

PHARE PONLEU SELPAK

**Financial Statements
for the year ended 31 December 2016
and
Report of the Independent Auditors**

Organisation information

Organisation document Phare Ponleu Selpak (“PPS” or “the Organisation”) was established under the letter No. 391 issued by the Ministry of Interior on 25 April 2002

Office address Anh Chanh Village, Ochar Commune, Battambang Province

Donors European Union (“EU”)
United Nations Educational,
Scientific and Cultural Organisation (“UNESCO”)
Phare Ponleu Selpak France (“PPSF”)
Agence Française de Développement (“AFD”)
Stiftelsen World Childhood
Asian Community Trust Trustee (“ACT”)
Friends International (“FI”)
GVC Migrasafe EU project
Czech Republic
Comité Catholique Contre la Faim et pour le Développement

Board of Directors	Mr. Phloeum Prim	Co-chairman
	Ms. Isabelle Drouillard	Co-chairman
	Mr. Sothearat Soeung	General Secretary
	Mr. Jean Baptiste Destremau	Treasury
	Ms. Benedict Ravel	Member
	Mr. Dara Hout	Member
	Mr. Kunthary De Gaiffier	Member
	Mr. Jean Louis Leynuad-Kieffer	Member

Management team	Mr. Eric Regnault	Executive Director
	Mr. Nam Mony	Director, Finance and Administration

Principal Bankers Acleda Bank Plc.
Candia Bank Plc.

Auditors KPMG Cambodia Ltd

Phare Ponleu Selpak

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Statement by the management

I, the undersigned, do hereby state that, in my opinion, the accompanying financial statements of Phare Ponleu Selpak ("PPS" or "the Organisation") which comprise the statement of financial position as at 31 December 2016 and the statement of income and expenditure for the year then ended, as set out on pages 5 to 13 are 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



Mr. Eric Regnault
Executive Director

Battambang, Kingdom of Cambodia

Date: 29 JUN 2017



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Report of the independent auditors

To the management and donors

Phare Ponleu Selpak

Opinion

We have audited the accompanying financial statements of Phare Ponleu Selpak (“PPS” or “the Organisation”), which comprises the statement of financial position as of 31 December 2016, the statement of income and expenditure for the year then ended and notes, comprising significant accounting policies and other explanatory information (“financial statements”), as set out on pages 5 to 13.

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 describe 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. Our audit report is intended solely for the Donors and management of the Organisation and should not be used by or distributed to other parties other than the Donors of the Organisation. 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 are 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**

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

29 June 2017

Phare Ponleu Selpak

Statement of financial position as at 31 December 2016

	Note	2016 US\$	2015 US\$
ASSETS			
Cash and bank balances	3	393,871	390,694
Other receivables	4	52,318	148,230
Inventories		3,920	5,693
Investment in PPSE	5	415,730	415,730
Amounts due from PPSE	6	56,314	-
Loan to PPSE	7	-	12,180
		<hr/>	<hr/>
		922,153	972,527
LIABILITIES			
Other payables	8	71,795	34,756
		<hr/>	<hr/>
Net assets		850,358	937,771
		<hr/> <hr/>	<hr/> <hr/>
Represented by:			
Fund balance at end of the year		850,358	937,771
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

Phare Ponleu Selpak

Statement of income and expenditure for the year ended 31 December 2016

	Note	2016 US\$	2015 US\$
Income			
Fund received from donors	9	271,900	600,553
Fund raising income	10	507,179	418,766
Performance income	11	268,544	304,690
Donations		97,556	17,815
Other income	12	6,459	7,983
		<hr/>	<hr/>
		1,151,638	1,349,807
Expenditure			
Personnel and related costs	13	568,156	586,733
Administrative expenses	14	391,112	217,928
Expenses incurred on activities and projects	15	185,949	261,098
Professional fee		17,386	3,000
Cost of sales of merchandise inventory and restaurant		16,349	11,485
Non-expendable equipment	16	60,099	206,120
		<hr/>	<hr/>
		1,239,051	1,286,364
(Deficit)/excess of income over expenditure		(87,413)	63,443
Fund balance at the beginning of the year		937,771	874,328
		<hr/>	<hr/>
Fund balance at end of the year		850,358	937,771
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

Phare Ponleu Selpak

Notes to the financial statements for the year ended 31 December 2016

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

1. Background

The PHARE (Patrimoine Humain et Artistique des Réfugiés et de leurs Enfants) was founded in 1986 in Site 2 Camp, running the activities of drawing instruction to the children.

