

MEKONG PLUS-SVAY RIENG OFFICE
STATEMENT OF INCOME AND EXPENDITURE AND FUND BALANCE
FOR THE PERIOD FROM 25 DECEMBER 2018 TO 24 DECEMBER 2019

MEKONG PLUS - SVAY RIENG OFFICE

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Draft

STATEMENT BY THE MANAGEMENT

We, do hereby state that in our opinion, the accompanying statement of Income and Expenditure and Fund balance for the Mekong Plus – Svay Rieng Office , hereinafter referred to as ("the Organisation") together with notes, set out from page 6 to 9, thereto are properly drawn up so as to give a true and fair view of the state and affair of the Organisation for the period from 25 December 2018 to 24 December 2019, in accordance with the accounting policies set out in Note 2 to the financial statements.

On behalf of the Board of Director

Mr. Bernard Kervyn
Director
01 April 2020

**REPORT OF INDEPENDENT AUDITORS
TO THE MANAGEMENT AND DONORS OF MEKONG PLUS**

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying Statement of Income, Expenditure and Fund balance, and a summary of significant accounting policies and other explanatory notes (“the Financial Statements”) of Mekong Plus – Svay Rieng Office (“the Organisation”) for the period from 25 December 2018 to 24 December 2019 and notes to the financial statement, including a summary of significant accounting policies (together “the financial statement”).

In our opinion, the Financial Statements of Mekong Plus – Svay Rieng Office for the period covering from 25 December 2018 to 24 December 2019 together with the notes thereto present, in all material respect, in accordance with the accounting policies set out in note 2 to the Financial Statements.

Basic 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Organisation in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the requirements of the Kampuchea Institute of Certified Public Accountants and the Auditors’ Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of KICPAA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter-Basic of accounting and restriction on distribution and use

We draw attention to Note 2 to the financial statement which describes the basis of accounting and accounting policy adopted by the Organization. The financial statements are prepared for the information and use of the management and donors of the Organisation. As a result, the financial statements may not be suitable for any other purpose.

Our report is intended solely for the donors and management of the Organisation and should not be distributed to or used by parties other than the donors and management of the Organisation. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Organisation are responsible for the other information. The other information comprises the Statement by the Management but does not include the financial statements of the Organisation and our auditor's report thereon.

Our opinion on the financial statements of the Organisation does not cover the Statement by the Management and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements of the Organisation, our responsibility is to read the Statement by the Organisation's Management and, in doing so, consider whether the Statement by the Management is materially inconsistent with the financial statements of the Organisation or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Statement by the Management; we are required to report that fact. We have nothing to report in this regard.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting and accounting policies described in Note 2 to the Financial Statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation 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 liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 scepticism 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 auditor's 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 auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.

We communicate with management 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 REACHS & PARTNERS Co., Ltd.

E Bunthet
Partner

Phnom Penh, Kingdom of Cambodia
01 April 2020

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STATEMENT OF INCOME, EXPENDITURE AND FUND BALANCE FOR THE PERIOD FROM 25 DECEMBER 2018 TO 24 DECEMBER 2019

	Notes	2019 US\$	2018 US\$
INCOME			
Income from Mekong Plus (head office)	3	132,105	163,110
Other Income		32,371	255
		164,476	163,365
EXPENDITURES			
Program Direct Cost			
Agriculture	4	(3,591)	(6,017)
Health and sanitation	5	(13,315)	(14,422)
Community income generation	6	(848)	(1,912)
Program Indirect Cost			
Personnel and related costs	7	(99,160)	(75,256)
Office running costs	8	(23,459)	(25,003)
Capitalised expenditure		(348)	-
Professional fee		(935)	(2,090)
Skill developments		(3,523)	(954)
		(145,179)	(125,654)
Surplus/(deficit) of expenditures over income		19,297	37,711
Fund balance at the beginning of the period		5,627	(32,084)
Fund balance at the end of period		24,924	5,627
Fund balance represented by:			
Cash on hand		2,802	5,427
Cash in bank		5,852	14,540
Other receivables	9	16,270	17,745
Other payables	10	-	(32,085)
		24,924	5,627

The accompanying notes on page 6 to 9 are an integral part of these financial statements.

MEKONG PLUS - SVAY RIENG OFFICE

NOTE TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 25 DECEMBER 2018 TO 24 DECEMBER 2019

1. GENERAL

Mekong Plus (“the Organisation”) was established in 2003 with its international headquarter in Belgium. It was previously known as Vietnam Plus, established in France in 1994. On 17 September 2009, Mekong Plus has entered into a Memorandum of Outstanding (“MOU”) with the Royal Government of Cambodia, represented by the Ministry of Foreign Affair and International Cooperation, which allow the Organisation to open its office in Svay Rieng Province. The MOU is valid for 3 years and maybe renewed for another term by mutual consent.

