

**ACTION FOR ENVIRONMENT AND COMMUNITIES
FINANCIAL STATEMENTS
AND
REPORT OF THE INDEPENDENT AUDITORS
FROM THE PERIOD FROM 1 JULY 2013 TO 31 DECEMBER 2013**

ACTION FOR ENVIRONMENT AND COMMUNITIES

ORGANIZATION INFORMATION

Organization name	: ACTION FOR ENVIRONMENT AND COMMUNITIES
Main donors	: Mcknight Oxfam- Novib Forum Syd United Nations Development Programme
Registration date	: 29 July 2005
Registered office	: No 22, Punley Village, Punley Commune, Baribour District , Kampong Chhnang Province, Kingdom of Cambodia
Current address	: Mong Barang Village, Sangkat BH-E, Kampong, Chhnang City, Kampong Chhnang Province, Kingdom of Cambodia
Contact	: Telephone number +855 26 988 983
Board of directors	: Mr. Mom Riam Mr. Chhim Van Deth Ms. Tan Sokhom Ms. Collette O's Regan Ms. Cheam Kosal
Management teams	: Ms. Sor Sat- Executive Director Mr. Heang Sokun- Program Coordinator Ms. Soung Botum- Admin and Finance Officer
Principal Banker	: ACLEDA Bank Plc.
Solicitors	: None
Auditors	: APV (Cambodia) Co., Ltd Certified Public Accountants

ACTION FOR ENVIRONMENT AND COMMUNITIES

CONTENTS	Pages
Statement by the Organization's Management	1
Independent Auditors' Report	2-3
Statement of Activities	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-17
Appendix I: Statement of Receipts, Disbursements and Fund balance by Donor	18

STATEMENT BY THE ORGANIZATION'S MANAGEMENT

Management is responsible for the preparation and the fair presentation of the financial statements in accordance with the basis of accounting policies as set out in Note 3 to the Financial Statements and that this responsibility includes:

- a) Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- b) Selecting and applying appropriate internal control policies; and
- c) Making accounting estimates that are reasonable in the circumstances.

The Management is also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial information of the Organization.

For and on behalf of Management:

Ms. Sor Sat
Executive Director
Kampong Chhnang, Kingdom of Cambodia

Date:

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Action for Environment and Communities
Mong Barang Village, Sangkat BH-E, Kampong,
Chhnang City, Kampong Chhnang Province,
Kingdom of Cambodia

We have audited the accompanying financial statements of Action for Environment and Communities (“the Organization”), which comprise of the statement of financial position as of 31 December 2013, the statement of activities, and the statement of cash flows for the period from 1 July 2013 to 31 December 2013, and a summary of significant accounting policies and explanatory notes as set out on pages 7 to 17.

Responsibility of the Organization’s Management for the financial statements

The Organization’s Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of preparation and the accounting policies as set out in the Notes to the Financial Statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’s preparation and fair presentation of the financial statements 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 Organization’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 statements.

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 statements of Action for Environment and Communities give a true and fair view, in all material respects, for the period from 1 July 2013 to 31 December 2013, in accordance with the Organization's accounting policies set out in Note 3 to the Financial Statements.

Other matter

Without modifying our opinion, we draw attention to Note 3 to the Financial Statements, which denote the basis of the accounting policies adopted by Action for Environment and Communities. The financial statements are prepared for the information and use of the Management and the Donors of the Organization and not for the use of any other parties.

