



Ponheary Ly Foundation
Finance Report
2016-2018



It's often said that charities are in the "people business" and that is certainly true. Every post on this website is about the progress of children and their communities, but in this report you will find the only post on the site that speaks to the business end of things. I promise to make the journey through our financials as painless as possible.

Before we begin, let me mention that this report covers TWO school years 2016-2017 and 2017-2018, which ended in September 2018 at the end of the school year. The reason for the gap in reporting is because I just couldn't make either year make any sense on its own. They encompass a scope of work that took us two years to complete and are best understood as a whole.



In 2015 we penned a **Strategic Plan** that we used as a road map to slow things down after a decade of continuous growth and give us a chance to “clean house”. We wanted to re-examine and re-tool projects that weren’t working as well as we’d have liked and we needed to not be trying to scale up projects or start new ones whilst that was underway. We wanted to invest internally and train our young khmer staff to be consummate plate-spinners and then we wanted to deploy some more complicated projects whose success depended greatly on those two things coming to past. During the three years of the Strategic Plan we wanted to accomplish the following:

2015-16

- The continued viability of the Angkor High School Girl’s Dorm
- Resolve Problems with Graft at Knar School or Withdraw
- Retool High School Scholarships to serve more students without spending more money
- Complete overhaul of the Media Project at Tchey
- Refine the Intake Process at Srayang Dorm, implement an entrance exam
- Teacher Training at Romchek Primary School needs to be addressed
- Overhaul of Volunteer Program & Child Protection Policy

2016-17

- Up-skill our staff
- Reorganize our data collection methods
- Build compliance around task management
- Design efficient roster maps & get compliance from teachers in the field
- Build consistency in the methodology of how to deploy one program more efficiently across multiple locations especially Tech, English and Libraries
- Consider how best to approach a system of Monitoring and Evaluation without hiring legions of admin clerks
- Formulate an Exit Strategy from Tchey School

2017-18

- Build our own Girl’s Dorm
- Expansion of Scholarship Program
- PLF Presence in Phnom Penh to Support University Students
- Three fold expansion of workshop series for high school students
- An additional Primary School with 4-500 students
- Develop and Deploy Community Training Workshops
- Develop and Deploy University/High School Mentorship Program



All of the goals above were realized except one.

We did not take on another school fully. We have begun infrastructure projects at a school called Prey Kuol, which is way up north about an hour by tractor from Romchek school. The school has only about 100 students and currently only goes to grade 3. So far, we've finished work on their small wooden building, putting on a missing front wall and some doors and windows. We've put in a toilet block and a well. We've built some desks and brought school supplies for teachers and students. What next steps will be depends largely on our ability to raise funds for it. Something we have to consider when taking on another primary school is our ability to support graduates through their entire journey through school. In that part of the country, education beyond primary school means Dormitory admission as there are no secondary schools anywhere near them. The expense of this is great, so we have to consider carefully whether we can "go deep enough" when we are considering "going wide".

Here are just a few of the lessons we learned along the way.

1. Media Classes, where students learn to do blogging and photography is super fun and also super expensive. Shutting down those classes and moving Media to a Workshop type basis meant a reallocation of those funds into Technology classes that translate more clearly into skillsets more widely used in the workaday world. These days we are awarding 20% more technology certificates than in years previously and spending less money doing it. The funds that were made available by closing Media classes were put into STEM (Science Tech, Engineering, Math) initiatives further downstream to get primary school kids (especially girls) interested in STEM subjects. These initiatives have included a wildly successful science lab for grade 6, robotic legos classes in the computer lab, chess clubs and this year we'll be introducing the first e-readers into a primary school library.





