

Friends-International Lao PDR
Building a Sustainable Street Children Project in
Lao PDR - Implementation and Capacity Building
in collaboration between the Ministry of Labor and
Social Welfare and Friends-International

Audited Financial Statements
and
Independent Auditors' Report
Year ended 31 December 2016

Friends-International Lao PDR

Contents	Page
Project information	1
Management's responsibilities	2
Independent Auditors' Report	3-4
Statement of receipts and expenditures	5
Notes to the financial statements	6-12
<i>Supplementary information</i>	
Schedule of receipts and expenditures	13

Project information

Organization name	Friends-International Lao PDR
Head office	Friends-International Cambodia
Project name	Building a Sustainable Children Project in Lao PDR - Implementation and Capacity Building
Co-operation office	Ministry of Labor and Social Welfare and Friends-International
Duration	from 2004 to 2017
Senior officers	Ms. Ketsone Philaphandet <i>Country Program Director</i> Ms. Phouthasone Phongsawanh <i>Finance Manager</i>
Organization office	Peuan Mit Centre Thanon Phai Nam P.O. Box 106888 Vientiane Capital, Lao PDR
Auditors	KPMG Lao Co., Ltd.

Management's responsibility in respect of the financial statements

The Project management is responsible for the preparation and fair presentation of the financial statements of the Building a Sustainable Children Project in Lao PDR - Implementation and Capacity Building ("the Project") executed by Friends-International Lao PDR ("the Organization") and for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Project as at 31 December 2016 and of the results of its operations for the year then ended in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements. In preparing the financial statements, the Project's management is required to:

- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) Maintain adequate accounting records and an effective system of internal controls;
- iii) Take reasonable steps for safeguarding the assets of the Project and for preventing and detecting fraud, error and other irregularities;
- iv) Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Project will continue operations in the foreseeable future; and
- v) Effectively control and direct the Project and be involved in all material decisions affecting the operations and performance and ascertain that these have been properly reflected in the financial statements.

The Project's Management confirms that they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

We, Ketsone Philaphandet and Phouthasone Phongsawanh on behalf of the Project's management, do hereby state that the financial statements set out on pages 5 to 12 give a true and fair view of the financial position of Project as at 31 December 2016 and of the results of its operations for the year then ended and have been properly drawn up in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Signed on behalf of the management,



Ms. Ketsone Philaphandet
Country Program Director

Date: 10 AUG 2017



Ms. Phouthasone Phongsawanh
Finance Manager

Date: 10 AUG 2017



KPMG Lao Co., Ltd.
3rd - 4th Floor, 37 K.P. Tower
23 Singha Road, Ban Phonexay,
Saysettha District, P.O. Box 6978
Vientiane Capital, Lao PDR
Tel +856 (21) 454240-7

ບໍລິສັດ ເຄມີເອັມຈີລາວ ຈຳກັດ
ຊັ້ນ 3-4, 37 ຕຶກ ເຄມີທາວເວີ
ຖະໜົນ 23 ສິງຫາ, ບ້ານໂພນໄຊ,
ເມືອງໄຊເສດຖາ, ຕູ້ ປ.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ : +856 (21) 454240-7

Independent Auditors' Report

To the Management, Friends-International Lao

Opinion

We have audited the financial statements of the Project, which comprises the statement of cash receipts and expenditures for the year ended 31 December 2016 and notes, comprising summary of significant accounting policies and other explanatory information from page 6 to page 12.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the accounting policies as described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Project in accordance with the ethical requirements that are relevant to our audit of the financial statements, 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.

Emphasis of Matter - Basis of Accounting and Restriction on Use and Distribution

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to provide information to the Organization's management. As a result, the financial statements may not be suitable for other purpose. Our report is intended solely for the Organization's management, and should not be used by parties other than the Organization's management. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Project for the year ended 31 December 2015, which are presented for comparative purpose were not audited.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting and policies described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project'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 Project or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities 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 ISAs 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 ISAs, 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 Project'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 Project'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 Project 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.


KPMG Lao Co., Ltd.
Vientiane Capital, Lao PDR
Date: 10 AUG 2017

Building a Sustainable Children Project in Lao PDR - Implementation and Capacity- The project was executed by Friends-International Lao PDR

