

AFESIP CAMBODIA ORGANIZATION

**Financial Statements
for the year ended 31 December 2022
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 Wing Bank Mao Chamnan Orphaned Starfish Foundation Cambodian Red Cross Natural Beauty Co., LTD Heart Mothers Duan Penh Group NongHyup Finance	
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. Cambodia Post Bank Plc. Canadia Bank Plc. Aleda Bank Plc.	
Auditors	KPMG Cambodia Ltd	

AFESIP Cambodia Organization

Contents

	Pages
1. Statement by the Management	1
2. Report of the Independent Auditors	2 – 4
3. Statement of receipts and payments	5 – 6
4. Notes to the financial statements	7 – 22



Statement by the Management

I, the undersigned, on behalf of the management of AFESIP Cambodia Organization, do hereby state that in my opinion, the accompanying financial statements which comprise the statement of receipts and payments for the year ended 31 December 2022 and notes, as set out on pages 5 to 22 present fairly, in all material respects, in accordance with Cambodian Financial Reporting Standard for Not-For-Profit Entities ("CFRS for NFPEs").

Signed on behalf of the management

Mrs. Mam Somaly
Co-Founder and Managing Director

Phnom Penh, Kingdom of Cambodia

Date: 12 September 2023



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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 receipts and payments for the year ended 31 December 2022 and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 22 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash balances of the Organisation as at 31 December 2022, and its cash receipts and payments for the year then ended in accordance with Cambodian Financial Reporting Standard for Not-For-Profit Entities (“CFRS for NFPEs”).

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.

Other Matter – Comparative Information

As stated in Note 16 to the financial statements, the Organisation adopted CFRS for NFPEs on 1 January 2022 with a transition date of 1 January 2021. These standards were applied retrospectively to the comparative information in these financial statements, including the statement of receipts and payments of the Organisation for year ended 31 December 2021 and related explanatory note.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the CFRS for NFPEs, 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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


Yim Lundy
Director



Phnom Penh, Kingdom of Cambodia

12 September 2023

AFESIP Cambodia Organization

Statement of receipts and payments for the year ended 31 December 2022

	Note	2022 US\$	2022 KHR'000 (Note 4)	2021 US\$	2021 KHR'000 (Note 4)
Operating receipts					
Donations, fundraising and other similar receipts	5	599,032	2,448,244	672,566	2,735,998
Other receipts	6	691	2,824	1,075	4,373
		<u>599,723</u>	<u>2,451,068</u>	<u>673,641</u>	<u>2,740,371</u>
Operating payments					
Volunteer and employee related payments	7	(280,173)	(1,145,066)	(274,924)	(1,118,392)
Program by activities	8	(287,878)	(1,176,557)	(234,911)	(955,618)
Other operating payments	9	(20,226)	(82,664)	(5,641)	(22,948)
Total operating payment		<u>(588,277)</u>	<u>(2,404,287)</u>	<u>(515,476)</u>	<u>(2,096,958)</u>
Operating surplus		<u>11,446</u>	<u>46,781</u>	<u>158,165</u>	<u>643,413</u>
Capital payments					
Purchases of resources	10	(62,625)	(255,948)	(18,411)	(74,894)
Capital deficit		<u>(62,625)</u>	<u>(255,948)</u>	<u>(18,411)</u>	<u>(74,894)</u>
(Decrease)/Increase cash and bank balances		(51,179)	(209,167)	139,754	568,519
Cash and bank balances at beginning of the year		339,314	1,382,365	199,560	807,220
Currency translation differences		-	13,053	-	6,626
Cash and bank balances at end of the year		<u>288,135</u>	<u>1,186,251</u>	<u>339,314</u>	<u>1,382,365</u>

AFESIP Cambodia Organization

Statement of receipts and payments (continued) for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Represented by:					
Cash at banks		272,935	1,123,673	274,239	1,117,250
Cash on hand		15,200	62,578	65,075	265,115
Cash and cash at banks	11	<u>288,135</u>	<u>1,186,251</u>	<u>339,314</u>	<u>1,382,365</u>

Prepared by:



Mrs. Mam Somaly
Co-Founder and Managing Director

Date: 12 September 2023

The accompanying notes form an integral part of this statement.

AFESIP Cambodia Organization

Notes to the financial statements for the year ended 31 December 2022

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); and
4. Survivor Empowerment Network (SEN).