In 1994, a group of senior students from the Site 2 camp of PHARE opened the dwelling-place located in Anchanh Village, Ochar Commune, Svaypor district, Battambang Province. With the opening of the arts centre, PHARE amended its name to Phare Ponleu Selpak in 1998.

In 2002, Phare Ponleu Selpak ("the Organisation") had been registered with the Ministry of Interior of Cambodia as a non-profit and non-political association with office at the above address.

At present, the Organisation has major activities as follows:

- Formal education: its aims to promote children's access to their rights of which education is a key issue. Promoting access to formal education includes the availability of a school, which is free of charge, the development of a high teaching standard and the availability of school materials combined with complementary sources of knowledge including books.
- Social action: its aims to enforce child rights through delivering social services to the most vulnerable. The Organisation is aware that it is impossible for children to follow educative and cultural activities without their basic life needs being fulfilled. The Organisation's social services support these needs in order to ensure children have access to their other rights.
- Circus: the circus school has welcomed kids and teenagers to be trained all day long in several circus disciplines: acrobatics, juggling, balancing, contortion, trapeze and clowning.
- Theatre: a natural division occurred within the circus with some members preferring a more physical approach, while others displayed an aptitude for theatre and the performing arts.
- Music: through the music school's wide range of activities its pupils can adapt their musical talents to a number of different settings. Musicians are also trained in traditional Khmer music making them able to perform during traditional ceremonies (funerals, pagodas, weddings) but also in modern rhythms with contemporary musical instruments. This enables them to mix their knowledge of traditional music with new beats.
- Visual arts: The first artistic school and the start of the Organisation. Welcoming all children and young adults, the visual arts school enjoys a high reputation in Cambodia and has started to develop activities abroad. Exhibitions have taken place throughout Cambodia, in hotels and cultural centres but also in Thailand and France. The Organisation's visual arts school is involved in set design and making costumes. It has also decorated many orphanages, schools and other buildings for children.

As at 31 December 2016, the Organisation had 98 employees (2015: 100 employees).

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2016

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements, which are expressed in United States Dollars ("US\$"), have been prepared in accordance with a modified cash receipts and disbursements 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 are compatible with International Financial Reporting Standards.

Under this basis of accounting, income is recognised when the Organisation receives funds in cash rather than when it is earned. Expenditure is recognised when payments are made rather than when expenditure is incurred, except for the following treatments:

- (i) Cash advanced to staff and suppliers are initially recognised as receivables in the statement of financial position and only recognised as expenditure when they have been liquidated by supporting invoices;
- (ii) Inventories are recorded in the statement of financial position and stated at the lower of cost and estimated selling price less costs to complete and sell; and
- (iii) Loans, amounts due from others, and investments are recorded in the statement of financial position until cash is received; and
- (iv) Other payables and borrowings are recorded in the statement of financial position until they are settled.

(b) Non-expendable equipment

The cost of non-expendable equipment is charged to 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 its business primarily in US\$ and maintains its accounting records in US\$. Transactions in currencies other than US\$ are converted into US\$ at the rates of exchange prevailing on the transaction dates. Monetary assets and liabilities denominated in currencies other than US\$ are translated into US\$ at the open market rates of exchange ruling at the year ended date. Exchange differences are recognised in the statement of income and expenditure.

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Cash and bank balances

	2016 US\$	2015 US\$
Cash on hand	4,940	7,019
Cash at banks	388,931	383,675
	<u>393,871</u>	<u>390,694</u>

4. Other receivables

	2016 US\$	2015 US\$
Advances to EU partners	48,322	132,942
Staff advance	3,712	2,663
Salary advance	-	1,643
Others	284	10,982
	<u>52,318</u>	<u>148,230</u>

5. Investment in PPSE

During the year 2013, Phare Ponleu Selpak (“PPS” or “the Organisation”) transferred its tangible assets to Phare Performing Social Enterprise Co., Ltd (“PPSE” or “the Company”) amounting to US\$286,710 as equity contribution in kind in accordance with the provision of the Memorandum and Articles of Association dated 30 October 2013.

