

Financial Statements of

RATANAK INTERNATIONAL

And Independent Auditors' Report thereon

Year ended May 31, 2021



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ratanak International

Qualified Opinion

We have audited the financial statements of Ratanak International (the Entity), which comprise:

- the statement of financial position as at May 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

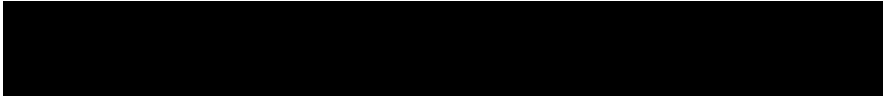
(hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the “***Basis for Qualified Opinion***” section of our auditors’ report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at May 31, 2021, and its results of operations and its 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 not-for-profit organizations, the Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at May 31, 2021 and May 31, 2020
 - the donations revenue and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended May 31, 2021 and May 31, 2020
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- the net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended May 31, 2021 and May 31, 2020
- the excess of revenue over expenses reported in the statements of cash flows for the years ended May 31, 2021 and May 31, 2020.

Our opinion on the financial statements for the year ended May 31, 2020 was qualified accordingly because of the possible effects of this limitation in 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 auditors’ report.

We are independent of the Entity in accordance with the 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 opinion.

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.

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

Those charged with governance are responsible for overseeing the Entity’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 the 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 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 Entity'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 Entity 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.
- 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.

Chartered Professional Accountants

Vancouver, Canada

RATANAK INTERNATIONAL

Statement of Financial Position

May 31, 2021, with comparative information for 2020

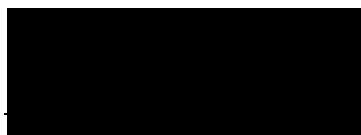
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,366,194	\$ 1,709,251
Investments (note 2)	492,459	183,416
Accounts receivable	3,198	3,749
Contributions receivable (note 3)	-	30,000
Government assistance receivable (note 4)	-	47,880
Unspent agency program funding (note 5)	23,786	19,326
Prepaid expenses	12,598	11,827
	2,898,235	2,005,449
Other asset (note 6)	40,534	39,140
Tangible capital assets (note 7)	1,693,415	1,725,350
Intangible assets (note 13)	10,872	10,872
Asset held for disposition (note 8)	90,648	-
	\$ 4,733,704	\$ 3,780,811

Liabilities and Net Assets

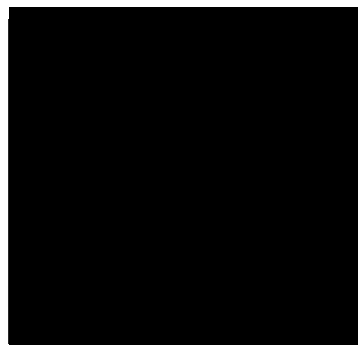
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 100,680	\$ 75,664
Net Assets:		
Unrestricted:		
General	2,304,153	1,821,549
Invested in tangible capital assets	1,693,415	1,725,350
Externally restricted:		
Designated funds (note 10(a))	96,872	158,248
Internally restricted (note 10(b))	538,584	-
	4,633,024	3,705,147
Commitments (note 12)		
	\$ 4,733,704	\$ 3,780,811

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

RATANAK INTERNATIONAL

Statement of Operations

Year ended May 31, 2021, with comparative information for 2020

	General funds	Designated funds	Total 2021	Total 2020
Revenue:				
Donations	\$ 2,666,896	\$ 261,842	\$ 2,928,738	\$ 2,221,159
Expenses:				
Charitable program expenditures (note 11)	-	1,074,019	1,074,019	974,449
Salaries and benefits	585,657	-	585,657	528,755
Marketing and fundraising	114,626	-	114,626	106,189
Amortization	75,620	-	75,620	72,027
Office	55,045	-	55,045	60,934
Bank charges and merchant fees	35,314	-	35,314	27,553
Professional fees	18,296	-	18,296	14,943
Travel	-	-	-	23,979
	884,558	1,074,019	1,958,577	1,808,829
Excess (deficiency) of revenue over expenses before other items	1,782,338	(812,177)	970,161	412,330
Other items:				
Investment and other income (note 4)	20,429	-	20,429	58,750
Foreign exchange gain (loss)	(62,713)	-	(62,713)	14,750
Write-down of intangible asset (note 13)	-	-	-	(3,102)
	(42,284)	-	(42,284)	70,398
Excess (deficiency) of revenue over expenses	\$ 1,740,054	\$ (812,177)	\$ 927,877	\$ 482,728

See accompanying notes to financial statements.

RATANAK INTERNATIONAL

Statement of Changes in Net Assets

Year ended May 31, 2021, with comparative information for 2020

	Unrestricted		Externally restricted	Internally restricted	Total 2021	Total 2020
	General	Invested in tangible capital assets				
Net assets, beginning of year	\$ 1,821,549	\$ 1,725,350	\$ 158,248	\$ -	\$ 3,705,147	\$ 3,222,419
Excess (deficiency) of revenue over expenses	1,815,674	(75,620)	(812,177)	-	927,877	482,728
Interfund transfers (note 10(c))	(1,333,070)	43,685	750,801	538,584	-	-
Net assets, end of year	\$ 2,304,153	\$ 1,693,415	\$ 96,872	\$ 538,584	\$ 4,633,024	\$ 3,705,147

See accompanying notes to financial statements.