APV (Cambodia) Co., Ltd
Maria Isabelita C. Manzon-Cabrera
Phnom Penh, Kingdom of Cambodia

Date:

ACTION FOR ENVIRONMENT AND COMMUNITIES

**STATEMENT OF ACTIVITIES
FOR THE PERIOD FROM 1 JULY 2013 TO 31 DECEMBER 2013**

	Note	July 2013 to December 2013 USD	July 2012 to June 2013 USD
A. Support & revenues			
Grant receipts	4	59,089	116,200
Interest income		212	372
		59,301	116,572
B. Expenses			
Personnel costs	5	15,862	27,285
Transportation and per-diem		3,284	5,107
Project activity costs	6	22,227	35,105
Capital expenditures		0	489
Office expenses	7	10,824	7,238
		52,197	75,224
C. Change in net assets (A-B)		7,104	41,348
D. Net assets, beginning of year		48,725	7,556
E. Fund returned to donor		0	(179)
F. Net assets, end of year (C+D+E)		55,829	48,725

The notes on pages 7 to 17 form an integral part of these financial statements.

ACTION FOR ENVIRONMENT AND COMMUNITIES

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2013

	Notes	July 2013 to December 2013 USD	July 2012 to June 2013 USD
ASSETS			
Cash and cash equivalents	8	60,456	53,902
Deposit		40	40
Receivables	9	3,292	3,292
Total assets		63,788	57,234
LIABILITIES			
Payables	10	7,152	7,152
Salary tax payable		57	57
Accrued expenses	11	750	1,300
Total liabilities		7,959	8,509
NET ASSETS			
Net assets		55,829	48,725
Total net assets		55,829	48,725
Total liabilities & net assets		63,788	57,234

The notes on pages 7 to 17 form an integral part of these financial statements.

ACTION FOR ENVIRONMENT AND COMMUNITIES

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JULY 2013 TO 31 DECEMBER 2013

	<u>July 2013 to December 2013</u>	<u>July 2012 to June 2013</u>
	<u>USD</u>	<u>USD</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	7,104	41,348
Adjustments to reconcile change in net assets		
Increase (decrease) in tax and other payables	(550)	(10,687)
Decrease (increase) in other current assets	0	14,473
Fund return	0	(179)
Net cash provided by operating activities	<u>6,554</u>	<u>44,955</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property & equipment	<u>0</u>	<u>0</u>
Net cash used in investing activities	<u>0</u>	<u>0</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payment on contract payable	<u>0</u>	<u>0</u>
Net cash used in financing activities	<u>0</u>	<u>0</u>
Net increase (decrease) in cash	6,554	44,955
Fund, brought forward from last year	53,902	8,947
Cash, end of year	<u><u>60,456</u></u>	<u><u>53,902</u></u>

The notes on pages 7 to 17 form an integral part of these financial statements.

ACTION FOR ENVIRONMENT AND COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FROM 1 JULY 2013 TO 31 DECEMBER 2013

1. General information

Action for Environment and Communities (“the Organization”) is a Cambodian non-governmental, non-political and non-profit organization established in 1998 and was previously under the supervision of Southeast Asia Development Project base in Prey Veng Province and later in year 2000 became an independent organization. The Organization registered under the Ministry of Interior on 29 July 2005. The Organization is governed by a Board of Directors, which does not receive any compensation.

Vision:

The Organization’s vision is a Cambodian society that is just, humane and gender fair where the people’s collective action is geared towards empowerment and self-sufficiency. It also exists to ensure the protection of wildlife and its habitat as well as to ensure the use of forest resources in an equitable and sustainable manner for future generations.

Mission:

The Organization will pursue to provide better life situations for socio-economically disadvantage rural communities in community forest areas through advocacy, capacity building of Community Based Organizations by providing short and medium range livelihood enterprise in partnership with local communities, relevant government institutions, local and international NGOs and other voluntary Organizations.

Programs

The Organization runs a number of different programs as follows:

1. Women Empowerment
2. Organization Youth
3. Community Development
4. Environment and Climate Change
5. Livelihoods Development

2. Statement of compliance

The financial statements in United States Dollars (“USD”), prepared under the historical cost convention, and is in compliance with the Organization’s significant accounting policies. These accounting policies do not produce the financial statements that are compatible with the Cambodian International Financial Reporting Standards.

3. Significant accounting policies

a) Basis of preparation

The financial statements have been prepared under the modified cash basis, using the historical cost convention. Under the modified cash basis, revenue and expenses are recognized when cash is received and disbursed, with the exception of certain conditions relating to closing of the year-end accounts.