Survivor Empowerment Network is a formulation a group of survivors, who have successfully recovered from all major physical and psychological injures, reintegrated back into communities across Cambodia. The aim is to empower and promote social welfare and the well-being of survivors. Sensitize and raise awareness to the public at large as they call for better solutions. Each of the SEN members plays a significant role as change-makers in their communities by bringing the voices of the voiceless to the forefront.

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

As at 31 December 2022, the Organisation has 32 employees (31 December 2021: 27 employees).

The Organisation is not registered for VAT. Amounts recorded in the financial statement are inclusive of VAT (if any).

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

2. Basis of accounting

(a) Statement of compliance

The financial statements have been prepared in accordance with the Cash Basis of Accounting of Cambodian Financial Reporting Standard for Not-For-Profit Entities ("CFRS for NFPEs"). These are the first set of financial statements prepared in accordance with CFRS for NFPEs.

In the previous financial years, the financial statements were 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 are compatible with CFRS for NFPEs.

The Organisation has applied consistently to all periods presented in these financial statements and in preparing the opening CFRS for NFPEs statement of receipts and payments at 1 January 2021 for the purposes of the transition to CFRS for NFPEs.

An explanation of how the transition to CFRS for NFPEs has affected the reported statement of receipts and payments of the Organisation is provided in Note 16.

These financial statements were authorised for issue by the Organisation's management on 12 September 2023.

(b) Basis of measurement

The financial statements expressed in United States Dollars ("US\$") have been prepared under the historical cost convention.

3. Significant accounting policies

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

(a) Recognition of receipts

The Organisation recognises its fund receipts as operating receipts, which include two categories: Donations, fundraising and other similar receipts and other receipts.

a. Donations, fundraising and other similar receipts

These pertain to funds received from donors and donations from partners in order for the Organisation to carry out its projects.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

3. Significant accounting policies (continued)

(a) Recognition of receipts (continued)

b. Other receipts

These pertain to receipts for interest income from bank.

All forms of receipts are recognised when received and recorded as gross amount of bank charges, if any.

(b) Recognition of payments

The Organisation classifies its fund payments into two categories: operating payments and capital payments.

(i) *Operating payments comprise:*

a. Volunteer and employee related payments

These pertain to the salaries and other benefits of the Organisation's staff.

b. Program by activities

These pertain to the payments directly related to the Organisation's program and activities.

c. Other operating payments

These are the general expenses incurred by the Organisation.

(ii) *Capital payments comprise:*

a. Purchase of resources

All payments are recognised when paid.

(c) Cash and bank balance

Cash and bank balance consist of cash on hand and cash in banks that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

3. Significant accounting policies (continued)

(d) Non-expendable items

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

(e) 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. Exchange differences are recognised in the statement of receipts and payments.

4. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars ("US\$") which is the Organisation's functional currency. The translations of US\$ amounts into Khmer Riels ("KHR") meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in accordance with the translation method of CFRS for NFPEs Section A17.

Cash and bank balance are translated at the closing rate as at the reporting date. The statement of receipts and payments are translated into KHR at the average rate for the year, which has been deemed to approximate the exchange rate at the date of transaction as exchange rates have not fluctuated significantly during the year. Exchange differences arising from the translation are recognised in the statement of receipts and payments.

The Organisation uses the following exchange rates:

Financial year end			Closing rate	Average rate
31 December 2022	US\$1	=	KHR4,117	KHR4,087
31 December 2021	US\$1	=	KHR4,074	KHR4,068

The translation to Khmer Riel should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

5. Donations, fundraising and other similar receipts

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Solyna Foundation	230,117	940,488	172,985	703,703
Project Futures	146,474	598,640	92,338	375,631
Royal Government of Cambodia	64,016	261,633	63,781	259,461
Orphaned Starfish Foundation	17,925	73,259	19,900	80,953
Natural Beauty Co., Ltd	15,200	62,122	172,173	700,400
Heart Mothers	14,975	61,203	10,000	40,680
Cambodian Red Cross	8,569	35,022	7,306	29,721
NongHyup Finance	5,000	20,435	-	-
Wing Bank (Mao Chamnan)	5,000	20,435	-	-
Together1Heart	-	-	68,704	279,488
Cambodia Post Bank	-	-	2,458	9,999
Other individuals (*)	91,756	375,007	62,921	255,962
	<u>599,032</u>	<u>2,448,244</u>	<u>672,566</u>	<u>2,735,998</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.

