

AFESIP CAMBODIA ORGANIZATION

**Financial Statements
for the year ended 31 December 2020
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	
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 bankers	Foreign Trade Bank of Cambodia Advanced Bank of Asia Ltd Wing Bank (Cambodia) Plc	
Auditors	KPMG Cambodia Ltd	

AFESIP Cambodia Organization

Contents

	Page
1. Statement by the management	1
2. Report of the Independent Auditors	2 – 4
3. Statement of income and expenditure	5
4. Notes to the financial statements	6 – 14

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 2020 as set out on pages 5 to 14 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 2020 and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 14 (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 2020

	Note	2020		2019	
		US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Income					
Grant income	4	382,801	1,560,680	515,331	2,088,121
Other income	5	4,743	19,337	15,096	61,169
		<u>387,544</u>	<u>1,580,017</u>	<u>530,427</u>	<u>2,149,290</u>
Expenditure					
Recovery services	6	188,164	767,145	261,501	1,059,602
Education and training	7	49,356	201,224	44,894	181,910
Economy empowerment	8	9,326	38,022	12,570	50,934
Social outreach prevention	9	17,178	70,035	25,050	101,503
Social enterprise	10	8,954	36,505	28,427	115,186
Overhead costs	11	62,583	255,151	94,120	381,374
		<u>335,561</u>	<u>1,368,082</u>	<u>466,562</u>	<u>1,890,509</u>
Surplus of income over expenditure		51,983	211,935	63,865	258,781
Fund balance at beginning of the year		107,109	436,470	43,244	175,225
Currency translation differences		-	(4,878)	-	2,464
Fund balance at end of the year		<u>159,092</u>	<u>643,527</u>	<u>107,109</u>	<u>436,470</u>
Represented by:					
Cash and bank balances	12	199,560	807,220	124,231	506,242
Staff advances		4,291	17,357	8,754	35,673
Seniority indemnity payable	13	(35,116)	(142,044)	(25,876)	(105,445)
Salary payable		(9,643)	(39,006)	-	-
		<u>159,092</u>	<u>643,527</u>	<u>107,109</u>	<u>436,470</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 2020

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.

In October 2013, the Organisation started the operation of a salon called “Vimean Beauty Salon” (formerly known as “Somaly Mam Beauty Salon”) located at #560, Mondol 1 Village, Svay Dangkm Commune, Siem Reap District, Siem Reap province. This project had been fully supported financially and technically by Estee Lauder Company for 3 years operation. The financial support of this project had come through Somaly Mam Foundation until the end of 2014. In 2015, the Vimean Beauty Salon has been self-sustained through its income generations. The objective of this salon is to provide on the quality of job trainings of salon operation and employment opportunities on a sustained basis for young women and girls whom had been victims of sex trafficking, violation, abuse, and indentured slavery or exploitation, who had gotten training in hairdressing skills through AFESIP’s training program as top priority. The salon is also accepted training applications who have gone through similar experiences from like-minded NGOs partners as well. Because of the impact from Covid-19, the salon was permanently closed on 30 April 2020.

In 2014, AFESIP Cambodia is downsized its program activities due to difficulty of fundraisings. AFESIP has shut down two Residential Centres in Kampong Cham and Siem Reap. There is only one centre in Phnom Penh called “Tom Dy” centre is being operated. 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 5 key program areas:

1. Recovery Services (Residential Centre);
2. Educations and Trainings;
3. Economy Empowerment (Re-integration);
4. Social Outreach Prevention (AIDS education and social work, which the implementation was ceased during 2020 resulting from funding issue and impact from Covid-19); and
5. Social Enterprise (Vimean Beauty Salon, which was closed on 30 April 2020)

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2020

1. Background and activities (continued)

AFESIP have developed Survivors Empowerment Network (SEN) programs, which was implemented starting from 1 January 2021. The SEN program aim 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 2020, the Organisation has 30 employees (31 December 2019: 30 employees).

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 and salary payable 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 statement 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.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2020

2. Significant accounting policies (continued)

(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.

(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 Accounting and Auditing Regulator ("ACAR" or formerly known as National Accounting Council) of the MEF announced to delay the implementation of the CFRS 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.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2020

3. Translation of United States Dollars into Khmer Riel (continued)

The Organisation uses the following exchange rates:

Financial year end			Closing rate	Average rate
31 December 2020	US\$1	=	KHR4,045	KHR4,077
31 December 2019	US\$1	=	<u>KHR4,075</u>	<u>KHR4,052</u>

4. Grant income

	2020		2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Project Futures	172,453	703,091	135,340	548,398
Royal Government of Cambodia	64,380	262,477	54,362	220,275
Solyna Foundation	31,665	129,098	215,657	873,842
Together1Heart	22,000	89,694	24,500	99,274
Orphaned Starfish Foundation	18,725	76,342	17,158	69,524
Cambodian Red Cross	7,325	29,864	11,187	45,330
School of Children Cambodia	-	-	784	3,177
Other individuals (*)	66,253	270,114	56,343	228,301
	<u>382,801</u>	<u>1,560,680</u>	<u>515,331</u>	<u>2,088,121</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.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2020

