

RATANAK INTERNATIONAL

FINANCIAL STATEMENTS

And Independent Auditors' Report thereon

FOR THE YEAR ENDED MAY 31, 2023

INDEPENDENT AUDITORS' REPORT

To the Members of RATANAK INTERNATIONAL

Qualified Opinion

We have audited the financial statements of RATANAK INTERNATIONAL (the "organization"), which comprise the Statement of Financial Position as at May 31, 2023, and the statements of operations, changes in net assets, and cashflows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at May 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. The predecessor auditor's opinion on the financial statements for the year ended May 31, 2022 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Organization in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, 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 qualified audit opinion.

Other Matter

The financial statements for the year ended May 31, 2022 were audited by another auditor who expressed a qualified opinion on those financial statements on October 12, 2022 for the reasons described in the *Basis for Qualified Opinion* section.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

INDEPENDENT AUDITORS' REPORT

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.

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

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 Canadian generally accepted auditing standards 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 Canadian generally accepted auditing standards, 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 Organization'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 auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT

We communicate with those charged with governance 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.

Manning Elliott LLP

MANNING ELLIOTT LLP
Chartered Professional Accountants
Vancouver, British Columbia
October 11, 2023

RATANAK INTERNATIONAL

Statement of Financial Position

As at May 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,250,795	\$ 2,900,138
Investments (note 2)	1,780,087	667,190
Accounts receivable	25,015	3,848
Unspent agency program funding (note 3)	36,085	3,402
Prepaid expenses	11,213	10,863
Asset held for sale (note 4)	-	5,439
	<u>4,103,195</u>	<u>3,590,880</u>
Other asset (note 5)	43,471	41,977
Tangible capital assets (note 6)	257,378	1,746,522
Intangible assets	10,872	10,872
Asset held for disposition (note 7)	-	90,648
	<u>\$ 4,414,916</u>	<u>\$ 5,480,899</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 147,113	\$ 117,649
Net assets:		
Unrestricted:		
General	2,109,402	2,769,820
Invested in tangible capital assets	257,379	1,746,522
Externally restricted:		
Designated funds (note 9(a))	38,925	120,910
Internally restricted (note 9(b))	1,862,097	725,998
	<u>4,267,803</u>	<u>5,363,250</u>
	<u>\$ 4,414,916</u>	<u>\$ 5,480,899</u>

See accompanying notes to financial statements.

Commitments (note 10)

Approved on behalf of the Board:

_____ Director

_____ Director

RATANAK INTERNATIONAL

Statement of Operations

For the year ended May 31, 2023, with comparative information for 2022

	General funds	Designated funds	Total 2023	Total 2022
Revenue:				
Donations	\$ 2,792,551	\$ 255,700	\$ 3,048,251	\$ 3,008,942
Investment and other income (note 2)	81,172	-	81,172	18,292
	2,873,723	255,700	3,129,423	3,027,234
Expenses:				
Charitable activities (note 13)	411,100	1,453,953	1,865,053	1,531,022
Management and administration (note 13)	326,617	-	326,617	283,495
Fundraising (note 13)	507,569	-	507,569	446,700
Investment and other expenses (note 2)	1,525,631	-	1,525,631	35,791
	2,770,917	1,453,953	4,224,870	2,297,008
Excess (deficiency) of revenue over expenses	\$ 102,806	\$ (1,198,253)	\$ (1,095,447)	\$ 730,226

See accompanying notes to financial statements.

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Statement of Changes in Net Assets

For the year ended May 31, 2023, with comparative information for 2022

	Unrestricted				Total 2023
	General	Invested in tangible capital assets	Externally restricted	Internally restricted	
Net assets, beginning of year	\$ 2,769,820	\$ 1,746,522	\$ 120,910	\$ 725,998	\$ 5,363,250
Excess (deficiency) of revenue over expenses	1,643,827	(1,541,021)	(1,198,253)	-	(1,095,447)
Interfund transfers (note 9c)	(2,304,245)	51,878	1,116,268	1,136,099	-
Fund balances, end of year	\$ 2,109,402	\$ 257,379	\$ 38,925	\$ 1,862,097	\$ 4,267,803