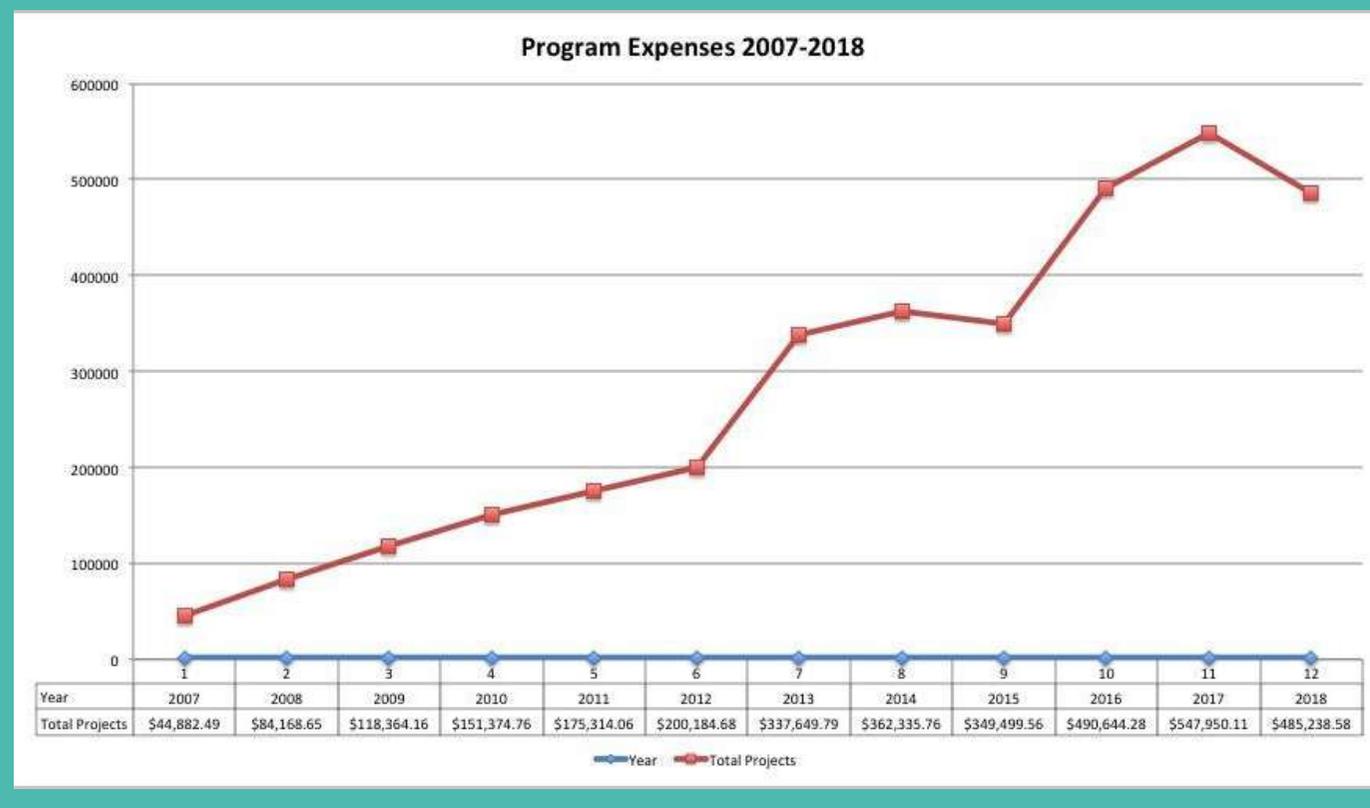
2. When parents can contribute they will, but some finesse needs to be applied. In the cases where support such as in admittance to Dormitories or awarding of University scholarships is on the line, we stopped being the ones to ask parents to help. When the NGO asks, the answer is always no. When the STUDENT asks, the answer is still sometimes no, but only when they absolutely cannot. It's often YES when the student asks. It took us a while to figure that one out. Now our student agreements have a requirement that the family has to contribute SOMETHING to this forward movement; a bit of cash, a bit of food. There are always a couple of families who are truly on the brink of starvation and cannot help at all, but it's rare. Negotiating what is necessary for support from home with the student rather than with the parents means that the student can go home and say "If you can find \$20 a month for me" or "if you can spare 200 kgs of rice for me" then I can GO TO COLLEGE!!! Believe me when I say the student's urgings are much more compelling than ours. A side note in all of that is that the family is then more heavily invested in the students' success. While before they were making a sacrifice by having that child not participating in helping the family while they were away at school, that pales in comparison to the importance of a financial investment by the family.



3. Our young Khmer staff benefited greatly from training on some technology tools that have improved efficiency exponentially. Monitoring and Evaluation databases and pivot tables, implementation of online project management tools, cloud storage of marketing collateral, fully integrated google docs and calendars. It's been amazing to watch our staff skyrocket in their ability to carry a heavier workload effortlessly. People don't "forget things" anymore. Planning of complicated projects has become more seamless. Forming small teams and setting up tasks without having to sit through endless staff meetings means more hours put back into the workday. We are doing more with less, much more.

We used to look at growth largely as something that was driven by available funds. We raised money for scale ups and pilots and then executed projects, according to a fixed timeline and a budget. The first decade of our progress is very simply represented by a chart that reflects financial growth. During a time that financial growth was equal to project growth, it was easy to visualize “growth” through a very linear chart like the one below.