The main project activities which are currently being implemented in Svay Rieng Office are as follows:

- Health and sanitation activities consisting in the provisions of financial support to poor villagers in community to build latrines in order to have access to the low-cost hygienic latrines and providing health training both in community and school.
- Agriculture activities focusing on the provisions of technical training and setting up and extend models in the agronomy and lives stocks.
- Community employment consisting in the provisions of training skill both in the community and in Vietnam in the production of quilt, paper machine, cross stitch, rag rug and durries.

Mekong Plus is located in Phum Choak, Khum Choak, Romdol District, Svay Rieng Province.

The financial statements covered the period from 25 December 2018 to 24 December 2019 represents the operations of Mekong Plus – Svay Rieng Office only.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

2.1. Basis of preparation

The Financial Statements have been prepared in the United States Dollar (“US\$”) in accordance with accounting principles generally accepted in Cambodia and have been prepared under modified cash basis of accounting. This basis is a comprehensive basis of accounting designed to meet the requirement of the Organisation which does not produce financial statements which are compatible with International Financial Reporting Standard.

Under the modified cash basis of accounting, grants and revenue are recognised when cash is received rather than when earned and expenses are recognised when cash is paid rather than when incurred, except the following:

- Advance to project activities are recorded as receivable and recognised as expenses upon liquidation.
- Other receivable are recorded as asset for the Organisation while related cash receipt or income upon receipt of cash.
- Other payables are recorded as liability for the Organisation while the related expenses are accounted upon liquidation or in the whole Organisation’s financial statements where appropriate.

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NOTE TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 25 DECEMBER 2018 TO 24 DECEMBER 2019

2.2. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Organisation are measured using the currency of the primary economic environment in which the Organisation operates (“the functional currency”). The financial statements are presented in United States dollars (“US\$”), which is the Organisation’s functional and presentation currency. The functional currency is US\$ because of the significant influence of the US\$ on its operations.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in currencies other than US\$ are recognised in the income and expenditures.

2.3. Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts if any are shown within borrowings in current liabilities on the statements of financial position.

Impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

2.4. Non-expendable equipment

The equipment purchased is recognised as expenditure in the period of acquisition to statement of income and expenditure. This practice differs from generally accepted accounting principles which require the capitalisation and depreciation of fixed assets according to their estimated useful life. For control and management purposes, the Organisation maintains a list of those assets.

2.5. Other receivables

Receivables are measured at net realisable value. Any uncollectible receivables are written off and recognised as expense.

2.6. Other payables

Payables are recognised when there are obligation to pay or settle and they are measured at amount to be paid or settled.

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NOTE TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 25 DECEMBER 2018 TO 24 DECEMBER 2019

3. INCOME FROM MEKONG PLUS

This represents amount transferred by Mekong Plus head office (Belgium) to Mekong Plus – Svay Rieng Office during the current financial year.

4. OTHER INCOME

Other income include income from written off of account payable to Mekong Vietnam amount to US\$ 32,085.

5. AGRICULTURE

	2019	2018
	US\$	US\$
Village livestock agents	62	110
Agronomy program	761	1,693
Livestock program	2,768	4,214
	3,591	6,017

6. HEALTH AND SANITATION

	2019	2018
	US\$	US\$
Health education in community and school	11,433	10,416
Poor family program	60	165
Latrines constructions	1,822	3,841
	13,315	14,422

7. COMMUNITY INCOME GENERATION

	2019	2018
	US\$	US\$
Community wages	-	315
Community skill training	848	1,597
	848	1,912

8. Personnel and related costs

	2019	2018
	US\$	US\$
Salary and bonus costs	84,463	71,298
Benefit costs	2,162	3,667
Hospitality cost (a)	12,535	291
	99,160	75,256

(a) Hospitality cost is incurred due to visiting cost that consists of transportation, accommodation, meal and other costs providing to Group's volunteer for providing training purpose. During 2019, the number of volunteer came for visiting was increasing

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around 30 to 50 volunteers from France and Vietnam comparing to 2018 which there was only from Vietnam.

Breakdown of hospitality cost is as follow:

Items	Amount
Food	6,430
Accommodation	2,530
Transportation	1,772
Air ticket	1,083
Snack and drink	403
Others	317
Total	12,535

9. OFFICE RUNNING COSTS

	2019 US\$	2018 US\$
Office utilities	1,023	1,042
Communication	2,986	3,826
Office supplies/equipment	1,498	1,431
Repairs and maintenance	3,266	3,563
Rental expense	9,466	9,691
Taxes and licenses	3,026	2,448
Other expenses	2,194	3,002
	23,459	25,003

10. OTHER RECEIVABLES

	2019 US\$	2018 US\$
Deposit	3,420	3,420
Loan to poor families (*)	12,850	14,325
	16,270	17,745

(*) This represents outstanding interest-free loan provided to poor families

11. OTHER PAYABLES

	2019 US\$	2018 US\$
Payable to Mekong Vietnam (a)	-	32,085

Payable to Mekong Vietnam was confirm written of by Mekong Vietnam during the year. The amount has been recognised as other income during the year (note 4 above).