ACTION FOR ENVIRONMENT AND COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FROM 1 JULY 2013 TO 31 DECEMBER 2013

b) Currency and foreign exchange

The official currency in Cambodia is the Khmer Riel. However, the United States Dollar (“USD”) is widely used and transacted. The Organization maintains its accounting records in USD, which is considered and treated as the measurement and presentation currency.

Foreign currency transactions are translated to USD at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to USD at the exchange rate ruling at that date. Foreign exchange differences arising from their translations are recognized in the statement of activities.

c) Cash and cash equivalents

Cash and cash equivalent comprise of cash on hand, cash in bank, and other financial assets with maturity of three months or less.

d) Grant income

Grant income is recognized as and when it is received. The remaining balance after completion of any project or unfulfilled conditions are required to be refunded to donors.

e) Disbursements

Disbursements represent all expenses paid in line with the Organization’s objectives.

f) Cash advances

Cash advances consist of advances to staff for organizational activities and travel for amount more than USD 20 (US dollars twenty). Cash advances shall be cleared as soon as possible by submitting valid receipts covering the amount advanced with adequate supporting documents, or a combination of the two.

g) Fixed Assets

Acquisition of a fixed asset is recognized as an expense and recorded in the appropriate account in the statement of activities and there is no depreciation charged. The separate fixed assets register is maintained and the reconciliation of all fixed assets and physical assets is done every year.

h) Net assets

Net assets represent the fund balance and are classified based on absence or existence and nature of donor-imposed restriction as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulation or that expire by the passage of time.

ACTION FOR ENVIRONMENT AND COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FROM 1 JULY 2013 TO 31 DECEMBER 2013

- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

i) Income tax

The Organization is a non-profit entity that is exempt from income tax under Article 9 (new) of the Law on Tax of Cambodia.

j) Rounding off the amounts

The amounts presented in the financial statements have been rounded off to the nearest dollar.

4. Grant receipts

	<u>July 2013 to December 2013</u>	<u>July 2012 to June 2013</u>
	<u>USD</u>	<u>USD</u>
ForumSyd	27,419	0
Mcknight	0	65,000
Oxfam-Novib	28,500	30,000
UNDP	3,170	21,200
	<u>59,089</u>	<u>116,200</u>

ACTION FOR ENVIRONMENT AND COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FROM 1 JULY 2013 TO 31 DECEMBER 2013

5. Personnel costs

	<u>Mcknight</u>	<u>Oxfam- Novib</u>	<u>Forum Syd</u>	<u>Total July 2013 to December 2013</u>	<u>Total July 2012 to June 2013</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Salary for Executive Director	1,594	1,796	689	4,079	6,173
Salary for Finance/ Admin Officer	816	1,238	521	2,575	3,090
Salary for Finance/ Admin Assistant	100	0	546	646	0
Salary for Program Coordinator	1,394	1,497	589	3,480	5,357
Salary for Field Coordinator	1,059	1,109	471	2,639	5,245
Salary for Field Assistant	0	0	0	0	1,025
Salary for UNDP Project	0	0	0	0	2,700
Salary for IT Staff	605	561	154	1,320	2,445
Guard	0	20	0	20	0
Staff benefits	324	562	217	1,103	1,250
	5,892	6,783	3,187	15,862	27,285

ACTION FOR ENVIRONMENT AND COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FROM 1 JULY 2013 TO 31 DECEMBER 2013

6. Project activity costs

	Notes	Mcknight USD	Oxfam- Novib USD	Forum Syd USD	Total July 2013 to December 2013 USD	Total July 2012 to June 2013 USD
General program costs	a	1,184	1,358	1,942	4,484	6,845
Women's empowerment program	b	263	183	2,266	2,712	4,231
Youth program	c	1,680	73	0	1,753	3,370
Communities organization program	d	979	2,008	4,949	7,936	2,791
Environment program	e	0	0	777	777	305
Livelihoods development program	f	0	0	972	972	0
Meeting of national network		0	0	0	0	784
Meeting of district network	g	1,616	1,763	214	3,593	4,329
Project UNDP		0	0	0	0	12,450
		5,722	5,385	11,120	22,227	35,105