In 2015, PPS injected additional capital contribution in cash of US\$129,020, which increased the total investment in PPSE’s equity capital from US\$268,710 to US\$415,730 representing 71.10% of the PPSE’s registered share capital in accordance with the letter approved by the Ministry of Commerce on 7 October 2015.

6. Amounts due from PPSE

This represents the amounts due from PPSE. The amounts are unsecured and bearing no interest, and repayable on demand. As of the date of this report, the amount has not been settled yet.

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2016

7. Loan to PPSE

This represents the loan granted to Phare Performing Social Enterprise (“PPSE”). The loan is unsecured and bearing the interest rate at 7% per annum, with maturity date on 1 December 2014. The total amounts were fully repaid on 12 January 2016.

8. Other payables

	2016 US\$	2015 US\$
Amounts due to EU partners	69,432	14,872
Accounts payable to PPSE	-	12,180
Others	2,363	7,704
	<u>71,795</u>	<u>34,756</u>

9. Funds received from donors

	2016 US\$	2015 US\$
Agence Française de Développement	271,900	70,742
European Union (“EU”)	-	505,660
Stiftelsen World Childhood	-	17,744
Asian Community Trust Trustee	-	3,024
Other donors	-	3,383
	<u>271,900</u>	<u>600,553</u>

10. Fund raising income

	2016 US\$	2015 US\$
Phare Ponleu Selpak France	175,982	156,890
PPSE Contribution	203,800	139,882
Projects – Co-financing	67,418	33,758
PPS fund raising and events	47,303	23,522
PPS EU Grant contribution	12,676	64,714
	<u>507,179</u>	<u>418,766</u>

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2016

11. Performance income

	2016 US\$	2015 US\$
Circus income	205,290	210,640
General service	39,157	63,844
Phare Studio	14,367	-
Theatre income	3,106	11,721
Music income	1,394	2,675
Visual and applied arts school	352	8,036
Other performing art school income	4,878	4,283
Romeet	-	3,491
	<u>268,544</u>	<u>304,690</u>

12. Other income

	2016 US\$	2015 US\$
Interest income	2,705	2,056
Other income	3,754	5,927
	<u>6,459</u>	<u>7,983</u>

13. Personnel and related costs

	2016 US\$	2015 US\$
Staff salaries	506,311	519,746
Staff travel	38,913	46,434
Staff insurance	18,949	20,352
Other insurance	3,983	201
	<u>568,156</u>	<u>586,733</u>

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2016

14. Administration expenses

	2016 US\$	2015 US\$
Training and capacity building	295,268	115,468
Utilities	19,851	18,807
Scholarship support costs	14,902	17,838
Other expenses	2,176	16,178
Repairs and maintenance	14,150	9,303
Other administrative costs	16,287	7,497
Office stationeries and supplies	7,335	5,969
Publication	3,824	5,317
Communication	6,453	4,724
Office rent	-	3,600
Photocopy and printing	2,977	3,267
Transportation & gasoline	900	2,408
Interest expenses	-	2,403
Bank charges	2,044	2,398
Garbage & hygiene	1,598	1,646
Info-tech supplies	3,347	1,218
Gain on exchange	-	(113)
	<u>391,112</u>	<u>217,928</u>

15. Expenses incurred on activities and projects

	2016 US\$	2015 US\$
Income generated performance expenses	141,817	214,500
Material and supplies	44,132	46,598
	<u>185,949</u>	<u>261,098</u>

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2016

16. Non-expendable equipment

	2016 US\$	2015 US\$
Computer and accessories	48,758	57,869
Office furniture and equipment	6,224	14,078
Land and building	4,250	124,007
Music equipment	867	10,166
	<u>60,099</u>	<u>206,120</u>