5. Other income

	2020		2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Self-generated income (*)	3,424	13,960	15,064	61,039
Interest income	30	122	32	130
Others	1,289	5,255	-	-
	<u>4,743</u>	<u>19,337</u>	<u>15,096</u>	<u>61,169</u>

(*) This represents the income generated from Vimean Beauty Salon in Siem Reap through beauty and salon services to patrons. The salon was permanently closed on 30 April 2020 and all of its related equipment was disposed at the same time.

6. Recovery services

	2020		2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Project staff salary and fringe benefits	97,177	396,191	148,520	601,803
Food, clothes, domestic and gas-wood	47,319	192,920	33,183	134,458
Psycho and medical supports	23,316	95,059	17,427	70,614
Centre operating costs	16,303	66,467	55,787	226,049
Social recreational and gardening costs	4,006	16,332	6,434	26,071
Vocational life skills and training	43	176	150	607
	<u>188,164</u>	<u>767,145</u>	<u>261,501</u>	<u>1,059,602</u>

7. Education and training

	2020		2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Project staff salary and fringe benefits	24,525	99,988	21,948	88,933
Living expenses	16,216	66,113	12,031	48,750
Scholarships tuition	4,634	18,893	4,410	17,869
Outsourced skill training	2,247	9,161	1,344	5,446
Travel cost	1,302	5,308	3,426	13,882
Non-formal education	432	1,761	1,735	7,030
	<u>49,356</u>	<u>201,224</u>	<u>44,894</u>	<u>181,910</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2020

8. Economy empowerment

	2020		2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Project staff salary and fringe benefits	6,180	25,196	1,520	6,159
Staff travel and per-diem	1,802	7,347	1,500	6,078
Micro-business	850	3,465	5,765	23,360
Other support to victims	389	1,586	2,466	9,992
Workshop, networks and operational cost	63	257	1,158	4,693
Utilities	42	171	161	652
	<u>9,326</u>	<u>38,022</u>	<u>12,570</u>	<u>50,934</u>

9. Social outreach prevention

	2020		2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Project staff salary and fringe benefits	14,580	59,443	19,440	78,771
Condoms	730	2,976	2,100	8,509
Peer educators and quarterly meeting	720	2,935	720	2,917
Entrance victims expenses and support	611	2,491	862	3,493
Hygiene materials	178	726	1,035	4,194
World AIDS Day and national events	100	408	397	1,609
Utilities	98	400	207	839
Travel cost for social workers	91	371	69	280
Repairs and maintenance of motorbike/tuk tuk	70	285	220	891
	<u>17,178</u>	<u>70,035</u>	<u>25,050</u>	<u>101,503</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2020

10. Social enterprise

	2020		2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Staff costs	3,346	13,642	9,315	37,744
Materials and equipment	2,660	10,845	1,712	6,937
Rental expenses	1,800	7,339	9,600	38,899
Other expenses	1,148	4,679	7,800	31,606
	<u>8,954</u>	<u>36,505</u>	<u>28,427</u>	<u>115,186</u>

11. Overhead costs

	2020		2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Personal costs	45,731	186,445	61,943	250,993
Administrative	7,781	31,723	7,836	31,751
Professional fee	5,720	23,320	5,727	23,206
Premises	1,184	4,827	7,004	28,380
Transportation	1,148	4,680	11,050	44,775
Bank charge	493	2,010	560	2,269
Other expenditure	526	2,146	-	-
	<u>62,583</u>	<u>255,151</u>	<u>94,120</u>	<u>381,374</u>

12. Cash and bank balances

	31 December 2020		31 December 2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Cash at banks (*)	172,922	699,469	101,234	412,529
Cash on hand	26,638	107,751	22,997	93,713
	<u>199,560</u>	<u>807,220</u>	<u>124,231</u>	<u>506,242</u>

(*) Cash at banks represents non-interest bearing current accounts, and saving account, which bear interest rate at 0.75% per annum (2019: 0.25% to 0.75% per annum) held at local commercial banks.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2020

13. Seniority indemnity payable

	31 December 2020		31 December 2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Current	30,144	121,932	18,203	74,177
Non-Current	4,972	20,112	7,673	31,268
	<u>35,116</u>	<u>142,044</u>	<u>25,876</u>	<u>105,445</u>

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.

14. 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.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2020

15. Commitment

As at 31 December, the Organisation had the following operating lease commitments on office rental.

	2020		2019	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Within one year	-	-	7,680	31,296
Within two to five years	-	-	2,920	11,899
	<u>-</u>	<u>-</u>	<u>10,600</u>	<u>43,195</u>