	Unrestricted				Total 2022
	General	Invested in tangible capital assets	Externally restricted	Internally restricted	
Net assets, beginning of year	\$ 2,304,153	\$ 1,693,415	\$ 96,872	\$ 538,584	\$ 4,633,024
Excess (deficiency) of revenue over expenses	1,712,613	(95,875)	(886,512)	-	730,226
Interfund transfers (note 9c)	(1,246,946)	148,982	910,550	187,414	-
Fund balances, end of year	\$ 2,769,820	\$ 1,746,522	\$ 120,910	\$ 725,998	\$ 5,363,250

See accompanying notes to financial statements.

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Statement of Cash Flows

For the year ended May 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ (1,095,447)	\$ 730,226
Items not involving cash:		
Accretion of charitable remainder trust	(1,494)	(1,443)
Amortization of tangible capital assets	110,004	88,698
Change in fair value of investments	3,965	28,613
Realized gains on investments	(7,165)	(4,509)
Write down of tangible capital assets	1,431,018	-
Write down of assets held for disposition	90,648	-
Write down of asset held for sale	-	7,177
Changes in non-cash operating working capital:		
Accounts receivable	(21,167)	(650)
Unspent agency program funding	(32,683)	20,384
Prepaid expenses	(350)	1,735
Accounts payable and accrued liabilities	29,464	16,969
	506,793	887,200
Investing activities:		
Purchase of tangible capital assets	(51,878)	(154,421)
Purchase of investments, net	(1,109,697)	(198,835)
Proceeds from sale of capital assets	5,439	-
	(1,156,136)	(353,256)
Increase (decrease) in cash and cash equivalents	(649,343)	533,944
Cash and cash equivalents, beginning of year	2,900,138	2,366,194
Cash and cash equivalents, end of year	\$ 2,250,795	\$ 2,900,138

See accompanying notes and schedule to financial statements.

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Notes to Financial Statements

For the year ended May 31, 2023

Ratanak International (“Ratanak”) is a Christian charity that works collaboratively to be a catalyst for transformation in Cambodia through a focus on empowering exploited people and addressing the systems that exploit them. Inspired by Christian values, Ratanak’s vision is to see a Cambodia where every individual can live in dignity, achieve their full potential and experience the love and hope of Christ.

Ratanak accomplishes its mission through self-directed projects and agency agreements with other charitable organizations in Cambodia, managed by its field office in Phnom Penh. Ratanak’s project portfolio focuses on four key areas: equipping Cambodians to prevent exploitation, working collaboratively to protect the vulnerable, helping the trafficked return home, and persevering in love to restore survivors. These financial statements include Ratanak’s Canadian operations and Cambodian field operations.

On June 1, 1996, Ratanak was federally incorporated under the Canada Corporations Act as Ratanak Foundation. On April 24, 2014, Ratanak Foundation continued under the Canada Not-For-Profit Corporations Act and legally changed its name to Ratanak International.

As a registered charitable organization with the Canada Revenue Agency, Ratanak is exempt from income taxes under the Income Tax Act (Canada) and can issue donation tax receipts for income tax purposes.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) under Part III of the CPA Canada Handbook – *Accounting*. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles (“GAAP”). These financial statements have, in management’s opinion been prepared within reasonable limits of materiality using the following significant accounting policies:

(a) Fund accounting:

In order to ensure observation of limitations placed on the use of available resources, Ratanak’s accounts are maintained in accordance with the principles of fund accounting.

The general fund consists of funds available for general purposes and reflects the transactions associated with Ratanak’s operating activities. This fund reports unrestricted resources.

The invested in tangible capital assets fund consists of assets, liabilities, revenue, and expenses related to Ratanak’s capital assets.

The designated funds report externally restricted resources that are used to carry out specific programs and activities of the organization.

The internally restricted fund includes amounts restricted by the Board of Directors for the purpose of future project development and innovation and for keeping an operating reserve fund.