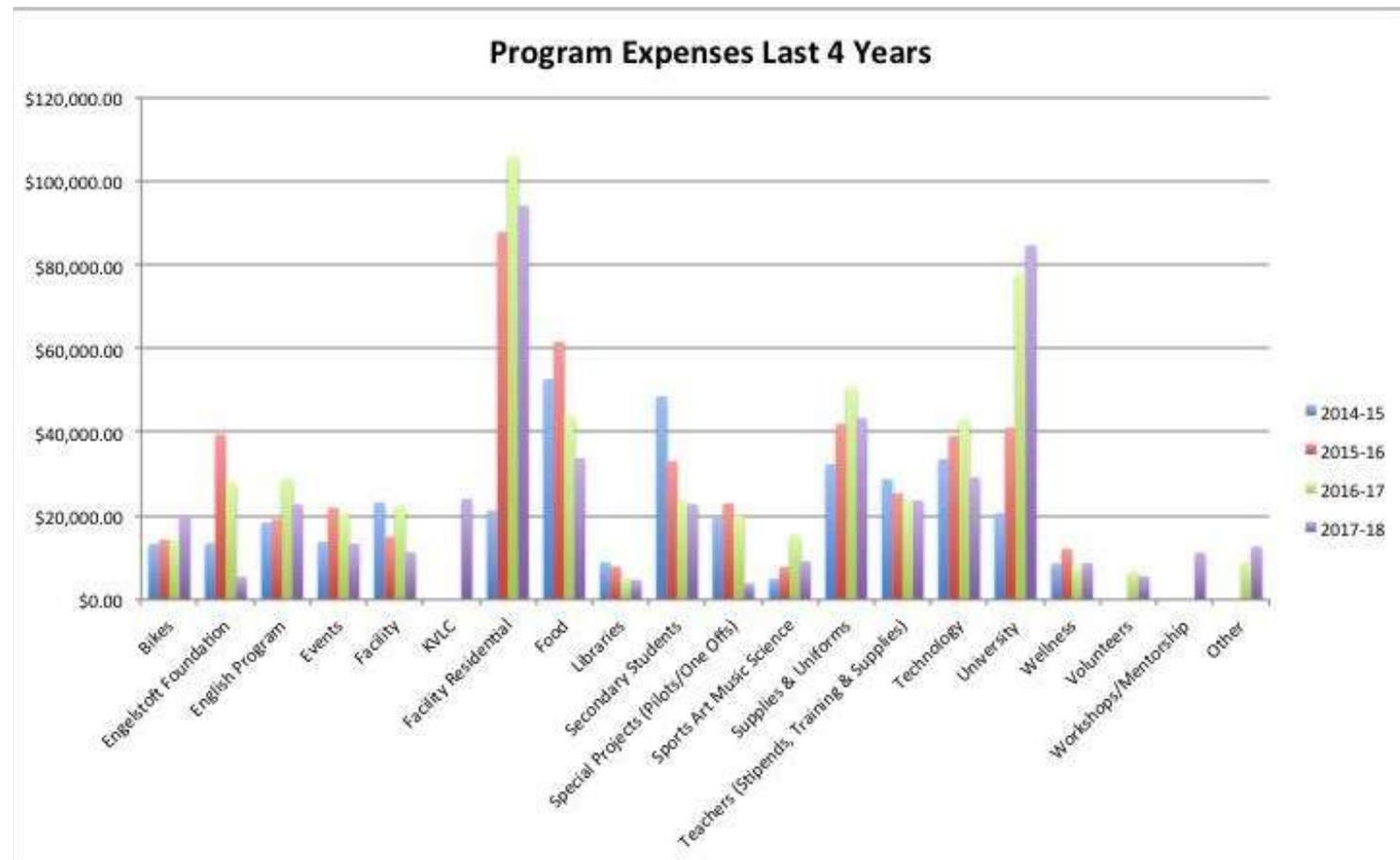
These days I am finding this kind of very binary chart not really telling the story. It only speaks to the amount of money being poured into a project but in no way quantifies impact or illustrates what that money is actually producing.



What this very binary chart does show is a more than \$60,000 per year SAVINGS that we were able to achieve after two years of deep program re-evaluation and restructuring.

This result of this focused refinement will become more evident as we go along, but generally speaking, all programs are running as they always have been; some with even more students involved, most with a measurable improvement in impact, many with less financial burden. New programs have also been added.

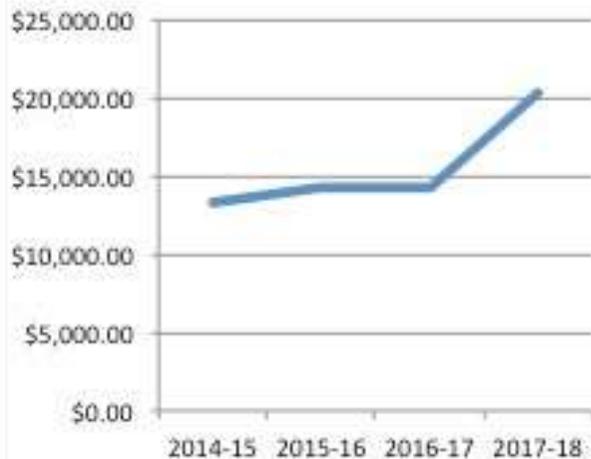
SO LET'S PICK IT APART. FOR EASE OF CHART-VIEWING, WE'LL COMPARE PROGRAM COSTS OVER THE LAST 4 YEARS ONLY.



BIKES:

Bicycles are awarded to graduating 6th graders so that they might be able to commute to the nearest Secondary School. This year shows a major uptick, not because we had so many more students, but because our primary bicycle donor raised more money for bicycles than we needed so we shared that love with a few small organizations in Siem Reap who we know are doing good work and could use the assistance.

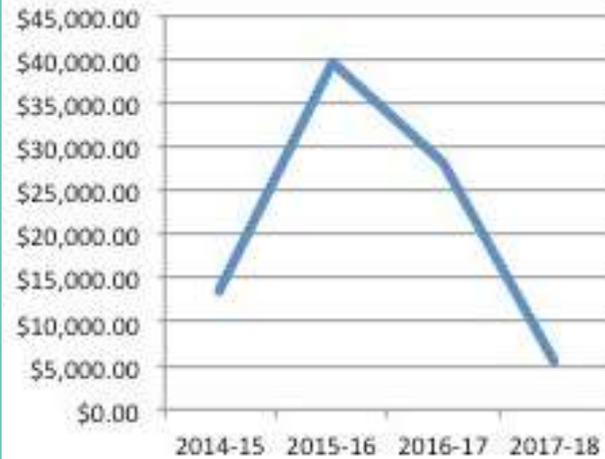
Bikes



ENGELSTOFT FOUNDATION:

For some years PLF created a financial umbrella and provided Field Direction for Engelstoft Foundation at two of their public school locations. Engelstoft has now reorganized their work in Cambodia and PLF is no longer involved. We were pleased to be able to offer this collaboration for the last four years to help them get stabilized in country.

