

**Friends Social Development Organization**  
(Registration No. 1/Local/1024)

Financial statements for the year ended

31 December 2021

and

Independent auditors' report

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## **Organization Information**

<b>Organization Name</b>	Friends Social Development Organization (aka. Tha Ngae Chin Myar)
<b>Organization Document</b>	Memorandum of Understanding (“MoU”) issued by the Government of the Republic of the Union of Myanmar represented by the Ministry of home Affairs Union Registration Board from 27 December 2019 – 31 December 2024
<b>Board of Directors</b>	Daw Su Su (Executive Director) Daw Kay Thew Than (Advisor) Daw Khin Hnit Thit Oo (Director) U Phyo Min Thant (Operations) Ma War War Swe (Finance)
<b>Management</b>	Sebastien Marot (Friends-International Executive Director and Founder) Thin Thin Aung (Program Coordinator) Naw Rita (Finance, Admin & HR Officer)
<b>Registered Office</b>	No. 141, B-1, Seikkanthar Street (Lower Block), Ward (7), Kyauktada Township, Yangon Region, Myanmar
<b>Principal Banker</b>	Ayeyarwady Bank Ltd. (AYA)
<b>Auditors</b>	The Right Partner Consulting Group Company Limited Suite 01-06, Union Business Centre (UBC) Nat Mauk Road, Bo Cho Quarter Bahan Township, Yangon Myanmar Tel: +95 9409-253-017/9451-062-790

**Statement of management's responsibilities  
For the year ended 31 December 2021**

Management of **Friends Social Development Organization** (the "Organization") is responsible for the preparation of the financial statements which comprise statement of financial position as at and the statement of income and expenditures for the year ended 31 December 2021, in accordance with the accounting policies as described in Note 2 to the financial statements. In preparing the financial statements, management is required to:

- Adopt accounting policies as described in Note 2 to the financial statements, which are supported by reasonable and prudent judgments and estimates and apply them consistently;
- Maintain adequate accounting records and an effective system of internal controls which disclose with a reasonable accuracy at any time, funds requested, authorized for, received and disbursed by the Organization;
- Take reasonable steps for safeguarding the assets of the Organization and for preventing and detecting fraud, error and other irregularities;
- Effectively control and direct the Organization and be involved in all material decisions affecting the Organization's operations and ascertain that such have been properly reflected in the financial statements.

Management confirms that they have complied with the above requirements in preparation of the financial statements.

**Management's statement**

In our opinion, the accompanying financial statements are drawn up, in all material aspects, so as to give a true and fair view of the statement of financial position of the Organization as at 31 December 2021 and the statement of income and expenditures of the Organization for the year ended 31 December 2021 in accordance with the accounting policies as described in Note 2 to the financial statements.

On behalf of Management of Friends Social Development Organization



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Naw Rita  
Finance, HR and Admin Officer



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Thin Thin Aung  
Program Coordinator



Date: 28 April 2022



# THE RIGHT PARTNER CONSULTING GROUP CO., LTD

Suite #01-06, Union Business Centre (UBC),  
Nat Mauk Road, Bo Cho Quarter, Bahan Township, Yangon, Myanmar  
Tel: 09 409 253017 Email: contact@theright-partner.com

## **Independent auditors' report To the Management of Friends Social Development Organization**

### *Opinion*

We have audited the accompanying financial statements of **Friends Social Development Organization** (the "Organization"), which comprise the statement of financial position as at 31 December 2021 and the statement of income and expenditures for the year ended 31 December 2021, and notes to the financial statements including a summary of significant accounting policies and other explanatory information as set on Page 9 to 14.

In our opinion, the accompanying financial statements of the Organization presents fairly, in all material respects, in accordance with the accounting policies as described in Note 2 to the financial statements so as to give a true and fair view of the statement of financial position of the Organization as at 31 December 2021, and of its statement of income and expenditures for the year then ended.