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Notes to Financial Statements (continued)

For the year ended May 31, 2023

1. Significant accounting policies (continued):

(b) Revenue recognition:

Ratanak follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue in the general fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue of the restricted fund to which they relate to, if a restricted fund is established, when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions for which no restricted fund is established are deferred in the general fund and recognized as revenue in the year in which the related expenses are incurred.

Donations received by way of charitable remainder trusts that vest irrevocably with Ratanak are recorded as revenue at the estimated fair market value upon establishment of the trust. The difference between the fair market value and the capital value is amortized to revenue based on the assumptions made at the original valuation.

Unless otherwise restricted, investment income is recorded on the accrual basis to the general fund.

Contributions receivable are recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit, high interest savings accounts considered to be highly liquid that may be disposed of for a known amount, and guaranteed investment certificates with maturity dates less than 90 days from the date that they were acquired.

(d) Asset held for sale/ disposition:

Assets held for sale/disposition are held at the lower of their carrying amount and fair value less disposal costs.

An asset held for sale/disposition is derecognized upon completion of the title transfer. Assets held for sale/disposition are presented separately on the balance sheet, and classified as a current asset when the asset is sold prior to the date of completion of the financial statements and proceeds are realized within one year of the date of the statement of financial position.

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Notes to Financial Statements (continued)

For the year ended May 31, 2023

1. Significant accounting policies (continued):

(e) Tangible capital assets:

Tangible capital assets are initially recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Tangible capital assets are amortized using the straight-line method over the estimated useful lives as follows:

Buildings:	
Ratanak Centre	30 years
Other	40 years
Elevator	20 years
Furniture and equipment	5 to 10 years
Motor vehicles	7 years
Leasehold improvements	Lesser of lease term and 5 years

Assets under development are not amortized until they are completed and available for use.

When a tangible capital asset no longer contributes to Ratanak's ability to provide services, or the value of future economic benefits or service potential associated with the asset is less than its net carrying value, the excess of its carrying amount over its fair value or replacement cost will be recognized as an expense in the statement of operations and are not reversed.

(f) Intangible assets:

Intangible assets relate to trademarks. Trademarks acquired are initially recognized at cost and are subsequently carried at cost less accumulated impairment losses. Trademarks are not amortized. When conditions indicate that an intangible asset is impaired, the net carrying amount of the intangible asset shall be written down to the asset's fair value or replacement cost. A write-down shall not be reversed.

(g) Charitable program expenditures:

Charitable program expenditures carried out directly or through agents under agency agreements are recorded as expenses in the statement of operations when the expenditures have been incurred towards the specific programs and activities. Any cash disbursements provided to the agents not yet spent on program expenditures are recorded as unspent agency program funding in the statement of financial position.

(h) Financial instruments:

Ratanak's financial instruments consist of cash and cash equivalents, investments, accounts receivable, and accounts payable. Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Ratanak has elected to carry its investments at fair value, other than its guaranteed investment certificates which are held at amortized cost.

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Notes to Financial Statements (continued)

For the year ended May 31, 2023

1. Significant accounting policies (continued):

(h) Financial instruments (continued):

Financial assets carried at cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, Ratanak determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Ratanak expects to realize by exercising its right to any collateral.

If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Investments are classified as current assets when capable of reasonably prompt liquidation.

(i) Donated materials and services:

Donated materials are recorded in the financial statements as gifts-in-kind at fair value when fair value can be reasonably estimated and the materials are used in the normal course of operations and would otherwise have been purchased.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(j) Translation of foreign currencies:

The financial statements are presented in Canadian dollars, the principal currency of the Ratanak's operations.

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the year-end date. Gains and losses on translation or settlement are included in the determination of net earnings for the current period.

(k) Use of estimates:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results may differ from these estimates. Significant areas requiring the use of management estimates relate to the valuation of accounts receivable, the determination of useful lives of tangible capital assets for calculating amortization, and amounts recorded as accrued liabilities.