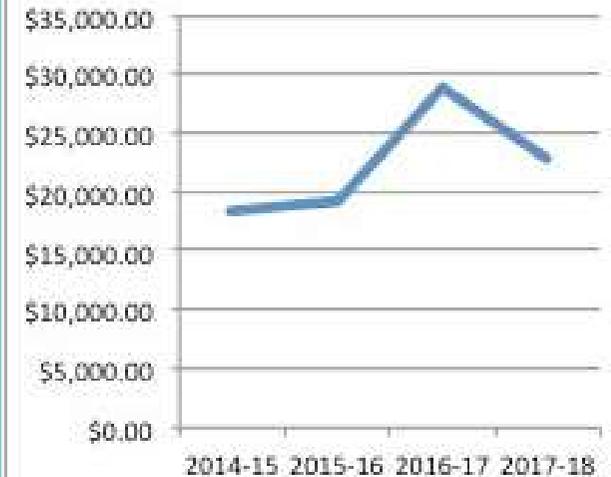
Engelstoft Foundation



ENGLISH:

Here is where we start to see some savings from efforts put into training and standardization across English programs at all locations. Another reason for the dip in costs for English was moving categories around in our accounting system, encapsulating English at the Siem Reap Girl's Dorm and at the Knar Learning Center into totals for those locations.

English

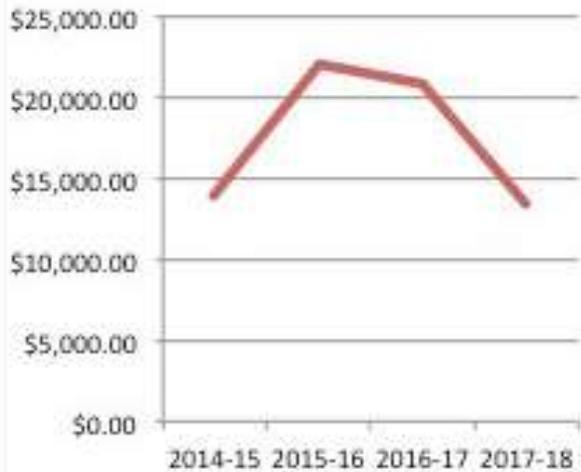




EVENTS:

PLF has a very successful program called **"Help-For-A-Day"** that allows visitors to Siem Reap to be exposed to our projects while doing something helpful for the students. The visitor gives a donation to pay for these events and then PLF pays the expenses. In years prior we had that program lumped into "Events" and now have pulled it out to track it separately.

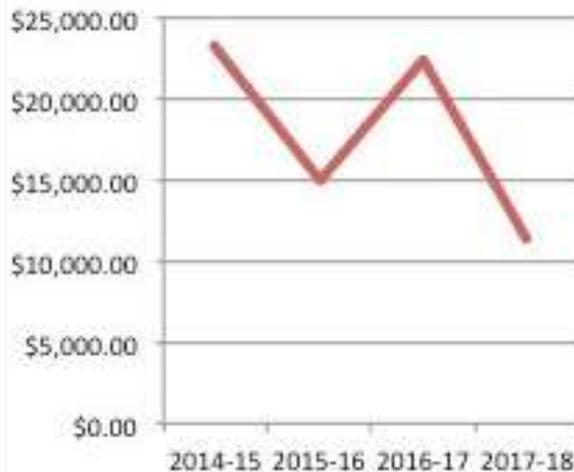
Events



FACILITY:

These expenses went way down in the last year as we did not do any major infrastructure projects. Look for this number to skyrocket next year as we have several things in the works at present including major facility improvements at Prey Kuol, at Romchek Primary School and at the Knar Village Learning Center.

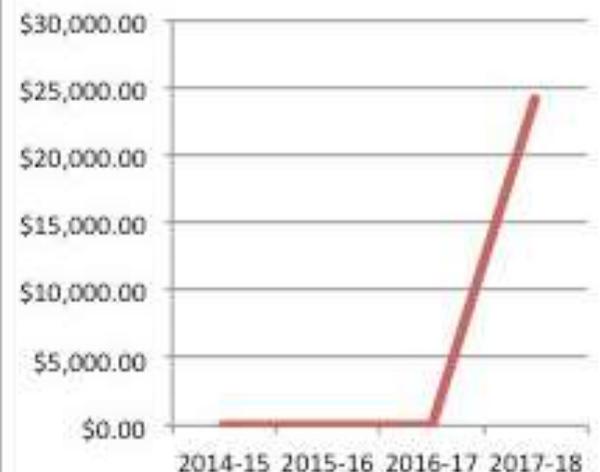
Facility



KVLC:

A new entry for this year is the Knar Village Learning Center. In the year prior, expenses for the Center were mixed into general projects, such as Technology, English, Teachers, Food, etc. Now that this new location is fully realized and budgets are clear, we've moved it into an accounting category that includes everything going on at the Center.