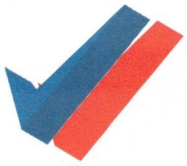
### *Basis for Opinion*

We conducted our audit in accordance with Myanmar Standards on Auditing (MSAs). Our responsibilities under those provisions and standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Organization 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 Distribution and Use*

We draw attention to Note 2 (a) to the financial statements, which describes the basis of accounting policies. The financial statements have been prepared in accordance with the accounting policies as described in Note 2 to the financial statements. As a result, the financial statements may not be suitable for any another purpose. Our report is intended solely for the Organization and should not be used by or distributed to other parties. Our opinion is not modified in respect of this matter.





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## *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

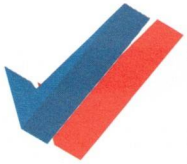
In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization 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 is 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 MSAs and 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 MSAs, 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 entity'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 Organization'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 Organization to cease to continue as a going concern.



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- Obtain sufficient appropriate audit evidence regarding the financial statements of the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Tin Swe Aye  
Audit Partner  
Certified Public Accountant (P.A. 830)



Date: 28 April 2022

**Friends Social Development Organization**  
**Statement of financial position**

	Note	2021	31 December 2020 <i>(in MMK)</i>
<b>Assets</b>			
Cash and cash equivalents	3	15,669,305	33,634,638
Prepayments		205,000	-
<b>Total current assets</b>		<b>15,874,305</b>	<b>33,634,638</b>
<b>Total assets</b>		<b>15,874,305</b>	<b>33,634,638</b>
<b>Equity</b>			
Fund balance	4	15,555,199	29,855,199
<b>Total equity</b>		<b>15,555,199</b>	<b>29,855,199</b>
<b>Liabilities</b>			
Funding payables	5	-	3,779,439
Accrued expenses	6	319,106	-
<b>Total current liabilities</b>		<b>319,106</b>	<b>3,779,439</b>
<b>Total equity and liabilities</b>		<b>15,874,305</b>	<b>33,634,638</b>

Authenticated by:



Naw Rita  
 Finance, HR and Admin Officer  
 Date: 28 April 2022




Thin Thin Aung  
 Program Coordinator  
 Date: 28 April 2022

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




# Friends Social Development Organization

## Statement of income and expenditures

		For the year ended	For the period from
	Note	31 December 2021	27 December 2019
			to
			31 December 2020
		(in MMK)	
<b>Income</b>			
Funding from donors	7	41,691,015	46,548,381
<b>Total income</b>		<b>41,691,015</b>	<b>46,548,381</b>
<b>Expenditures</b>			
Personnel costs	8	24,686,767	8,308,863
Direct costs	9	14,025,997	1,604,350
Equipment/assets costs	10	239,800	1,980,000
Indirect costs	11	13,486,796	1,120,662
Advisory and management service fees	12	3,551,655	3,679,307
<b>Total expenditures</b>		<b>55,991,015</b>	<b>16,693,182</b>
<b>Net (deficit)/surplus for the year/period</b>		<b>(14,300,000)</b>	<b>29,855,199</b>

Authenticated by:



Naw Rita  
Finance, HR and Admin Officer  
Date: 28 April 2022



Thin Thin Aung  
Program Coordinator  
Date: 28 April 2022

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

**Friends Social Development Organization**  
**Statement of changes in equity**

	Retained earnings	Total fund balance
	<i>(in MMK)</i>	
<b>Period ended 31 December 2020</b>		
<b>At 27 December 2019 (Date of registration)</b>	-	-
Net surplus for the period	29,855,199	29,855,199
<b>At 31 December 2020</b>	<u><b>29,855,199</b></u>	<u><b>29,855,199</b></u>
<b>Year ended 31 December 2021</b>		
<b>At 1 January 2021</b>	<b>29,855,199</b>	<b>29,855,199</b>
Net deficit for the year	(14,300,000)	(14,300,000)
<b>At 31 December 2021</b>	<u><b>15,555,199</b></u>	<u><b>15,555,199</b></u>

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

**Friends Social Development Organization**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

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

**1 General information**

Friends Social Development Organization (“the Organization”), known locally as “Tha Ngae Chin Myar” was established on 27 December 2019 in Yangon, Myanmar, and works with vulnerable children/youth, their families and their communities. The Organization is registered as a local NGO (Registration No. 1/Local/1024) with the Ministry of Home Affairs, Union Registration Board on 27 December 2019.