6. Other receipts

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	691	2,824	275	1,119
Others	-	-	800	3,254
	<u>691</u>	<u>2,824</u>	<u>1,075</u>	<u>4,373</u>

7. Volunteer and employee related payments

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries	274,794	1,123,082	270,380	1,099,907
Staff fringe benefits	5,379	21,984	4,544	18,485
	<u>280,173</u>	<u>1,145,066</u>	<u>274,924</u>	<u>1,118,392</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

7. Volunteer and employee related payments (continued)

The volunteer and employee related payments was utilised by each Program activities' as follow:

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Recovery services	108,601	443,852	144,348	587,208
Education and training	58,013	237,099	57,524	234,008
Economy empowerment	44,540	182,035	18,255	74,261
Survivor empowerment network	19,660	80,350	13,700	55,732
Other operating payments	49,359	201,730	41,097	167,183
	<u>280,173</u>	<u>1,145,066</u>	<u>274,924</u>	<u>1,118,392</u>

8. Program by activities

The Organisation has focused on 4 key Programs as follow:

	Note	2022		2021	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Recovery services	A	160,827	657,300	144,176	586,508
Education and training	B	56,566	231,185	53,001	215,608
Economy empowerment	C	7,359	30,076	6,871	27,951
Survivor empowerment network	D	63,126	257,996	30,863	125,551
		<u>287,878</u>	<u>1,176,557</u>	<u>234,911</u>	<u>955,618</u>

A. Recovery services

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Food, clothes, domestic and gas-wood	74,584	304,825	44,748	182,034
Psycho and medical supports	53,199	217,425	52,283	212,687
Centre operating costs	22,477	91,863	36,832	149,833
Social recreational and gardening costs	10,567	43,187	10,288	41,852
Vocational life skills and training	-	-	25	102
	<u>160,827</u>	<u>657,300</u>	<u>144,176</u>	<u>586,508</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

8. Program by activities (continued)

B. Education and training

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Living expenses	30,967	126,562	23,668	96,281
Travel cost	14,320	58,526	7,619	30,994
Scholarships tuition	6,114	24,988	6,644	27,028
Outsourced skill training	5,165	21,109	15,024	61,118
Non-formal education	-	-	46	187
	<u>56,566</u>	<u>231,185</u>	<u>53,001</u>	<u>215,608</u>

C. Economy empowerment

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Staff travel and per-diem	4,920	20,108	2,833	11,525
Workshop/networks/operational costs	700	2,861	10	40
Utilities	531	2,170	882	3,588
Micro-Business	154	629	2,000	8,136
Other support to victims	1,054	4,308	1,146	4,662
	<u>7,359</u>	<u>30,076</u>	<u>6,871</u>	<u>27,951</u>

D. Survivor empowerment network

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Pocket money support	56,720	231,815	30,572	124,367
Travel cost for social workers	5,818	23,778	15	61
Utilities	343	1,402	-	-
Post reintegration support	245	1,001	-	-
World AIDS Day and national events	-	-	201	818
Peer educators and quarterly meeting	-	-	60	244
Hygiene materials	-	-	15	61
	<u>63,126</u>	<u>257,996</u>	<u>30,863</u>	<u>125,551</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

9. Other operating payments

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Audit fees	14,595	59,650	-	-
Administrative	4,209	17,202	4,090	16,638
Bank charge	890	3,637	965	3,926
Transportation	368	1,505	207	842
Premises	164	670	379	1,542
	<u>20,226</u>	<u>82,664</u>	<u>5,641</u>	<u>22,948</u>

10. Purchases of resources

The purchase of resource below was utilised by each Program activities' fund as follows:

	Note	2022		2021	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Recovery services	A	61,011	249,352	18,201	74,041
Education and training	B	547	2,236	210	853
Economy empowerment	C	62	253	-	-
Survivor empowerment network	D	1,005	4,107	-	-
		<u>62,625</u>	<u>255,948</u>	<u>18,411</u>	<u>74,894</u>

A. Recovery services

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Medical equipment	29,500	120,567	-	-
Furniture and fittings	17,619	72,009	9,876	40,175
Appliances	2,965	12,118	1,669	6,789
IT and computers	1,657	6,772	2,727	11,094
Non-expendable equipment	-	-	2,500	10,170
Other equipment	9,270	37,886	1,429	5,813
	<u>61,011</u>	<u>249,352</u>	<u>18,201</u>	<u>74,041</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