KVLC





FACILITY RESIDENTIAL:

This includes all three of our Dormitories, one in Srayang for students tracking to Secondary School from Romchek and Koh Ker Primary Schools and the two Dorms in Siem Reap, one for girls and one for boys, where those same students migrate (and others from other locations) to complete High School. These Dormitories provide safe housing and support for our brightest students coming from remote areas where they have no access to post-primary school education. Over the last few years we've seen the extraordinary success these students have made and over the last couple of years we have increased investment in this initiative. Cost for student housing has decreased by about 10%, though we've maintained the same number of students. These savings have been found in incremental support solicited from the families of the students as well as from combining the boys and girls in English and technology classes and by finding other ways to increase buying power. PLF currently has 60 students in these three Dormitories, all of them preparing themselves for University. Residential Housing for students coming to complete High School is one of the most successful (and if I'm honest, one of the most satisfying) things we're doing right now. The students are coming from some of the most impoverished and remote communities we work in and to see them overcome so many obstacles to a professional career that will lift their entire family out of poverty in one generation is, well it's just extraordinary.

Now that the first students have begun to find success at University, we expect more and more students from Koh Ker and Romchek to stick with school longer and fully expect to see this number grow. We're ready, with plenty of capacity at the Girl's Dorm and plans to expand capacity at the Boy's House.



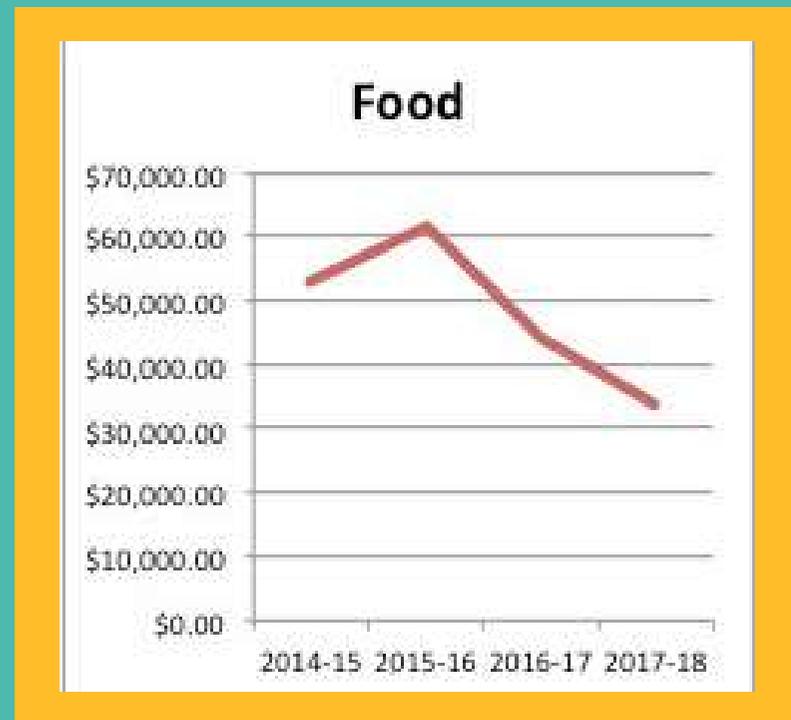


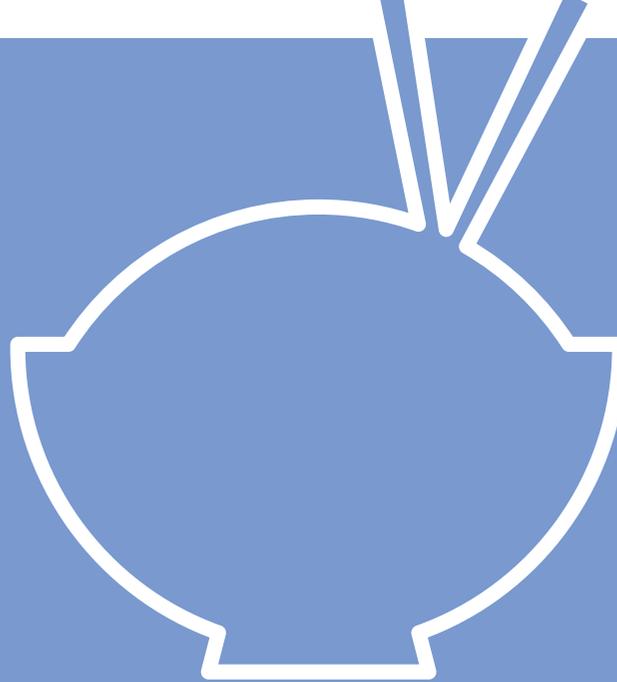


FOOD:

Food lies at the crux of everything we do. By providing food at school, children who normally suffer from food insecurity can find nutritious (and most importantly) consistent food at school. There are a couple of reasons why the food category looks to have taken a dip:

- We've moved categories around in the accounting system, putting food served at the Knar Learning Center (KVLC) at KVLC and not in the food category.
- In Preah Vihear Province, the World Food Program who formerly provided rice, oil, salt and some canned fish has now changed their model and instead are delivering a modest amount of fresh food and rice. PLF adds greatly to those rations to make sure students get their full days nutrition. World Food Program is now working with big farms in the area to produce their food rations and PLF is able to buy food from those same farms, benefitting from WFP's buying power. This has driven food costs down considerably for Koh Ker School.