The Organization’s objective is to support marginalized children, youth and families in Myanmar to become productive, functional citizens of their country through a range of protection, social and empowerment services. The Organization achieves this through community outreach, drop-in-centres and provision of emergency support services, with the objective of stabilizing and securing children, young people and caregivers’ situations, before supporting them to build their futures. After stabilization, the Organization focuses on building futures, reintegrating children into school, and youth/caregivers into vocational training and then dignified employment.

The Organization is a part of the Friends Alliance, powered by Friends-International (“FI”), with its operational headquarters in Phnom Penh, Cambodia.

**2 Significant accounting policies**

The following significant accounting policies have been adopted by the Organization in the preparation of this statement.

**(a) Basis of preparation**

The financial statements of the Organization have been prepared from the accounting records maintained by the Organization in accordance with modified cash basis of accounting and cannot be construed as conforming to the generally accepted accounting principles in Myanmar.

**(b) Functional and presentation currency**

These financial statements are prepared and presented in Myanmar Kyats (“MMK”) which is also the Organization’s functional currency. All amounts have been rounded to the nearest MMK unless otherwise stated.

**(c) Use of estimates and judgements**

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and disbursements. Actual results may differ from these estimates.

**(d) Income**

Income is recognized when funds remitted from Friends-International (“FI”) or Other Donors are received by the Organization.

**Friends Social Development Organization**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**(e) Expenditures**

Expenditures are recognized when the payments for the approved project related expenses are made by the Organization.

**(f) Foreign currencies**

Transactions in foreign currencies are translated to the functional currency at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the date of the transactions, Foreign currency differences are generally recognized in the statement of income and expenditures.

**(g) Fixed assets**

All fixed assets purchases are recognized as expenditures in the statement of income and expenditures in the year of purchase. The Organization maintains a register of fixed assets for proper control and monitoring purposes.

**(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances.

**(i) Funding payables**

Funding payable represents amounts due to other Friends Alliance program offices for their expenses incurred on behalf of the Organization.

**3 Cash and cash equivalents**

	2021	31 December (in MMK)	2020
Cash at bank	13,533,895		33,634,638
Cash on hand	2,135,410		-
<b>Total</b>	<b>15,669,305</b>		<b>33,634,638</b>

**4 Fund balance**

	2021	31 December (in MMK)	2020
Skoll Foundation (via FI HQ)	364,830		24,515,573
Give2 Asia	6,136,627		-
Foundation Next (via FI HQ)	(1,134,000)		-
Credit Suisse APAC Foundation Limited (via FI HQ)	(4,190,563)		-
COVID-related Donations (via FI HQ)	-		4,539,545
Myanmar Reserves	14,259,629		800,081
Angela	118,676		-
<b>Total</b>	<b>15,555,199</b>		<b>29,855,199</b>

Schedule of funds received and expenditures by donor is attached in Appendix I.

**Friends Social Development Organization**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**5 Funding payables**

	2021	31 December (in MMK)	2020
Skoll Foundation	-		3,679,307
License fees renewal payable	-		100,132
<b>Total</b>	<b>-</b>		<b>3,679,307</b>

**6 Accrued expenses**

	2021	31 December (in MMK)	2020
Income tax payable	319,106		-
<b>Total</b>	<b>319,106</b>		<b>-</b>

**7 Funding from donors**

	For the year ended 31 December 2021	For the period from 27 December 2019 to 31 December 2020
	<i>(in MMK)</i>	
Give2Asia (via FI HQ)	13,918,298	-
CW Asia Fund Foundation	8,956,445	-
Credit Suisse APAC Foundation Limited (via FI HQ)	4,285,117	-
Angela	998,676	-
Skoll Foundation (via FI HQ)	-	28,208,000
Anonymous Donor (TO) (via FI HQ)	-	8,929,893
COVID-Related Donations (via FI HQ)	-	7,210,407
Planeterra International Foundation (via FI HQ)	-	1,343,384
Myanmar Reserves	13,532,479	856,697
<b>Total</b>	<b>41,691,015</b>	<b>46,548,381</b>