10. Purchases of resources (continued)

B. Education and training

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Furniture and Fittings	241	985	-	-
IT and computers	6	25	210	853
Other equipment	300	1,226	-	-
	<u>547</u>	<u>2,236</u>	<u>210</u>	<u>853</u>

C. Economy empowerment

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
IT and computers	12	49	-	-
Other equipment	50	204	-	-
	<u>62</u>	<u>253</u>	<u>-</u>	<u>-</u>

D. Survivor empowerment network

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
IT and computers	870	3,555	-	-
Furniture and Fittings	135	552	-	-
	<u>1,005</u>	<u>4,107</u>	<u>-</u>	<u>-</u>

11. Cash and bank balances

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash at banks	272,935	1,123,673	274,239	1,117,250
Cash on hand	<u>15,200</u>	<u>62,578</u>	<u>65,075</u>	<u>265,115</u>
	<u>288,135</u>	<u>1,186,251</u>	<u>339,314</u>	<u>1,382,365</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

11. Cash and bank balances (continued)

Cash at banks represents current accounts and saving account, which bear interest rate at 0.50% and 0.75% per annum (2021: 0.75% per annum) held at Advanced Bank of Asia Ltd. and Cambodia Post Bank Plc, respectively.

12. 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 2021, 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.

During the year, the Organisation also received another in-kind contribution, Laptop 6 units, Interactive Flat Panel, and Digital Signage from Hangzhou Hikivision Digital Technology Co., Ltd, to support the Organisation's day-to-day activities.

13. Commitments and contingencies

(i) *Expenditure commitments*

As at 31 December 2022, the Organisation had no any expenditure commitments.

(ii) *Seniority indemnity commitments*

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.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

13. Commitments and contingencies (continued)

(ii) *Seniority indemnity commitments (continued)*

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.

Subsequent to financial year ended, on 27 February 2023, the Organisation has settled the accumulated amount of seniority current pay from 2019 to 2022 in full to respective staffs.

As at 31 December 2022, the organisation has a seniority indemnity back-pay amount approximate to US\$12,151 to be settled to staffs.

(iii) *Tax contingencies*

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

14. Related party transaction

	2022		2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Key management remuneration				
Remuneration	<u>139,560</u>	<u>570,382</u>	<u>136,800</u>	<u>556,502</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

15. Advance to staff

The following represents unliquidated advances which maintained by way of an advance register by management for monitoring purpose:

	As at 31 December 2022		As at 31 December 2021	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Program by activities	5,269	21,692	11,417	46,513
Volunteer and employee related payments	17,300	71,224	700	2,852
Other operating payments	185	762	-	-
	<u>22,754</u>	<u>93,678</u>	<u>12,117</u>	<u>49,365</u>

16. Explanation of transition to CFRS for NFPEs

As stated in Note 2, these are the Organisation's first set of financial statements prepared in accordance with CFRS for NFPEs.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2022 and the comparative information presented in these financial statements for the year ended 31 December 2021.

In preparing its opening CFRS for NFPEs statement of receipts and payments, the Organisation has adjusted amounts reported previously in financial statements prepared in accordance with modified cash receipts and disbursement basis ("Previous Modified Cash Basis") relating to the preparation of the financial statements.

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

16. Explanation of transition to CFRS for NFPEs (continued)

Reconciliation of cash

The following reconciliations summarise the impacts on initial application of CFRS for NFPEs on the Organisation's financial position as at 1 January 2021, and 31 December 2021:

	Note	As at 31 December 2021				As at 1 January 2021			
		Previous Modified Cash Basis US\$	Effect of Transition to CFRS for NFPEs US\$	CFRS for NFPEs US\$	CFRS for NFPEs KHR'000 (Note 4)	Previous Modified Cash Basis US\$	Effect of Transition to CFRS for NFPEs US\$	CFRS for NFPEs US\$	CFRS for NFPEs KHR'000 (Note 4)
ASSETS									
Cash and bank balances		339,314	-	339,314	1,382,365	199,560	-	199,560	807,220
Project advances	A	12,168	(12,168)	-	-	4,291	(4,291)	-	-
		<u>351,482</u>	<u>(12,168)</u>	<u>339,314</u>	<u>1,382,365</u>	<u>203,851</u>	<u>(4,291)</u>	<u>199,560</u>	<u>807,220</u>
LIABILITIES AND FUND BALANCE									
Liabilities									
Seniority indemnity payables	B	48,286	(48,286)	-	-	44,759	(44,759)	-	-
Fund balance									
Retained surplus	C	303,196	36,118	339,314	1,382,365	159,092	40,468	199,560	807,220
Total liabilities and fund balance		<u>351,482</u>	<u>(12,168)</u>	<u>339,314</u>	<u>1,382,365</u>	<u>203,851</u>	<u>(4,291)</u>	<u>199,560</u>	<u>807,220</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