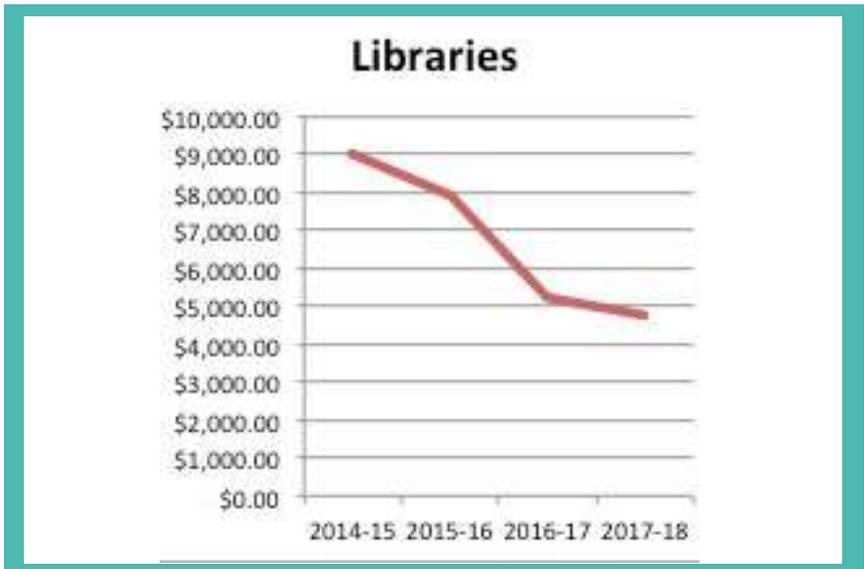


Last year **PLF served a whopping 141,000 bowls** of food, keeping our students healthy and free of the psychological impact of food insecurity, allowing them the ability to focus on school and have “the juice” necessary for learning.



LIBRARIES:

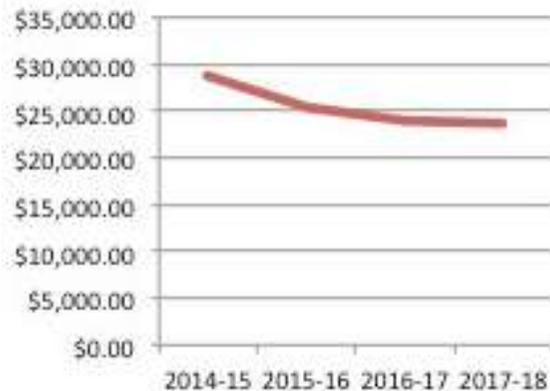
We've had a great focus on libraries over the last 18 months and it's showing not only in the decrease in costs, but also on the increase of impact. We will continue to see costs decrease in the year ahead as PLF staff has developed a very efficient method of recycling books through all our Libraries, meaning that the same set of books can be used at each location rather than buying them over and over. It also means that we can put in more titles more frequently as well as convert book money into Librarian training and other resources that make Library programs effective: increasing literacy, instilling a love for reading in a society where that does not yet exist, creating safe and fun places for children to play, to learn, to explore. We're very proud of the progress our Librarians have made over the last couple of years and it's great to go out to school on any day, at any time and see small clutches of kids engaged with a book.



TEACHERS:

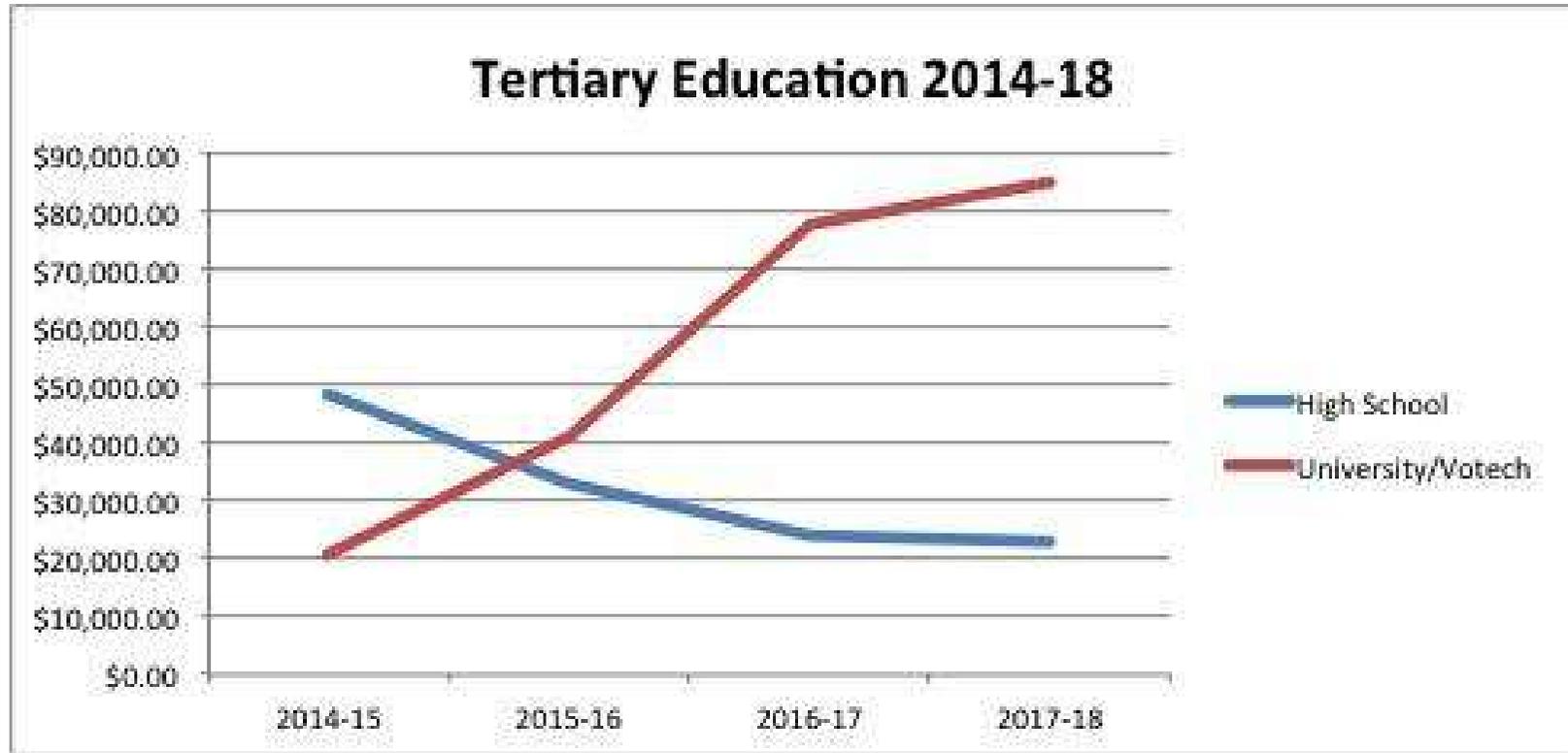
Most of the 54 teachers we work with in the field are teachers provided by the government as the bulk of our projects are in public primary schools. Those teachers are paid by the government and in the past that payment was not nearly enough to create a living wage. PLF has always given those teachers stipends to equalize their pay so that they could focus on teaching and not have to go get part-time jobs or do field work or otherwise be absent or distracted from school. In the last couple of years the Cambodian government has done a good job in increasing teachers' salaries and as they have increased their portion, we have decreased ours. Next year, one location will come off these stipends altogether and we're very pleased to be able to move those funds to what we consider to be a better use of them: **continued education** and provision of resources necessary to execute what they learn in training.

Teachers (Stipends, Training & Supplies)



SECONDARY SCHOOL AND UNIVERSITY:

These two tertiary projects are tightly linked and have had a great deal of our attention over the last few years. Work done to **restructure it three years** ago is now showing tremendous dividends. In the current school year we've got 230% more students receiving secondary school scholarships than we did before restructuring and we are now spending 30% less money on the project overall.



Above is the financial dance between high school and university scholarships. Next year PLF will be able to award 50% more University scholarships than the year before and that red line will shoot off the page, while Secondary Scholarships will increase slightly because of the sheer number of students who are making the push to a high school diploma. If we can sustain this pace, soon there will be legions of PLF students coming forth from the countryside to claim seats at the table long reserved for the elite.

OUR STUDENTS ARE DOING VERY WELL.



93%

of our scholarship students passed the national exam for grade 12, compared to 67% nationally.

93

PLF students have attended University. Not one of them has ever failed or dropped out.

68%

of our University students have been female.

It's important to know that currently in Cambodia, if a student finishes grade 12 but does not go to Trade School or University, their earning potential is identical to a student who stops school at grade 9.

Students who are not "University material" really have no compelling economic reason to finish High School. Understanding this, we are highly focused on providing Vocational Training to those who will drop out and University Scholarships to those students who do well academically and have a high level of engagement through high school. Finding a way for them to access University education (normally reserved for the elite) means they will have access to the same jobs and earning potential. So far, PLF University grads have found employment in their chosen field within 80 days of graduation and are earning a salary that is sufficient for them to support themselves and send money back to the family.

It's an enormous amount of ground to overtake in one generation. We hope you'll take a break from this report and listen to [Channy's story](#), the first person in her village to finish high school and then go all the way to University where she studies Law.

With our primary school projects working so well, access to tertiary education now has a lot of our focus. Our motto has always been "School is the Answer" and we believe the purpose of education is to create economic opportunities. That's true everywhere, but it is particularly salient to children living in a cycle of grinding poverty. In Cambodia, these economic opportunities are most plentiful in the STEM sector (Science, Technology, Engineering and Math) We therefore restrict most of the scholarships to things like Engineering, Law, Public Administration, IT, everything Medical, Food Chemistry, Agriculture, Finance, Social Work. Currently 74% of our University students are studying STEM subjects and we hope to see that continue to grow as we find ways to give the next generation more access to STEM activities earlier in their educational experience to build their aptitude. These activities can include experimentation in Science Labs, Chess Clubs, Robotic Legos classes and a myriad of other activities aimed to train the analytical mind.