**Statement of Receipts and Expenditures
For the year ended 31 December 2016**

	Note	31 December 2016 LAK	31 December 2015 LAK
RECEIPTS			
Funds received from donors	4	2,826,657,821	3,237,825,096
Private donations	5	132,373,765	180,558,409
Other income		-	159,500
Funding From HQ		60,000,000	-
TOTAL RECEIPTS		3,019,031,586	3,418,543,005
EXPENDITURES			
Personnel	6	1,977,625,553	2,044,330,629
Equipment		3,200,000	120,031,500
Direct costs	7	737,825,500	1,016,954,101
Indirect costs	8	328,223,466	513,470,796
Capacity building / monitoring & evaluation	9	55,445,744	110,570,152
Coordination / management monitoring	10	7,066,942	10,573,095
Other Business costs		2,196,210	175,953,893
Transfers to program	11	134,852,815	205,132,464
Other expenses		23,534,000	-
TOTAL EXPENDITURE		3,269,970,230	4,197,016,630
Deficit of receipts over expenditure		(250,938,644)	(778,473,625)
Brought forward balance		553,708,905	1,332,182,530
Fund balance at the end of period		302,770,261	553,708,905
Represented by:			
Cash on hand and cash at bank	3	278,106,596	552,799,029
Other receivables	12	139,963,515	291,792,256
Other payables	13	(115,299,850)	(290,882,380)
		302,770,261	553,708,905

The accompanying notes form an integral part of these financial statements.

Approved by:


 Ms. Ketsone Philaphandet
 Country Program Director
 Date: 10 AUG 2017


 Ms. Phouthasone Phongsawan
 Finance Manager
 Date: 10 AUG 2017

Building a Sustainable Children Project in Lao PDR - Implementation and Capacity Building- The project was executed by Friends-International Lao PDR

Notes to the financial statements

For the year ended 31 December 2016

1. Organization and principal activities

Since 1994, Friends-International ("the Organization") has been running projects worldwide for and with street children, attempting to reintegrate these children into their society. Friends-International works with street children in a developmental and sustainable perspective in accordance with the Convention of the Rights of the Child ("UN-CRC").

"Building a Sustainable Street Children Project in Lao PDR-Implementation and Capacity Building" ("the Project") has been operating in Vientiane, Lao PDR, as a cooperation between the Ministry of Labor and Social Welfare and Friends-International. The Government of the Lao PDR initially approved the Project from 2004 until 2011; the Memorandum of Understanding has subsequently been renewed for another period of five years, and ended on 15 March 2017. The renewal of the Memorandum of Understanding is on the progress and management is expected to finalize on September 2017.

The specific objectives are:

- Training and Capacity Building – reinforce the overall capacity of Lao professionals working on the Project to become a best practice project in Laos and in the region;
- Outreach – support children and youth living and working on the streets and support them to leave street life;
- Center – run a center (day and night) responding clearly to the needs and desires expressed by street children and youth;
- Vocational Training – provide education (remedial primary and/or vocational training) aiming at supporting children and young people from the streets and children and youth at risk of coming to the streets to reintegrate into society;
- Reintegration – Further develop an effective reintegration project working with a wide network in the provinces;
- Prevention – Develop further strategies and initiative aimed at preventing more children and young people from moving to the streets of the main cities;
- ChildSafe – establish a ChildSafe campaign to include the wider society and visitors in the protection of the rights of children/youth; and
- Project sustainability – ensure the sustainability of the Project through close collaboration and capacity building of relevant Lao authorities and by ensuring financial income for the Project.

As at 31 December 2016, the Project had 44 employees (2015: 50 employees).

Building a Sustainable Children Project in Lao PDR - Implementation and Capacity Building- The project was executed by Friends-International Lao PDR

**Notes to the financial statements
For the year ended 31 December 2016**

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with a modified cash basis of accounting and expressed in Lao Kip ("LAK"). This is a basis of accounting other than International Financial Reporting Standards: income is recognized when fund is received rather than when income has been earned and expenditure is recognized when paid rather than when expenses are incurred, except for the following treatment:

- Advances are initially recognized as receivable. Upon liquidation with supporting documents, the balances are expensed in the Statement of Receipts and Expenditures.
- Deposits to suppliers, loan to staff and other advances are recorded as receivables until these balances are settled.
- Salary tax payable withheld from staff salaries is recorded as payable until payments have been made to relevant Tax Authorities.
- Motorbike maintenance expenses incurred by the Project and management fees to HQ are recorded on an accrual basis.

(b) Cash

Cash comprises cash on hand and balances with banks.

(c) Currency and foreign exchange

The Project maintains its accounting records in LAK in accordance with financial policy. Transactions in currencies other than LAK are translated into LAK at the Project's operational rate of exchange on the date of booking. All exchange differences are recorded in the statement of receipts and expenditures.

(e) Accounting reporting period

The financial accounting year of the Project starts on 1 January and ends on 31 December.

(d) Fixed Assets

All purchases of fixed assets are recorded as expenditure in the statement of receipts and expenditures upon acquisition. For control and management purposes, a memorandum account for fixed assets is maintained by way of a fixed assets listing.

(e) Staff loans

The Project may grant staff with personal loans in emergency circumstances. A personal loan may stretch over a longer period, with monthly repayments. The Project does not charge interest on the loan.