RATANAK INTERNATIONAL

Statement of Cash Flows

Year ended May 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 927,877	\$ 482,728
Items not involving cash:		
Amortization	75,620	72,027
Accretion of charitable remainder trust (note 6)	(1,394)	(1,345)
Unrealized gain on investments	(17,450)	(5,062)
Write-down of intangible asset	-	3,102
Changes in non-cash operating working capital:		
Accounts receivable	551	858
Contributions receivable	30,000	(30,000)
Government assistance receivable	47,880	(47,880)
Unspent agency program funding	(4,460)	24,262
Prepaid expenses	(771)	(4,450)
Accounts payable and accrued liabilities	25,016	3,415
	1,082,869	497,655
Financing activities:		
Repayment in capital lease obligation	-	(900)
Investing activities:		
Purchase of tangible capital assets	(134,333)	(15,351)
(Purchase) disposal of investments, net	(291,593)	66,663
	(425,926)	51,312
Increase in cash and cash equivalents	656,943	548,067
Cash and cash equivalents, beginning of year	1,709,251	1,161,184
Cash and cash equivalents, end of year	\$ 2,366,194	\$ 1,709,251

See accompanying notes and schedule to financial statements.

RATANAK INTERNATIONAL

Notes to Financial Statements

Year ended May 31, 2021

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 man, woman, and child 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.

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. At the time of approval of these financial statements, Ratanak has not experienced any significant impact to operations or a reduction in any of its major funding sources and it is not expected that there will be a material financial impact on operations. Management will continue to monitor the on-going financial impact on its cash and budget forecasts, and adjust its operations as required to ensure its ability to fulfill its obligations and continue operations.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - *Accounting*, and reflect 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 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 specific purposes.

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Notes to Financial Statements (continued)

Year ended May 31, 2021

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.

Gifts-in-kind are recorded at their estimated fair values at the time of donation.

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) 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
Furniture and equipment	5 to 10 years
Motor vehicles	7 years
Leasehold improvements	Lesser of lease term and 5 years

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Notes to Financial Statements (continued)

Year ended May 31, 2021

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

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.

(e) 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.

(e) Asset held for disposition:

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

An asset held for disposition is derecognised upon completion of the title transfer. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in excess of revenue over expenses in the period in which the property is derecognised

(f) 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.

(g) Financial instruments:

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 not elected to carry any such instruments at fair value other than its guaranteed investment certificates which are held at amortized cost.

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Notes to Financial Statements (continued)

Year ended May 31, 2021

1. Significant accounting policies (continued):

(g) 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.

(h) 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.

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.

(i) Government assistance:

Government assistance is recorded as other revenue in the general fund on the statement of operations.

(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 balance sheet 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. Actual results may differ from these estimates.

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Notes to Financial Statements (continued)

Year ended May 31, 2021

2. Investments:

2021	Cost	Carrying value
Canadian fixed income bond fund, at fair value	\$ 68,696	\$ 65,903
United States fixed income fund, at fair value	72,099	73,939
United States mutual funds, at fair value	45,299	58,807
Guaranteed investment certificates, at amortized cost (a)	293,810	293,810
	<u>\$ 479,904</u>	<u>\$ 492,459</u>

(a) As at May 31, 2021, the guaranteed investment certificates have maturity dates from July 26, 2021 to March 30, 2022, and interest rate yields ranging from 0.75% and 0.95%.

2020	Cost	Carrying value
Canadian fixed income bond fund, at fair value	\$ 25,000	\$ 27,916
Guaranteed investment certificate, at amortized cost (b)	155,500	155,500
	<u>\$ 180,500</u>	<u>\$ 183,416</u>

(b) As at May 31, 2020, the guaranteed investment certificate has a maturity date of August 6, 2020 and an interest rate yield of 2.13%.

3. Contributions receivable:

During the year-ended May 31, 2020, Ratanak entered into an arrangement where a contribution of \$30,000 was agreed to be received subsequent to year-end, and accordingly, was recognized as revenue in the designated fund on the statement of operations.

4. Government assistance receivable:

Due to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist eligible organizations who had lost a certain percentage of their eligible revenue. During the year ended May 31, 2020, government assistance accrued for eligible CEWS claims totaled \$47,880 and was included in other income in the general fund on the statement of operations. No CEWS was claimed or recognized during fiscal 2021.

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Notes to Financial Statements (continued)

Year ended May 31, 2021

5. Unspent agency program funding:

During the year ended May 31, 2021, Ratanak disbursed \$162,907 (2020 - \$196,520) to its agents in Cambodia to carry out charitable program activities under agency agreements; \$23,786 (2020 - \$19,326) of this disbursement was unspent by the agents as at May 31, 2021. Under its agency agreements with the various charitable organizations in Cambodia, Ratanak is entitled to all unspent funds and the balance is recorded as an asset in the statement of financial position.