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Notes to Financial Statements (continued)

For the year ended May 31, 2023

2. Investments and investment income:

2023	Cost	Carrying value
Canadian fixed income bond fund, at fair value	\$ 101,975	\$ 90,035
United States fixed income fund, at fair value	119,122	112,417
United States mutual funds, at fair value	63,259	61,882
Guaranteed investment certificates, at amortized cost (a)	1,515,753	1,515,753
	<u>\$ 1,800,109</u>	<u>\$ 1,780,087</u>

(a) As at May 31, 2023, the guaranteed investment certificates have maturity dates from August 3, 2023 to April 24, 2024, and interest rate yields ranging from 4.00% and 4.75%.

2022	Cost	Carrying value
Canadian fixed income bond fund, at fair value	\$ 99,794	\$ 89,724
United States fixed income fund, at fair value	108,687	103,375
United States mutual funds, at fair value	58,818	58,142
Guaranteed investment certificates, at amortized cost (b)	415,949	415,949
	<u>\$ 683,248</u>	<u>\$ 667,190</u>

(b) As at May 31, 2022, the guaranteed investment certificates have maturity dates from August 2, 2023 to April 21, 2023, and interest rate yields ranging from 0.86% and 2.80%.

Investment and other income and expenses:

Income	2023	2022
Realized gains on investments	\$ 7,165	\$ 4,509
Interest income	31,499	3,202
Foreign exchange gain	42,508	10,581
	<u>\$ 81,172</u>	<u>\$ 18,292</u>

Expenses	2023	2022
Change in fair value of investments	\$ (3,965)	\$ (28,613)
Loss on tangible capital asset (note 6)	(1,431,018)	-
Loss on assets held for disposition (note 7)	(90,648)	-
Loss on assets held for sale (note 4)	-	(7,177)
	<u>\$(1,525,631)</u>	<u>\$ (35,791)</u>

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Notes to Financial Statements (continued)

For the year ended May 31, 2023

3. Unspent agency program funding:

During the year ended May 31, 2023, Ratanak disbursed \$185,003 (2022 - \$75,537) to its agents in Cambodia to carry out charitable program activities under agency agreements; \$36,085 (2022 - \$3,402) of this disbursement was unspent by the agents as at May 31, 2023. Under its agency agreements with the various charitable organizations in Cambodia, Ratanak is entitled to all unspent funds and the balance is recorded as a current asset in the statement of financial position.

4. Asset held for sale:

During the year ended May 31, 2022, Ratanak made the decision to sell one of its properties in Cambodia with net book value of \$12,616. A write down of \$7,177 was recorded as loss on asset held for sale on the statement of operations. During the year ended May 31, 2023, the property was sold for \$5,439.

5. Other asset:

Ratanak is named the residual beneficiary in an irrevocable charitable remainder trust. Ratanak expects to receive \$50,000 upon the death of the income beneficiary. At the time the donation was made, the asset was recorded at its present value of \$30,640 based on a discount rate of 3.56%. The carrying amount is being accreted to its face value of \$50,000. During the year ended May 31, 2023, accretion of \$1,494 (2022 - \$1,443) was recorded.

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Notes to Financial Statements (continued)

For the year ended May 31, 2023

6. Tangible capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Assets located in Canada:				
Furniture and equipment	\$ 38,780	\$ 26,958	\$ 11,822	\$ 11,710
Leasehold improvements	62,768	62,209	559	709
	101,548	89,167	12,381	12,419
Assets located in Cambodia:				
Land (a)	-	-	-	531,615
Ratanak Centre building (a)	-	-	-	881,200
Elevator (a)	-	-	-	44,336
Furniture and equipment	277,627	158,247	119,380	129,565
Motor vehicles	242,149	116,532	125,617	147,387
	519,776	274,779	244,997	1,734,103
	\$ 621,324	\$ 363,946	\$ 257,378	\$ 1,746,522

(a) Ratanak had agreements with third parties to be the legal holder of buildings and land located in Cambodia. Under these agreements, Ratanak held all rights, title and interest in the property. The agency agreements acknowledge that Ratanak is the true equitable owner of the property and that the third parties are only the nominee title holder of the property. During the year ended May 31, 2023, it was revealed that these agreements did not give Ratanak control of the property as previously thought. As a result, the land, Ratanak Centre building and elevator were written down to \$nil and a write down of \$1,431,018 was recorded as a loss on tangible capital assets on the statement of operations. Ratanak continues to use the building and is working on ways to secure long-term control of the property.