ACTION FOR ENVIRONMENT AND COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FROM 1 JULY 2013 TO 31 DECEMBER 2013

a. General program costs

	<u>Mcknight</u>	<u>Oxfam- Novib</u>	<u>Forum Syd</u>	<u>Total July 2013 to December 2013</u>	<u>Total July 2012 to June 2013</u>
	USD	USD	USD	USD	USD
Allowance for community facilitator	62	1,072	644	1,778	5,111
Material and supplies	0	0	0	0	0
Phone card for facilitator	0	0	75	75	450
Community facilitation meeting	1,122	286	1,223	2,631	1,284
	1,184	1,358	1,942	4,484	6,845

b. Women's empowerment program

	<u>Mcknight</u>	<u>Oxfam- Novib</u>	<u>Forum Syd</u>	<u>Total July 2013 to December 2013</u>	<u>Total July 2012 to June 2013</u>
	USD	USD	USD	USD	USD
Meeting for women's group	0	170	137	307	443
Meeting of women's network	233	13	1,019	1,265	302
Training and learning for women	30	0	366	396	973
Support for cooperation action	0	0	477	477	1,000
Study of women group	0	0	267	267	1,513
	263	183	2,266	2,712	4,231

ACTION FOR ENVIRONMENT AND COMMUNITIES

**NOTES TO THE FINANCIAL STATEMENTS
FROM 1 JULY 2013 TO 31 DECEMBER 2013**

c. Youth program

	Mcknight	Oxfam-Novib	Total July 2013 to December 2013	Total July 2012 to June 2013
	USD	USD	USD	USD
Meeting of youth groups	23	73	96	368
Meeting of youth networks	0	0	0	351
Training internet to youth group	1,657	0	1,657	187
Link together with youth group	0	0	0	686
Training and learning for youth	0	0	0	683
Meeting youth in different areas	0	0	0	1,095
	1,680	73	1,753	3,370

d. Communities organization program

	Mcknight	Oxfam-Novib	Forum Syd	Total July 2013 to December 2013	Total July 2012 to June 2013
	USD	USD	USD	USD	USD
Meeting groups and network at village	0	42	868	910	997
Meeting of community network	479	1,452	3,081	5,012	41
Support initiate and advocacy	500	514	1,000	2,014	1,753
	979	2,008	4,949	7,936	2,791

ACTION FOR ENVIRONMENT AND COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FROM 1 JULY 2013 TO 31 DECEMBER 2013

e. Environment program

	<u>Mcknight</u>	<u>Oxfam- Novib</u>	<u>Forum Syd</u>	<u>Total July 2013 to December 2013</u>	<u>Total July 2012 to June 2013</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Training on environment climate change	0	0	202	202	305
Support on cooperation initiative	0	0	545	545	0
Support on environment protection	0	0	30	30	0
	0	0	777	777	305

f. Livelihoods development program

	<u>Mcknight</u>	<u>Oxfam- Novib</u>	<u>Forum Syd</u>	<u>Total July 2013 to December 2013</u>	<u>Total July 2012 to June 2013</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Food for participants learning	0	0	609	609	0
Material for learning	0	0	107	107	0
Snack for learning saving group	0	0	6	6	0
Support for saving groups	0	0	250	250	0
	0	0	972	972	0

