,245,076</u>	<u>188,164</u>	<u>767,145</u>

7. Education and training

	2021		2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Project staff salary and fringe benefits	50,885	207,000	24,525	99,988
Living expenses	23,878	97,136	16,216	66,113
Outsourced skill training	15,024	61,118	2,247	9,161
Travel cost	7,619	30,994	1,302	5,308
Scholarships tuition	6,644	27,028	4,634	18,893
Non-formal education	46	187	432	1,761
	<u>104,096</u>	<u>423,463</u>	<u>49,356</u>	<u>201,224</u>

8. Economy empowerment

	2021		2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Project staff salary and fringe benefits	18,355	74,668	6,180	25,196
Staff travel and per-diem	2,833	11,525	1,802	7,347
Micro-business	2,000	8,136	850	3,465
Other support to victims	1,146	4,662	389	1,586
Utilities	882	3,588	42	171
Workshop, networks and operational cost	10	40	63	257
	<u>25,226</u>	<u>102,619</u>	<u>9,326</u>	<u>38,022</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2021

9. Social outreach prevention

	2021		2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Project staff salary and fringe benefits	-	-	14,580	59,443
Condoms	-	-	730	2,976
Peer educators and quarterly meeting	-	-	720	2,935
Entrance victims expenses and support	-	-	611	2,491
Hygiene materials	-	-	178	726
World AIDS Day and national events	-	-	100	408
Utilities	-	-	98	400
Travel cost for social workers	-	-	91	371
Repairs and maintenance of motorbike/tuk tuk	-	-	70	285
	<u>-</u>	<u>-</u>	<u>17,178</u>	<u>70,035</u>

10. Social enterprise

	2021		2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Staff costs	-	-	3,346	13,642
Materials and equipment	-	-	2,660	10,845
Rental expenses	-	-	1,800	7,339
Other expenses	-	-	1,148	4,679
	<u>-</u>	<u>-</u>	<u>8,954</u>	<u>36,505</u>

11. Survivor empowerment network

	2021		2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Pocket money support	30,572	124,366	-	-
Project staff salary and fringe benefits	13,700	55,732	-	-
World AIDS Day and national events	201	818	-	-
Peer educators and quarterly meeting	60	244	-	-
Hygiene materials	15	61	-	-
Travel cost for social workers	15	61	-	-
	<u>44,563</u>	<u>181,282</u>	<u>-</u>	<u>-</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2021

12. Overhead costs

	2021		2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Personal costs	43,924	178,683	45,731	186,445
Administrative	4,111	16,724	7,781	31,723
Premises	379	1,542	1,184	4,827
Bank charge	804	3,270	493	2,010
Transportation	207	842	1,148	4,680
Other expenditure	161	655	526	2,146
Professional fee	-	-	5,720	23,320
	<u>49,586</u>	<u>201,716</u>	<u>62,583</u>	<u>255,151</u>

13. Cash and bank balances

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Cash at banks	274,239	1,117,250	172,922	699,469
Cash on hand	65,075	265,116	26,638	107,751
	<u>339,314</u>	<u>1,382,366</u>	<u>199,560</u>	<u>807,220</u>

Cash at banks represents non-interest bearing current accounts, and saving account, which bear interest rate at 0.75% per annum (2020: 0.75% per annum) held at local commercial banks.

14. Seniority indemnity payable

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Current	45,483	185,298	30,144	121,932
Non-Current	2,803	11,419	4,972	20,112
	<u>48,286</u>	<u>196,717</u>	<u>35,116</u>	<u>142,044</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2021

14. Seniority indemnity payable (continued)

This represents seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training (“MoLVT”) on 21 September 2018 and subsequently amended by the Instruction No. 042/19 dated 22 March 2019.

It requires all employers to settle the seniority indemnity to their employee as follows:

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.
- Retrospective (back-pay): For non-garment manufacturing and footwear sector, payment will start from 2021 onwards at the amounts equal to 6 days of net wages per year. The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

Payments will be made twice a year, in June and December, respectively. An employee is not entitled to the remaining back-pay seniority indemnity which is not yet due if he/she resigns from the entity.

On 23 December 2020, the Royal Government of Cambodia issued an Instruction to allow entities to delay the payment of back pay seniority indemnity before 2019 and the current seniority indemnity for the years 2020 and 2021 until 2022. The Organisation chose to comply with the regulation and, as a result these payments will be made in 2022.

15. In-kind contribution

During 2019, the Organisation received in-kind contribution from the Royal Government of Cambodia comprising building, which is located at village 24, Prey Sar Commune, Dankao District, Phnom Penh, for the use on the Organisation’s day to day activities. The construction of this building was completed in early 2021 and the Organisation has relocated its head office to this new building in March 2021.

During the year, the Organisation also received another in-kind contribution, a generator, from Mrs. Mam Somaly, the founder, to support the Organisation’s day-to-day activities.

16. Commitment

As at 31 December 2021, the Organisation had no any expenditure commitments.