

CHILDREN'S SURGICAL CENTRE

STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE  
FOR THE YEAR ENDED 31 DECEMBER 2011

# CHILDREN'S SURGICAL CENTRE

## STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2011

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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 2011 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. Gollogly  
Chief Executive Officer

  
Kanya Reinvetch  
Chief Financial Officer

Phnom Penh, Kingdom of Cambodia

Date: 21 MARCH 2012

**Independent auditor's report**

To the Board of Directors of the Children's Surgical Centre

We have audited the accompany statement of income, expenditures, and fund balance of the Children's Surgical Centre ("the Organisation") for the year ended 31 December 2011 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 2011 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: 21 March 2012

# CHILDREN'S SURGICAL CENTRE

## STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 US\$	2010 US\$
<b>Income</b>			
Income from donors	3	1,100,049	1,394,633
In-kind donations		-	242,854
Interest income	4	15,366	5,627
Other income	5	29,622	17,708
		<u>1,145,037</u>	<u>1,660,822</u>
<b>Expense</b>			
Staff salaries	6	546,637	481,522
Medical consumables	7	138,969	143,516
Operating costs	8	95,789	70,920
Grant to NGOs	9	64,809	43,804
Depreciation	15	44,801	6,771
Medical equipment	10	41,455	-
Repairs and maintenance	11	34,583	35,956
Utilities		20,330	18,265
Payment for services	12	17,231	7,125
Professional fees		10,196	18,786
Security and warehouse rental		7,389	6,613
Office equipment		4,481	12,774
Training for medical staff		2,885	2,323
Smile train phone project		1,468	2,950
Others		12,733	2,074
		<u>1,043,756</u>	<u>853,399</u>
<b>SURPLUS OF INCOME AND EXPENDITURES</b>		101,281	807,423
<b>FUND BALANCE, BEGINNING OF THE YEAR</b>		1,508,875	701,452
<b>FUND BALANCE, END OF THE YEAR</b>		<b>1,610,156</b>	<b>1,508,875</b>
Represented by:			
Deposits and prepayments	13	11,200	10,750
Advances and other receivables		3,765	3,440
Cash and cash equivalents	14	942,470	1,240,867
Property and equipment	15	422,773	22,774
Publically traded equity	16	231,288	233,069
Accrued tax liabilities and other payables		(1,340)	(2,025)
		<u>1,610,156</u>	<u>1,508,875</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 2011

#### 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 2011

#### 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 stock 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 and 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 2011

#### 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:

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 2011. 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

	<u>2011</u> <u>US\$</u>	<u>2010</u> <u>US\$</u>
Income from International Donors (a)	1,099,549	1,388,206
Income from Local Donors	<u>500</u>	<u>6,427</u>
	<u>1,100,049</u>	<u>1,394,633</u>

- (a) 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 2011

#### 3. INCOME FROM DONORS (continued)

The followings are the detail of Income from International Donors.

	<u>2011</u>	<u>2010</u>
	<u>US\$</u>	<u>US\$</u>
Vanda Promotions	211,772	220,271
White Collar Boxing and Racing the Planet Supporters	108,228	13,141
CLSA	100,000	100,000
Smile Train	75,530	149,253
ACF-Palcove Pty Ltd	53,434	-
Disney Online Studios Canada Inc.	50,000	54,248
Maitri Trust	50,000	-
CL Holdings (Igor's)	45,636	250,935
Computershare	42,075	20,967
Bradley, Martin	25,643	1,802
ACF-Radiata Invest	24,561	-
E.Lafayette & EtienneQuirin Fdn Inc	20,000	-
United Nation Population Fund (UNFPA)	20,000	-
Heimberg Law Group LLP	19,650	5,000
ACF-Clipston, Tom	17,328	-
Wilson, Craig Alan	16,200	4,000
Monat, Charles	15,000	-
New Day Limited	10,007	-
Ashley Collins Studio	10,000	-
Pederson, Jodi	10,000	7,000
Others (*)	174,485	561,589
	<u>1,099,549</u>	<u>1,388,206</u>

(\*) The balance mainly represents funds from individual donors.

#### 4. INTEREST INCOME

	<u>2011</u>	<u>2010</u>
	<u>US\$</u>	<u>US\$</u>
Interest income from shares	12,408	253
Interest income from cash at banks	2,958	5,374
	<u>15,366</u>	<u>5,627</u>

## CHILDREN'S SURGICAL CENTRE

### NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2011

#### 5. OTHER INCOME

	<u>2011</u> US\$	<u>2010</u> US\$
Cost recovery (*)	9,959	13,100
Other income	<u>19,663</u>	<u>4,608</u>
	<u>29,622</u>	<u>17,708</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 from the Cambodian Acid Survivors Charity (CASC).

#### 6. STAFF SALARIES

	<u>2011</u> US\$	<u>2010</u> US\$
Medical salaries	431,154	390,401
Administration department	<u>115,483</u>	<u>91,121</u>
	<u>546,637</u>	<u>481,522</u>

#### 7. MEDICAL CONSUMABLES

	<u>2011</u> US\$	<u>2010</u> US\$
Medical supplies	76,901	96,045
Food for patients	30,583	25,893
Fuel	17,167	9,209
Cleaning materials	6,719	7,652
Others	<u>7,599</u>	<u>4,717</u>
	<u>138,969</u>	<u>143,516</u>