7. Asset held for disposition:

During the year ended May 31, 2021, Ratanak signed a land transfer agreement to gift one of its properties in Cambodia with net book value of \$90,648 to another charitable organization. During the year ended May 31, 2023, it was revealed that the trust arrangement that acknowledged that Ratanak is the true owner of the property did not give Ratanak control of the property as previously thought. The asset held for disposition was therefore written down to \$nil and a write down of \$90,648 was recorded as a loss on assets held for disposition on the statement of operations. The transfer agreement is still expected to be completed in the subsequent year.

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Notes to Financial Statements (continued)

For the year ended May 31, 2023

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are payroll-related government remittances payable of \$19,174 (2022 - \$17,176).

9. Net assets:

(a) Externally restricted - designated funds:

	2023	2022
Services for the Vulnerable & Exploited (a)	\$ -	\$ 72,331
Ratanak Centre Building (b)	38,925	48,579
	<u>\$ 38,925</u>	<u>\$ 120,910</u>

(a) The Services for the Vulnerable & Exploited designated fund comprises of funds restricted for use in programs that support individuals who are at risk of exploitation or are being exploited in Cambodia.

(b) The Ratanak Centre Building designated fund comprises of funds restricted for the construction of the Ratanak Centre and future building improvements and maintenance.

(b) Internally restricted:

	2023	2022
Future Project Development and Innovation (a)	\$ 1,000,000	\$ -
Operating Reserve (b)	862,097	725,998
	<u>\$ 1,862,097</u>	<u>\$ 725,998</u>

(a) The Future Project Development and Innovation Fund was established for the purposes of developing future projects and innovations that support those who are at risk of exploitation or are being exploited in Cambodia.

(b) The Operating Reserve Fund was established as a reserve equal to three months of anticipated operating expenses

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Notes to Financial Statements (continued)

For the year ended May 31, 2023

9. Net assets (continued):

(c) Interfund transfers:

2023	General	Invested in tangible capital assets	Externally restricted	Internally restricted
Transfer from Ratanak Centre Building fund to Invested in tangible capital assets fund for qualified expenditures	\$ -	\$ 9,756	\$ (9,756)	\$ -
Transfer from general fund to cover program expenses:				
Cambodia Field Operations fund	(471,117)	-	471,117	-
Services for the Vulnerable & Exploited fund	(654,907)	-	654,907	-
Tangible capital expenditures, net of reclassifications	(42,122)	42,122	-	-
Transfer to Operating Reserve Fund	(136,099)	-	-	136,099
Transfer to Future project development and innovation fund	(1,000,000)	-	-	1,000,000
	\$ (2,304,245)	\$ 51,878	\$ 1,116,268	\$ 1,136,099

2022	General	Invested in tangible capital assets	Externally restricted	Internally restricted
Transfer from Ratanak Centre Building fund to general fund for qualified expenditures	\$ -	\$ 8,742	\$ (8,742)	\$ -
Transfer from general fund to cover program expenses:				
Cambodia Field Operations fund	(380,896)	-	380,896	-
Services for the Vulnerable & Exploited fund	(538,396)	-	538,396	-
Tangible capital expenditures, net of reclassifications	(140,240)	140,240	-	-
Transfer to Operating Reserve Fund	(187,414)	-	-	187,414
	\$ (1,246,946)	\$ 148,982	\$ 910,550	\$ 187,414

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Notes to Financial Statements (continued)

For the year ended May 31, 2023

10. Commitments:

Ratanak has agency agreements in place for scheduled cash disbursements of designated funds of \$55,459 (US\$40,770) (2022 - \$54,069 (US\$42,749)).