ACTION FOR ENVIRONMENT AND COMMUNITIES

**NOTES TO THE FINANCIAL STATEMENTS
FROM 1 JULY 2013 TO 31 DECEMBER 2013**

g. Meeting of district network

	Mcknight	Oxfam- Novib	Forum Syd	Total July 2013 to December 2013	Total July 2012 to June 2013
	USD	USD	USD	USD	USD
Food for participants	612	672	0	1,284	1,645
Travel for Participants	430	466	214	1,110	1,381
Accommodation for participants	510	560	0	1,070	1,145
Material	6	0	0	6	24
Snack	58	65	0	123	134
	1,616	1,763	214	3,593	4,329

ACTION FOR ENVIRONMENT AND COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FROM 1 JULY 2013 TO 31 DECEMBER 2013

7. Office expenses

	<u>Mcknight</u>	<u>Oxfam- Novib</u>	<u>Forum Syd</u>	<u>UNDP</u>	<u>General</u>	<u>Total July 2013 to December 2013</u>	<u>Total July 2012 to June 2013</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Audit fee	0	0	1,500	0	0	1,500	1,300
Evaluation fee	2,600	2,600	0	0	0	5,200	0
Motor repair and maintenance	42	44	64	0	0	150	739
Office rental	698	525	278	0	0	1,501	1,500
Photocopy, scan and print	188	12	47	0	0	247	1,135
Refreshment and hospitality	97	53	21	0	0	171	228
Office equipment maintenance	0	0	0	0	0	0	68
Communication	445	302	160	0	0	907	1,138
Office supplies	199	208	37	0	0	444	0
Utilities	305	144	114	0	0	563	891
Bank charges	22	77	16	16	10	141	239
	<u>4,596</u>	<u>3,965</u>	<u>2,237</u>	<u>16</u>	<u>10</u>	<u>10,824</u>	<u>7,238</u>

ACTION FOR ENVIRONMENT AND COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FROM 1 JULY 2013 TO 31 DECEMBER 2013

8. Cash and cash equivalents

	<u>July 2013 to December 2013</u>	<u>July 2012 to June 2013</u>
	<u>USD</u>	<u>USD</u>
Cash on hand	1,162	227
Cash in bank	59,294	53,675
	<u>60,456</u>	<u>53,902</u>

9. Receivables

This pertains to receivable from UNDP for payment of its project expenses amounting to **USD 3,170**.

10. Payables

This pertains to funds of community groups held in trust by the Organization for proper accounting and safekeeping of cash funds. The Organization serves as a trustee of the community until the time that community group have established a good accounting system and safekeeping of funds. The payable to community group amounts to **USD 7,105**.

11. Accrued expenses

The accrued expense for audit fee for the year ended 2013 amounts **USD 750**.

12. Subsequent events

Subsequent events have been evaluated through 12 February 2014, which is the date the audited financial statements were available to be issued.

Appendix I - Statement of Receipts, Disbursements and Fund balance by Donor

						Total July 2013 to December 2013	Total July 2012 to June 2013	
						USD	USD	
Notes	Mcknight	Oxfam- Novib	Forum Syd	UNDP	General			
A. Support & revenues								
Grant receipts	4	0	28,500	27,419	3,170	0	59,089	116,200
Interest income		114	56	35	5	2	212	372
		114	28,556	27,454	3,175	2	59,301	116,572
B. Expenses								
Personnel costs	5	5,892	6,783	3,187	0	0	15,862	27,285
Transportation and per-diem		1,388	525	1,371	0	0	3,284	5,107
Project activity costs	6	5,722	5,385	11,120	0	0	22,227	35,105
Capital expenditures		0	0	0	0	0	0	489
Office expenses	7	4,596	3,965	2,237	16	10	10,824	7,238
		17,598	16,658	17,915	16	10	52,197	75,224
C. Change in net assets (A-B)								
		(17,484)	11,898	9,539	3,159	(8)	7,104	41,348
D. Net assets, beginning of year								
		42,945	8,390	0	(3,170)	560	48,725	7,556
E. Fund returned to donor								
		0	0	0	0	0	0	(179)
F. Net assets, end of year (C+D+E)								
		25,461	20,288	9,539	(11)	552	55,829	48,725