**CHILDREN'S SURGICAL CENTRE**

**NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**8. OPERATING COSTS**

	<u>2011</u> <u>US\$</u>	<u>2010</u> <u>US\$</u>
Staff benefits	28,972	18,075
Expenses related to CSC's leased house	16,471	21,453
Communications	4,496	5,022
Office supplies and printing	6,780	6,863
Subscriptions, advertisement, and other fees	14,480	8,817
Fundraising expenses	-	2,345
Entertainment	1,761	676
Bank charges	13,704	-
Others	9,125	7,669
	<u>95,789</u>	<u>70,920</u>

**9. GRANT TO NGOS**

	<u>2011</u> <u>US\$</u>	<u>2010</u> <u>US\$</u>
Grants to CamKids	28,809	6,104
Grants to CASC	-	37,700
Grants to ACF	36,000	-
	<u>64,809</u>	<u>43,804</u>

**10. MEDICAL EQUIPMENTS**

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

**11. REPAIRS AND MAINTENANCE**

	<u>2011</u> <u>US\$</u>	<u>2010</u> <u>US\$</u>
Building and structure	6,075	4,005
Vehicles	24,165	29,625
Medical equipment	4,343	2,326
	<u>34,583</u>	<u>35,956</u>

## CHILDREN'S SURGICAL CENTRE

### NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2011

#### 12. 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.

#### 13. DEPOSITS AND PREPAYMENTS

	<u>2011</u> <u>US\$</u>	<u>2010</u> <u>US\$</u>
Rental deposit	750	750
Prepayment for medical equipment	<u>10,450</u>	<u>10,000</u>
	<u>11,200</u>	<u>10,750</u>

#### 14. CASH AND CASH EQUIVALENT

	<u>2011</u> <u>US\$</u>	<u>2010</u> <u>US\$</u>
Cash at banks	939,748	1,239,171
Cash on hand	<u>2,722</u>	<u>1,696</u>
	<u>942,470</u>	<u>1,240,867</u>

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

	<u>2011</u> <u>US\$</u>	<u>2010</u> <u>US\$</u>
Cambodian Commercial Bank in Cambodia	9,042	76,379
ANZ Bank in Cambodia (*)	162,428	253,429
Wells Fargo Bank in USA	195,039	211,378
HSBC in Hong Kong	506,410	646,853
PayPal (**)	<u>66,829</u>	<u>51,132</u>
	<u>939,748</u>	<u>1,239,171</u>

Cash at bank are maintained in current accounts, saving accounts and fixed deposits.

(\*) Included in the bank balance is a fixed deposit balance of US\$151,084 for three months period bearing an interest rate of 1.3% p.a. (2010: US\$240,000 with interest of 2.65% p.a.).

(\*\*) 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 2011

15. PROPERTY AND EQUIPMENT

	Medical equipment US\$	Vehicle US\$	Construction in progress US\$	Total US\$
Opening net book amount				
At 1 January 2010	-	-	-	-
Additions	29,545	-	-	29,545
Depreciation Charge	(6,771)	-	-	(6,771)
Closing net book amount	<u>22,774</u>	<u>-</u>	<u>-</u>	<u>22,774</u>
As at 31 December 2010				
Cost	29,545	-	-	29,545
Accumulated depreciation	(6,771)	-	-	(6,771)
Net book amount	<u>22,774</u>	<u>-</u>	<u>-</u>	<u>22,774</u>
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>206,000</u>	<u>422,773</u>
As at 31 December 2011				
Cost	258,345	10,000	206,000	474,345
Accumulated depreciation	(49,280)	(2,292)	-	(51,572)
Net book amount	<u>209,065</u>	<u>7,708</u>	<u>206,000</u>	<u>422,773</u>



**CHILDREN'S SURGICAL CENTRE**

**NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**16. PUBLICALLY TRADED EQUITIES**

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

Company	No. shares	2011	No. shares	2010
		Costs (US\$)		Costs (US\$)
Common stock and options	9,476	201,019	16,500	234,165
Preferred stock	300	13,304	-	-
Exchange traded funds	640	15,070	-	-
	<b>10,416</b>	<b>229,393</b>	<b>16,500</b>	<b>234,165</b>

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

As of 31 December 2011, the fair value of the security stock is US\$ 231,288 (2010: US\$233,069).

# CHILDREN'S SURGICAL CENTRE

## NOTES TO THE STATEMENT OF INCOME, EXPENDITURES, AND FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2011

### 17. RELATED PARTY TRANSACTIONS

Significant related party transactions during the year are as follows:

	2011 US\$	2010 US\$
(a) <i>Cambodian Acid Survivors Charity (CASC)</i>		
Other income - surgical operations	4,500	6,000
Income - other administrative	132	-
Expenditures - medical consumables and supplies	(5,219)	(1,459)
Donations in cash from CSC to CASC	-	(37,700)
	<u>(587)</u>	<u>(33,159)</u>
(b) <i>Children's Surgical Centre U.S.A (CSC USA)</i>		
Receipts:		
Donations in cash	-	123,908
In-kind donations - equipment	-	109
In-kind donations - executive compensation	-	2,074
In-kind donations - others	-	6,506
	<u>-</u>	<u>132,597</u>
(c) <i>Chenda Polyclinic</i>		
Other income - cost recovery	5,459	7,100
Expenditures - payment for services	(18,243)	(7,125)
Expenditures - staff insurance	(4,279)	(4,050)
Expenditures - other medical supplies	(807)	(79)
	<u>(17,870)</u>	<u>(4,154)</u>
(d) <i>Key management remuneration</i>		
Per diem	138,000	94,998
House allowances	9,683	12,103
Insurance (*)	12,906	2,074
(*) Insurance was made as in-kind donations by CSC USA up to 2010	<u>160,589</u>	<u>109,175</u>