Ratanak is committed to minimum annual lease payments for premises in Canada as follows:

2024	\$	27,104
2025		27,500
2026		28,811
2027		28,930
2028		30,140
2029		2,521
	\$	145,006

11. Related parties:

Ratanak has significant influence over an affiliate foundation in the United Kingdom. This affiliate foundation is a separate legal entity incorporated in the United Kingdom and has charitable status with the UK Charities Commission. During the year-ended May 31, 2021, Ratanak signed a Joint Ministry Agreement with the UK affiliate foundation that allows Ratanak to have influence regarding board selection, project contributions and the appointment of the National Office Director. Ratanak has agency agreements in place in Cambodia for which the UK affiliate foundation made direct contributions to these agencies during the year. These contributed amounts are not recognized by Ratanak. Ratanak did not receive any donations from the UK affiliate foundation during the year.

Ratanak also has an affiliate foundation in Australia in which Ratanak does not have significant influence. This affiliate foundation is a separate legal entity incorporated in Australia. During the year ended May 31, 2023, Ratanak did not receive any donations from the Australia affiliate foundation. During the year ended May 31, 2022, donations of \$125,829 were received and recorded as non-receipted donations in the general fund.

The fund balances and results from operations of these affiliate foundations are not included in Ratanak's financial statements as Ratanak does not control these entities.

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Notes to Financial Statements (continued)

For the year ended May 31, 2023

12. Financial risks:

Ratanak's financial instruments are described in Note 1(h). In management's opinion, Ratanak is not exposed to significant liquidity, currency, credit, interest rate, or market price risks arising from these financial instruments, except as described below. In addition, Ratanak is not exposed to any concentration risks and there has been no significant change in risk exposures.

(a) Liquidity risk:

Liquidity risk is the risk that Ratanak will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Ratanak manages its liquidity risk by monitoring its operating requirements. Ratanak prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Currency risk:

Currency risk is the risk to Ratanak's operating cash flows that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. Ratanak is exposed to currency risk as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, Ratanak receives contributions and incurs expenses denominated in foreign currencies, primarily the United States dollar. As at May 31, 2023, Ratanak holds US\$588,481 (2022 - US\$362,548) in cash balances, US\$128,133 (2022 - US\$127,702) in investments, and US\$36,467 (2022 - US\$29,843) of accounts payable. Ratanak does not currently enter into forward contracts to mitigate this risk.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligation resulting in a financial loss. Ratanak is exposed to credit risk with respect to its cash deposits and investments held with reputable financial institutions in Canada and Cambodia. Management believes the risk of loss to be remote.

(d) Interest rate risk:

Interest rate risk refers to the financial risk that results from interest rate fluctuations and the volatility of these rates. Fixed rate instruments are subject to fair value risk and floating rate instruments are subject to cash flow risk. Ratanak is primarily exposed to fair value risks with respect to its cash deposits and guaranteed investment certificates held with reputable financial institutions in Canada and Cambodia. Management believes there is risk exposure due to the current interest rate environment.

(e) Market price risk:

Ratanak is exposed to financial risks as a result of market price fluctuations and the volatility of these prices. Ratanak is exposed to market price risk with respect to its fixed income bond funds, fixed income funds, and mutual fund investments held at reputable financial institutions in Canada.

RATANAK INTERNATIONAL

Notes to Financial Statements

For the year ended May 31, 2023

13. Allocation of expenses

	Charitable Activities	Management & Administration	Fundraising	2023	2022
Services for the vulnerable and exploited	\$ 979,136	\$ -	\$ -	\$ 979,136	\$ 824,368
Salaries and benefits	239,209	196,314	306,248	741,771	652,763
Cambodia field office	474,817	-	-	474,817	384,295
Marketing and fundraising	-	-	191,157	191,157	182,682
Amortization of tangible capital assets	105,206	4,798	-	110,004	88,698
Office	19,428	62,254	-	81,682	62,843
Travel	47,257	-	10,164	57,421	12,641
Bank charges and merchant fees	-	38,902	-	38,902	32,739
Professional fees	-	24,349	-	24,349	20,188
Total expenses	\$ 1,865,053	\$ 326,617	\$ 507,569	\$ 2,699,239	\$ 2,261,217