(f) Business receivables

The Project may give the loans to the business operation in case there is a shortage of funds for the business. The loans are free of interest.

(g) Direct Cost

The cost directly related to the project's beneficiaries.

(h) Indirect Cost

The cost related to operational cost to run the project.

Building a Sustainable Children Project in Lao PDR - Implementation and Capacity Building- The project was executed by Friends-International Lao PDR

Notes to the financial statements
For the year ended 31 December 2016

3. Cash and bank

	31 December 2016 (LAK)	31 December 2015 (LAK)
Cash on hand	15,805,000	8,377,500
Cash at bank		
LAK	83,585,073	531,773,171
USD	178,716,523	12,648,358
	<u>278,106,596</u>	<u>552,799,029</u>

4. Funds received from donors

Funds received from donors are funds received that have contracts with institutional donors.

	31 December 2016 (LAK)	31 December 2015 (LAK)
Aide et Action	403,415,140	482,948,735
Caritas (Australia)	571,524,373	1,001,730,000
European Commission	574,820,911	762,515,781
Gisela Stitching	121,425,000	121,485,000
Friends France	90,137,203	182,641,809
Small Steps Project	123,428,526	80,620,000
US Embassy	80,820,000	122,145,000
Save the Children	18,929,091	-
Kadoorie Foundation	597,817,971	315,594,171
Gary Stafford	244,339,606	-
Australia Embassy (DAP)	-	73,610,480
Claridon Group Limited	-	49,373,400
Pacific Asia Travel Association (PATA)	-	45,160,720
	<u>2,826,657,821</u>	<u>3,237,825,096</u>

Building a Sustainable Children Project in Lao PDR - Implementation and Capacity Building- The project was executed by Friends-International Lao PDR

**Notes to the financial statements
For the year ended 31 December 2016**

5. Private donations

Private donations are funds received that are undesignated, unrestrictive and non-contractual donations.

	31 December 2016	31 December 2015
	(LAK)	(LAK)
Peuan Mit Reserves	21,503,630	26,439,807
Travel Indochina	55,855,500	-
Association AMIES	42,740,000	-
Intrepid Travel	12,274,635	29,958,552
Amadeus Asia	-	36,328,500
Team Dai	-	87,831,550
	132,373,765	180,558,409

6. Personnel expenses

	31 December 2016	31 December 2015
	(LAK)	(LAK)
International staff	193,866,591	188,320,935
National staff	1,697,686,885	1,738,459,800
Health insurance	53,194,363	60,684,418
Stipend	4,900,000	5,880,000
Overtime	26,642,714	35,634,476
Consultancy/Professional Fees	-	8,950,000
Recruitment costs	1,335,000	6,401,000
	1,977,625,553	2,044,330,629

Building a Sustainable Children Project in Lao PDR - Implementation and Capacity Building- The project was executed by Friends-International Lao PDR

**Notes to the financial statements
For the year ended 31 December 2016**

7. Direct costs

	31 December 2016 (LAK)	31 December 2015 (LAK)
Hygiene costs	28,687,500	40,474,000
Medical costs	66,945,000	66,834,000
Information, Education and Communication (IEC) material	1,605,000	6,112,000
Clothing for beneficiaries	18,589,000	13,669,000
Non-formal educational materials	2,964,000	6,421,000
Food / drink for beneficiaries	358,791,500	349,885,500
Family / school support	20,896,000	37,264,500
Harm reduction material	-	2,570,000
Centre supplies	46,510,000	78,180,000
Other activity costs	12,517,500	60,926,500
Family reintegration travel	19,495,000	54,231,000
Recreational activity support	18,642,000	30,354,500
Outreach material	-	1,425,000
School reintegration support	83,514,000	108,124,000
Vocational training materials	16,587,000	33,954,101
Placement support	21,611,000	20,651,000
ChildSafe materials	7,681,000	42,736,000
Foster care families	4,500,000	1,665,000
Staff uniform	-	49,000,000
Family income generation support	8,290,000	12,477,000
	737,825,500	1,016,954,101

Building a Sustainable Children Project in Lao PDR - Implementation and Capacity Building- The project was executed by Friends-International Lao PDR

**Notes to the financial statements
For the year ended 31 December 2016**

8. Indirect costs

	31 December 2016 (LAK)	31 December 2015 (LAK)
Communications	30,154,500	64,015,000
Transport / gasoline	50,646,000	70,196,000
Maintenance / renovations	49,513,500	75,688,000
Office supplies	13,924,500	26,212,000
Rent	77,585,048	99,570,400
Utilities	47,778,000	63,427,000
Printing / photocopying	4,044,500	4,498,000
Postage & shipping	1,824,000	2,688,147
Bank charges	2,236,526	1,595,539
External audits	20,042,678	83,839,149
Vehicle / building insurance	19,855,000	16,559,500
Advertising Marketing	-	2,830,000
Subscriptions	1,440,000	2,351,500
Other expenses	9,179,214	561
	328,223,466	513,470,796

