

**ACTION FOR ENVIRONMENT AND COMMUNITIES
FINANCIAL STATEMENTS
AND
REPORT OF THE INDEPENDENT AUDITORS
FROM THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014**

ACTION FOR ENVIRONMENT AND COMMUNITIES

ORGANIZATION INFORMATION

Organization name : ACTION FOR ENVIRONMENT AND COMMUNITIES

Main donors : Mcknight
Oxfam- Novib
Forum Syd

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 team : 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

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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 30 June 2014, the statement of activities, and the statement of cash flows for the period from 1 January 2014 to 30 June 2014, 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 January 2014 to 30 June 2014, 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
Sea Piseth
Phnom Penh, Kingdom of Cambodia

Date:

ACTION FOR ENVIRONMENT AND COMMUNITIES

STATEMENT OF ACTIVITIES

FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2013

		January- June 2014	July - December 2013
	Note	USD	USD
A. Support & revenues			
Grant receipts	4	27,782	59,089
Interest income		106	212
Other Income		49	0
		<u>27,937</u>	<u>59,301</u>
B. Expenses			
Personnel costs	5	16,982	15,862
Transportation and per-diem		3,088	3,284
Project activity costs	6	17,995	22,227
Capital expenditures	7	3,560	0
Office expenses	8	6,995	10,824
		<u>48,620</u>	<u>52,197</u>
C. Change in net assets (A-B)		(20,683)	7,104
D. Net assets, beginning of year		55,829	48,725
E. Fund returned to donor		(9,539)	0
F. Net assets, end of year (C+D+E)		<u><u>25,607</u></u>	<u><u>55,829</u></u>

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 30 JUNE 2014

		<u>30 June 2014</u>	<u>31 December 2013</u>
	Notes	USD	USD
ASSETS			
Cash and cash equivalents	9	28,482	60,456
Deposit fund		40	40
Advance		748	0
Other receivable		-	3,292
Saving Group Receivable	10	4,091	0
TOTAL ASSETS		<u>33,361</u>	<u>63,788</u>
LIABILITIES			
Salary tax payable		57	57
Account payable	11	3,787	7,152
Accrued Expense		-	750
Pension Liabilities		2,410	0
Provision on Audit Fee		1,500	0
TOTAL LIABILITIES		<u>7,754</u>	<u>7,959</u>
NET ASSETS			
Net assets		25,607	55,829
TOTAL LIABILITIES & NET ASSETS		<u>33,361</u>	<u>63,788</u>

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

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**STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014**

	January- June 2014	July - December 2013
	<u>USD</u>	<u>USD</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(20,683)	7,104
Adjustments to reconcile change in net assets		
Increase (decrease) in tax and other payables	(205)	(550)
Decrease (increase) in other current assets	(1,547)	0
Fund return	(9,539)	0
Net cash provided by operating activities	<u>(31,974)</u>	<u>6,554</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property & equipment	0	0
Net cash used in investing activities	<u>0</u>	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on contract payable	0	0
Net cash used in financing activities	<u>0</u>	<u>0</u>
Net increase (decrease) in cash	(31,974)	6,554
Fund, brought forward from last year	60,456	53,902
Cash, end of year	<u>28,482</u>	<u>60,456</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 FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014

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 was 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”), are prepared under the historical cost convention and are 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014

b) Currency and foreign exchange

The official currency in Cambodia is the Khmer Riel “KHR”. 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 FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014

- 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>January – June 2014</u>	<u>July – December 2013</u>
	<u>USD</u>	<u>USD</u>
Oxfam Novib	7,072	28,500
Forum Syd	20,710	27,419
UNDP	0	3,170
	<u>27,782</u>	<u>59,089</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014**

5. Personnel costs

	Forum Syd	Mcknight	Oxfam Novib	January – June 2014 USD	July - December 2013 USD
Salary Executive Director	684	1,600	1,796	4,080	4,079
Salary Finance/Admin Officer	260	599	831	1,690	2,575
Salary Finance/Admin Assistant	400	0	0	400	646
Salary Program Coordinator	592	1,400	1,488	3,480	3,480
Salary Field Coordinators	456	1,100	1,204	2,760	2,639
Salary to Information Technology	215	507	598	1,320	1,320
Salary Guard	0	0	32	32	20
Salary to Volunteer	0	660	660	1,320	0
Staff Benefit	459	378	1,063	1,900	1,103
	3,066	6,244	7,672	16,982	15,862

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014

6. Project activity costs

	Notes	Forum Syd USD	Mcknight USD	Oxfam Novib USD	January – June 2014 USD	July – December 2013 USD
General program costs	a	13	1,738	4,035	5,786	4,484
Women's empowerment program	b	0	831	725	1,556	2,712
Youth program	c	0	121	1,532	1,653	1,753
Communities organization program	d	0	7,534	1,217	8,751	7,936
Environment program		0	0	0	0	777
Livelihoods development program		0	0	0	0	972
Meeting of national network		0	0	0	0	0
Meeting of district network	e	0	51	0	51	3,593
Base line Survey	f	198	0	0	198	0
		211	10,275	7,509	17,995	22,227