**Friends Social Development Organization**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**8 Personnel costs**

	For the year ended 31 December 2021	For the period from 27 December 2019 to 31 December 2020
	<i>(in MMK)</i>	
National staffs	24,206,767	7,691,363
Health Benefits	480,000	560,000
Recruitment costs	-	57,500
<b>Total</b>	<b>24,686,767</b>	<b>8,308,863</b>

**9 Direct costs**

	For the year ended 31 December 2021	For the period from 27 December 2019 to 31 December 2020
	<i>(in MMK)</i>	
Hygiene costs	666,000	18,600
Medical costs	454,300	-
Clothing for Beneficiaries	38,300	-
Non-Formal Education materials	128,150	-
Food/Drink for Beneficiaries	1,498,784	5,000
Family/Support	6,815,650	180,750
Centre Supplies	193,050	-
School Reintegration Support	1,000,350	-
Vocational Training Materials	2,043,013	-
Staff Uniforms	86,000	-
Independent Living	903,000	-
Beneficiary Transport	199,400	-
Beneficiary Trainings / Meetings	-	1,400,000
<b>Total</b>	<b>14,025,997</b>	<b>1,604,350</b>

**Friends Social Development Organization**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**10 Equipment/assets costs**

	For the year ended 31 December 2021	For the period from 27 December 2019 to 31 December 2020
	<i>(in MMK)</i>	
IT / Computers	239,800	1,980,000
<b>Total</b>	<b>239,800</b>	<b>1,980,000</b>

**11 Indirect costs**

	For the year ended 31 December 2021	For the period from 27 December 2019 to 31 December 2020
	<i>(in MMK)</i>	
Communications	561,800	169,000
Transport/ Gasoline/ Maintenance	210,100	12,200
Maintenance/Renovations	101,000	64,500
Office Supplies	273,335	48,450
Rent	11,035,100	-
Utilities	78,825	160,050
Printing/Photocopying	4,900	-
Postage & Shipping	2,700	-
Bank Charges	583,943	13,120
Vehicle/Building Insurance	293,488	391,250
Subscriptions	261,605	100,132
Donor/staff/Authority relations	80,000	161,960
<b>Total</b>	<b>13,486,796</b>	<b>1,120,662</b>

**Friends Social Development Organization**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**12 Advisory and management service fees**

The costs represent the fees charged by Friends-International, Phnom Penh, Cambodia (“FI”) for its technical advisory and core management services provided to the Organization.

**13 Authorization of financial statements**

The financial statements of the Organization for the year ended 31 December 2021 was authorized for issue on 28 April 2022.

**14 Comparative figures**

The financial statements for the year ended 31 December 2021 covers the period from 1 January 2021 to 31 December 2021. The financial statements for the period ended 31 December 2020 covers the period from 27 December 2019 (Date of registration) to 31 December 2020.

## Friends Social Development Organization

### Appendix (I) Schedule of funds received and expenditures by donor

For the year ended 31 December 2021

	Opening fund balance	Funds received	Expenditures <i>(in MMK)</i>	Ending fund balance
Credit Suisse APAC Foundation Limited (via FI HQ)	-	4,285,117	(8,475,680)	(4,190,563)
CW Asia Fund Foundation	-	8,956,444	(8,956,444)	-
Fondation Next (via FI HQ)	-	-	(1,134,000)	(1,134,000)
Give2Asia (via FI HQ)	-	13,918,298	(7,781,671)	6,136,627
Skoll Foundation (via FI HQ)	24,515,573	-	(24,150,743)	364,830
COVID-Related Donations (via FI HQ)	4,539,545	-	(4,539,545)	-
Angela	-	998,676	(880,000)	118,676
Myanmar Reserves	800,081	13,532,479	(72,930)	14,259,629
<b>Total</b>	<b>29,855,199</b>	<b>41,691,015</b>	<b>(55,991,015)</b>	<b>15,555,199</b>

*Source: This appendix was provided by the management and does not form part of this financial statements and are included solely for information purpose.*