9. Capacity building/ monitoring & evaluation

	31 December 2016 (LAK)	31 December 2015 (LAK)
International travel	19,332,244	31,793,652
National travel	21,154,000	13,066,000
External staff training	2,000,000	9,457,000
Internal training	2,524,500	5,389,500
Research / assessments	10,435,000	50,864,000
	55,445,744	110,570,152

Building a Sustainable Children Project in Lao PDR - Implementation and Capacity Building- The project was executed by Friends-International Lao PDR

**Notes to the financial statements
For the year ended 31 December 2016**

10. Coordination/ management monitoring

	<u>31 December 2016</u> <u>(LAK)</u>	<u>31 December 2016</u> <u>(LAK)</u>
International travel	6,183,942	10,109,095
Board of Director/Advisory Committee Meeting	883,000	464,000
	<u>7,066,942</u>	<u>10,573,095</u>

11. Transfers to program

Head office costs which comprises 10% of the total fund agreed by the donor. Head office costs solely used for technical support to support the whole program. This cost included in the proposal and approved by the donor.

12. Other receivables

	<u>31 December 2016</u> <u>(LAK)</u>	<u>31 December 2015</u> <u>(LAK)</u>
Program loans	-	23,642,000
Business receivables	130,526,678	66,634,678
Receivables from HQ	5,436,837	183,697,358
Staff loans	4,000,000	150,000
Miscellaneous	-	17,668,220
	<u>139,963,515</u>	<u>291,792,256</u>

13. Other payables

	<u>31 December 2016</u> <u>(LAK)</u>	<u>31 December 2015</u> <u>(LAK)</u>
Management fees payables to HQ	81,943,018	206,537,564
Miscellaneous payables	33,356,832	84,344,816
	<u>115,299,850</u>	<u>290,882,380</u>

**Building a Sustainable Children Project in Lao PDR - Implementation and Capacity Building- The project executed by Friends-
International Lao PDR**

**Supplementary Information - Schedule of receipts and expenditures (unaudited)
For the year ended 31 December 2016**

0	FUND ACCOUNT	OPENING 1-Jan-16	INCOME 2016	EXPENSES 2016	IO TRANSFER 2016	WRITE OFF 2016	CLOSING 31-Dec-16
1	European Commission 2012-2015	(191,077,000)	51,854,620	(29,562,500)	0	0	(109,659,880)
2	Peuan Mit Reserves	20,178,497	21,503,630	8,828,692	0	(32,799,581)	53,854
3	European Union 2014-2017	651,726,296	522,966,291	700,232,327	0	0	474,460,260
4	Amadeus Asia	3,477,000	0	1,555,000	0	0	1,922,000
5	Gisela Stichting Jan-Dec 2015	5,270,108	0	5,270,500	0	392	0
6	Friends France 2016	0	61,021,930	60,164,925	0	0	857,005
7	Kadoorie	(119,638,356)	597,817,971	550,403,076	0	0	(72,223,461)
8	Caritas Australia(TH) Jul15-Jun16	(42,190,991)	200,970,000	158,778,982	0	(27)	0
9	Caritas Australia(HBT) Jul15-Jun16	170,803,796	(25,378,754)	145,425,042	0	0	0
10	Save the Children	0	13,199,818	13,199,818	0	0	0
11	The U's Embassy(EAP)	55,159,555	80,820,000	135,978,733	0	(822)	0
12	Peuan Mit Reserves 2015(Oct-Dec 2015)	0	0	295,401,992	0	32,800,000	(262,601,992)
13	Small Step 2016	0	123,428,526	123,428,513	0	(13)	0
14	Aide et Action 2016	0	403,415,140	403,415,191	0	51	0
15	Intrepid Travel 2016	0	12,274,635	12,274,632	0	(3)	0
16	Gisela Stichting	0	121,425,000	121,425,003	0	3	0
17	Internal Funding	0	60,000,000	60,000,000	0	0	0
18	Travel Indochina	0	55,855,500	50,607,047	0	0	5,248,453
19	Caritas Australia(TH) Jul16-Jun17	0	216,073,368	237,531,575	0	0	(21,458,207)
20	Caritas Australia(HBT) Jul16-Jun17	0	179,859,759	142,663,007	0	0	37,196,752
21	Friends France(Sep 2016)	0	29,115,273	25,041,000	0	0	4,074,273
22	Gary Stafford	0	244,339,606	40,758,875	0	0	203,580,731
23	Save The Children	0	5,729,273	7,148,800	0	0	(1,419,527)
24	Association AMIES	0	42,740,000	0	0	0	42,740,000
	Total	553,708,905	3,019,031,586	3,269,970,230	0	0	302,770,261