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014**

a. General program costs

	Forum Syd	Mcknight	Oxfam Novib	January - June 2014 USD	July - December 2013 USD
Allowance for community facilitator	0	960	1,876	2,836	1,778
Material, supplies- General Program	0	0	500	500	0
Community facilitator meeting	13	778	1,659	2,450	2,631
Phone card for facilitator	0	0	0	0	75
	13	1,738	4,035	5,786	4,484

b. Women's empowerment program

	Mcknight	Oxfam Novib	January - June 2014 USD	July - December 2013 USD
Meeting for women's group	0	185	185	307
Meeting of women's network	256	0	256	1,265
Training and learning for women	575	540	1,115	396
Study of women group	0	0	0	267
Support for cooperation action	0	0	0	477
	831	725	1,556	2,712

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**NOTES TO THE FINANCIAL STATEMENTS
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c. Youth program

	Mcknight	Oxfam Novib	January - June 2014	July - December 2013
			USD	USD
Meeting of youth groups	0	91	91	96
Meeting of youth network	0	921	921	0
Training, learning for youth	0	460	460	0
Training internet to youth group	121	0	121	1,657
Link together with youth group	0	60	60	0
	121	1,532	1,653	1,657

d. Communities organization program

	Mcknight	Oxfam Novib	January - June 2014	July - December 2013
			USD	USD
Meeting groups / new at village	1,384	393	1,777	910
Meeting of community network	4,146	377	4,523	5,012
Support initiate / advocacy	2,004	447	2,451	2,014
	7,534	1,217	8,751	7,936

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**NOTES TO THE FINANCIAL STATEMENTS
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e. Meeting of District Network

	Mcknight	January - June 2014	July - December 2013
		USD	USD
Food for participants	42	42	1,284
Material	3	3	6
Snack	6	6	123
Travel for participants	0	0	1,110
Accommodation for participants	0	0	1,070
	51	51	3,593

f. Survey Base Line

	Forum Syd	January - June 2014	July - December 2013
		USD	USD
Food and accommodation for participants	129	129	0
Travel for participants	56	56	0
Material for meeting	4	4	0
Snack for meeting	9	9	0
	198	198	0

ACTION FOR ENVIRONMENT AND COMMUNITIES

**NOTES TO THE FINANCIAL STATEMENTS
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7. Capital Expenditure

	Forum Syd	Oxfam Novib	January - June 2014	July - December 2013
			USD	USD
Equipment	0	195	195	0
Motorcycle	1,500	370	1,870	0
Computer laptop	695	0	695	0
Quick book software license	0	800	800	0
	2,195	1,365	3,560	0

ACTION FOR ENVIRONMENT AND COMMUNITIES

**NOTES TO THE FINANCIAL STATEMENTS
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8. Office Expense

						<u>January - June 2014</u>	<u>July - December 2013</u>
	<u>AEC</u>	<u>Forum Syd</u>	<u>Mcknight</u>	<u>Oxfam Novib</u>	<u>TAF</u>	<u>USD</u>	<u>USD</u>
Office rental	0	555	420	525	0	1,500	1,501
Utilities	0	37	0	207	0	243	563
Bank charge	0	39	7	31	19	91	141
Office supplies	3	8	233	118	0	362	444
Refreshments and hospitality	0	19	96	145	0	260	171
Photocopy, scan, and print	0	31	21	235	0	287	247
Motorcycle repairs	0	1	396	269	0	666	150
Equipment repairs	0	0	40	40	0	80	0
Internet service and website	0	0	180	102	0	282	0
Courier service	0	0	0	4	0	4	0
Postage	0	3	0	0	0	3	0
Evaluation	0	0	0	0	0	0	5,200
Communication	0	173	254	324	0	751	907
Staff training	0	700	0	0	0	700	0
Other expenses	0	0	0	260	0	265	0
Audit fee	0	0	0	1,500	0	1,500	1,500
	<u>3</u>	<u>1,566</u>	<u>1,647</u>	<u>3,760</u>	<u>19</u>	<u>6,995</u>	<u>10,824</u>

ACTION FOR ENVIRONMENT AND COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014

9. Cash and cash equivalents

	<u>30 June 2014</u>	<u>31 December 2013</u>
	USD	USD
Cash in safe	1,015	1,162
Cash in Bank	27,467	59,294
	<u>28,482</u>	<u>60,456</u>

10. Savings group receivables

This pertains to receivable from community for supporting saving group amount to **USD 4,091**.

11. 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 is **USD 3,787**.

12. Provision on audit fee

The provision is for audit fee for the period from 1 January 2014 to 30 June 2014 amounts of **USD 1,500**.

13. Subsequent events

Subsequent events have been evaluated through 5 August 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

	Notes	Forum Syd	Mcknight	Oxfam-Novib	Other	January - June 2014 USD	July - December 2013 USD
A. Support & revenues							
Grant receipts	4	20,710	0	7,072	0	27,782	59,089
Interest income		34	41	21	10	106	212
Other income		0	0	0	49	49	0
		20,744	41	7,093	59	27,937	59,301
B. Expenses							
Personnel costs	5	3,066	6,244	7,672	0	16,982	15,862
Transportation and per-diem		223	1,012	1,853	0	3,088	3,284
Project activity costs	6	211	10,275	7,509	0	17,995	22,227
Capital expenditures	7	2195	0	1365	0	3,560	0
Office expenses	8	1,566	1,647	3,760	22	6,995	10,824
		7,261	19,178	22,159	22	48,620	52,197
C. Change in net assets (A-B)		13,483	(19,137)	(15,066)	37	(20,683)	7,104
D. Net assets, beginning of year		9,539	25,461	20,288	541	55,829	48,725
E. Fund returned to donor		(9,539)	0	0	0	(9,539)	0
F. Net assets, end of year (C+D+E)		13,483	6,324	5,222	578	25,607	55,829