16. Explanation of transition to CFRS for NFPEs (continued)

The following reconciliations summarise the impacts on initial application of CFRS for NFPEs on the Organisation's statement of receipts and payments for the year ended 31 December 2021:

		Year ended 31 December 2021				
	Note	Previous Modified Cash Basis US\$	Effect of transition to CFRS for NFPEs US\$	Reclassification (*) US\$	CFRS for NFPEs US\$	CFRS for NFPEs KHR'000 (Note 4)
Income						
Donations, fundraising and other similar receipts/grant income		672,566	-	-	672,566	2,735,998
Other receipt/other income		1,075	-	-	1,075	4,373
		<u>673,641</u>	<u>-</u>	<u>-</u>	<u>673,641</u>	<u>2,740,371</u>
Expenditure						
Recovery services	B	(306,066)	(638)	306,704	-	-
Education and training	B	(104,096)	(6,639)	110,735	-	-
Economy empowerment	B	(25,226)	100	25,126	-	-
Survivor Empowerment Network	B	(44,563)	-	44,563	-	-
Overhead costs	B	(49,586)	2,827	46,759	-	-
Subtotal (i)		<u>(529,537)</u>	<u>(4,350)</u>	<u>533,887</u>	<u>-</u>	<u>-</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

16. Explanation of transition to CFRS for NFPEs (continued)

The following reconciliations summarise the impacts on initial application of CFRS for NFPEs on the Organisation's statement of receipts and payments for the year ended 31 December 2021: (continued)

	Note	Year ended 31 December 2021				
		Previous Modified Cash Basis US\$	Effect of transition to CFRS for NFPEs US\$	Reclassification (*) US\$	CFRS for NFPEs US\$	KHR'000 (Note 4)
Expenditure (continued)						
Volunteer and employee related payments		-	-	(274,924)	(274,924)	(1,118,392)
Program by activities		-	-	(234,911)	(234,911)	(955,618)
Other operating payments		-	-	(5,641)	(5,641)	(22,948)
Subtotal (ii)		-	-	(515,476)	(515,476)	(2,096,958)
Grand total (i + ii)		<u>(529,537)</u>	<u>(4,350)</u>	<u>18,411</u>	<u>(515,476)</u>	<u>(2,096,958)</u>
Operating surplus		<u>144,104</u>	<u>(4,350)</u>	<u>18,411</u>	<u>158,165</u>	<u>643,413</u>
Capital payments						
Purchase of resource		-	-	(18,411)	(18,411)	(74,894)
Capital deficit		-	-	<u>(18,411)</u>	<u>(18,411)</u>	<u>(74,894)</u>
Increase cash and bank balances		<u>144,104</u>	<u>(4,350)</u>	<u>-</u>	<u>139,754</u>	<u>568,519</u>

AFESIP Cambodia Organization

Notes to the financial statements (continued) for the year ended 31 December 2022

16. Explanation of transition to CFRS for NFPEs (continued)

A. Reversal of assets

As the Organisation has complied with CFRS for NFPEs which is equivalent to cash basis, all payments made should be recognised as an expense during the period. As such, these assets are reversed to the corresponding expense accounts as well as in retained surplus for those balances carried forward from the previous years.

B. Reversal of liabilities

These liabilities are reversed from the corresponding expense accounts as well as in retained surplus for those balances carried forward from the previous years to the year in which the payments were actually made so as to be in compliance with the principle of CFRS for NFPEs.

C. Impact on retained surplus

The impact to retained surplus was correspondingly resulted from the reversal of assets and liabilities as discussed in A and B.

(*) These are reclassifications to conform with current year presentation of operating and capital payments in the statement of receipts and payments.