6. 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 based on its approximate fair value. During the year ended May 31, 2021, accretion of \$1,394 (2020 - \$1,345) was recorded.

7. Tangible capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Assets located in Canada:				
Furniture and equipment	\$ 60,770	\$ 50,149	\$ 10,621	\$ 9,407
Leasehold improvements	62,018	62,018	-	-
	122,788	112,167	10,621	9,407
Assets located in Cambodia:				
Land (a)	531,615	-	531,615	565,356
Buildings (a):				
Ratanak Centre	1,003,435	88,787	914,648	948,096
Others	16,045	3,028	13,017	68,683
Furniture and equipment	184,646	93,394	91,252	93,900
Motor vehicles	167,037	72,454	94,583	39,908
	1,902,778	257,663	1,645,115	1,715,943
Asset under development (b)	37,679	-	37,679	-
	\$ 2,063,245	\$ 369,830	\$ 1,693,415	\$ 1,725,350

(a) Ratanak has agreements with third parties to be the legal holder of buildings and land located in Cambodia. Under these agency agreements, Ratanak holds all rights, title and interest in the properties. The agency agreements acknowledge that Ratanak is the true equitable owner of the properties and that the third parties are only the nominee title holder of the properties.

(b) During the year ended May 31, 2021, Ratanak began the installation of an elevator into the Ratanak Centre which had not been completed by year-end.

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Notes to Financial Statements (continued)

Year ended May 31, 2021

8. 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. As at May 31, 2021, the legal title transfer documentation processing is in progress and Ratanak remains the registered property owner. Accordingly, the property is classified as asset held for disposition.

9. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are payroll-related government remittances payable of \$13,935 (2020 - \$18,015).

10. Net assets:

(a) Externally restricted - designated funds:

	2021	2020
Services for the Vulnerable & Exploited (a)	\$ 39,551	\$ 63,248
Ratanak Centre Building (b)	57,321	95,000
Cambodia Field Operations (c)	-	-
	<u>\$ 96,872</u>	<u>\$ 158,248</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.

(c) The Cambodia Field Operations designated fund comprises of funds restricted for operations in Cambodia.

(b) Internally restricted:

Internally restricted net assets are comprised of an Operating Reserve Fund established as a reserve equal to three months of anticipated operating expenses. As at May 31, 2021, the balance of Operating Reserve Fund is \$538,584 (2020 - nil).

(c) Interfund transfers:

During the year ended May 31, 2021, \$37,679 (2020 - nil) was transferred from the Ratanak Centre Building designated fund to the general fund for restricted funds spent on qualified capital asset expenditures.

During the year ended May 31, 2021, transfers from the general fund included \$338,111 (2020 - \$315,864) to the Cambodia Field Operations and \$450,369 (2020 - nil) to the Services for the Vulnerable & Exploited designated funds to cover associated program expenses.

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Notes to Financial Statements (continued)

Year ended May 31, 2021

10. Net assets (continued):

(c) Interfund transfers (continued):

During the year ended May 31, 2021, \$538,584 (2020 - nil) was transferred from the general fund to the Operating Reserve Fund to establish a reserve equal to three months of anticipated operating expenses.

11. Charitable program expenditures:

	2021	2020
Services for the Vulnerable & Exploited	\$ 729,508	\$ 651,685
Cambodia Field Operations	344,511	322,764
	<u>\$ 1,074,019</u>	<u>\$ 974,449</u>

12. Commitments:

Ratanak has agency agreements in place for scheduled cash disbursements of designated funds of \$45,225 (US\$37,463) (2020 - \$96,780 (US\$70,196)).

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

2022	\$ 22,755
2023	22,755
2024	1,896
	<u>\$ 47,406</u>

13. Related parties:

Ratanak has affiliate foundations in the United Kingdom and Australia. These affiliate foundations are separate legal entities incorporated in their respective countries. 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. During the year ended May 31, 2021, Ratanak received a donation from the Australia affiliate foundation of \$7,236 (2020 - \$14,902) which was received and recorded as a non-receipted donation in the general fund.

During the year ended May 31, 2020, the USA affiliate foundation announced that they would be ceasing affiliation with Ratanak subsequent to year-end. Due to this change in relationship, related intangible assets with a carrying value of \$3,102 were written down during the year ended May 31, 2020 to its fair value of nil. During the year ended May 31, 2020, Ratanak had received \$32,131 as a donation from the USA affiliate and recorded it as a non-receipted donation in the designated fund.

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Notes to Financial Statements (continued)

Year ended May 31, 2021

14. Financial risks:

(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:

Ratanak is exposed to financial risks 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, 2021, Ratanak holds US\$215,179 (2020 - US\$300,013) in cash balances, US\$109,962 (2020 – US\$nil) in investments, and US\$35,019 (2020 - US\$5,845) 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.

Management believes that Ratanak is not subject to any significant interest rate or other market price risks.

There has been no significant change to the risk exposures from the prior year.