SPECIAL PROJECTS:

This category generally consists of pilots; of both completely new ideas and also scale ups on already successful initiatives. You will see that we really did our best to curb that in the last year as we put the brakes on anything new so that we could keep our focus on finishing up restructuring. Look for that number to make a dramatic shift in the next couple of years moving forward.

“NO NEW PILOTS EXCEPT...”

WORKSHOPS AND MENTORING:

The first thing students who have benefitted from Scholarships want to do is “give something back” both to PLF and their communities. Making a way for them to do that was something we felt was important, both to those students and the ones coming up behind them that are in great need of positive role models.

After heavy canvassing of our University student population, a few gaps appeared in their preparedness for life at University, and really, just life in general, so our Workshop team received more training so that they could pull together more workshops for our High School students. Many of those were also delivered by the Workshop Team in Phnom Penh for the University students. This effort was very well received by students and is something we will continue to build on.

As part of the mentorship pilot, the University students meet once per month. There are 6 teams, each with a Team leader, and presentation topics are developed by the teams and then presented to the villages, the students and their parents at various times throughout the year when University students are home for holiday.

Over the course of the last year, thirty-one of our own University scholarship students came back to speak to our students studying in Primary through High School, as well as their parents. The majority even spoke at more than one PLF-supported program, sharing their successes and challenges on the way to University, what they wish they had done differently, and what they learned along the way.

What stood out about these speeches is the relevance: these were fellow PLF students, often from the same village as those they were speaking to. When Vannak told her story to the students at Chey Primary school, she spoke of dropping out of school after Grade 7. At the time her father had told her, “I know that you really wanted to go back to school, but we are far, so we can not. Maybe in the next life you will be born in the town so it’s easy for you to attend in school.” Every single student in the room nodded upon hearing this. They have all heard these words before.

Workshops & Mentorship

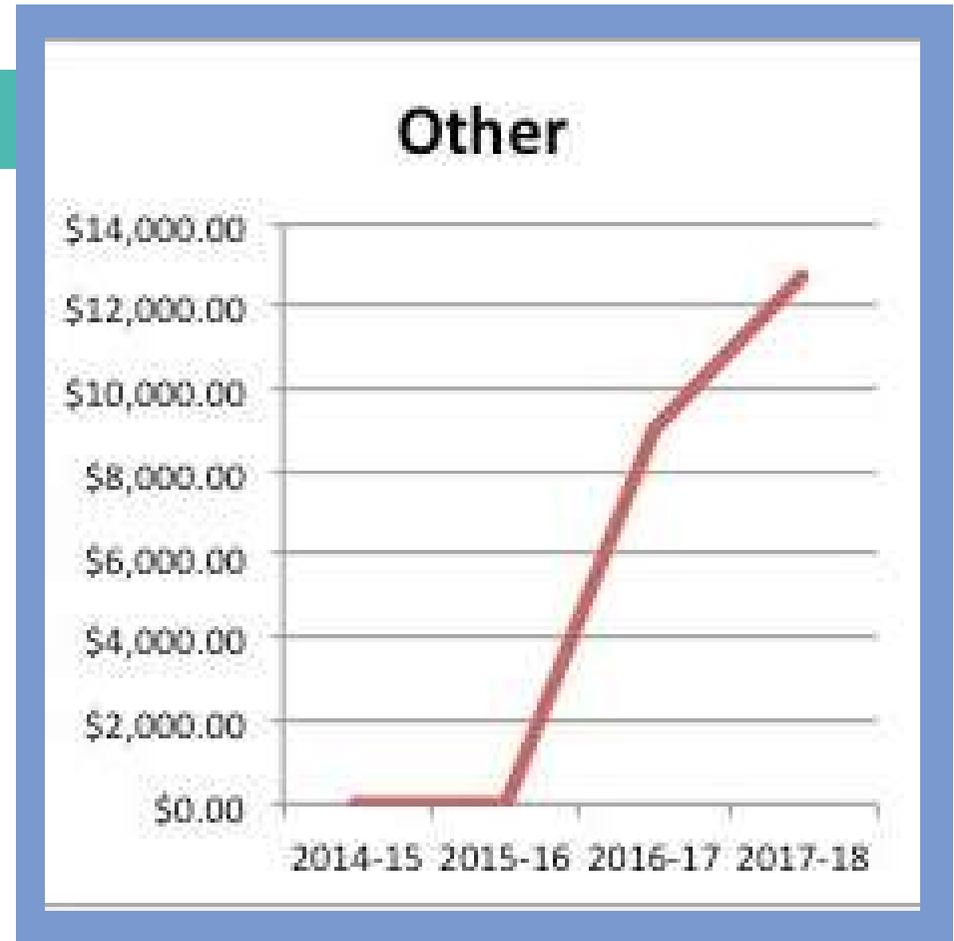


[CLICK HERE TO READ MORE ABOUT THE MENTORSHIP PROGRAM](#)



"OTHER"

I've lumped a few small things together to make the chart easier to read. Those things are: Field Telephone Expenses, Expenses associated with our Help for a Day Program, Random Field Transport and small Grants to other Field Partner Organizations.



And now, everybody's favorite topic: **ADMIN**

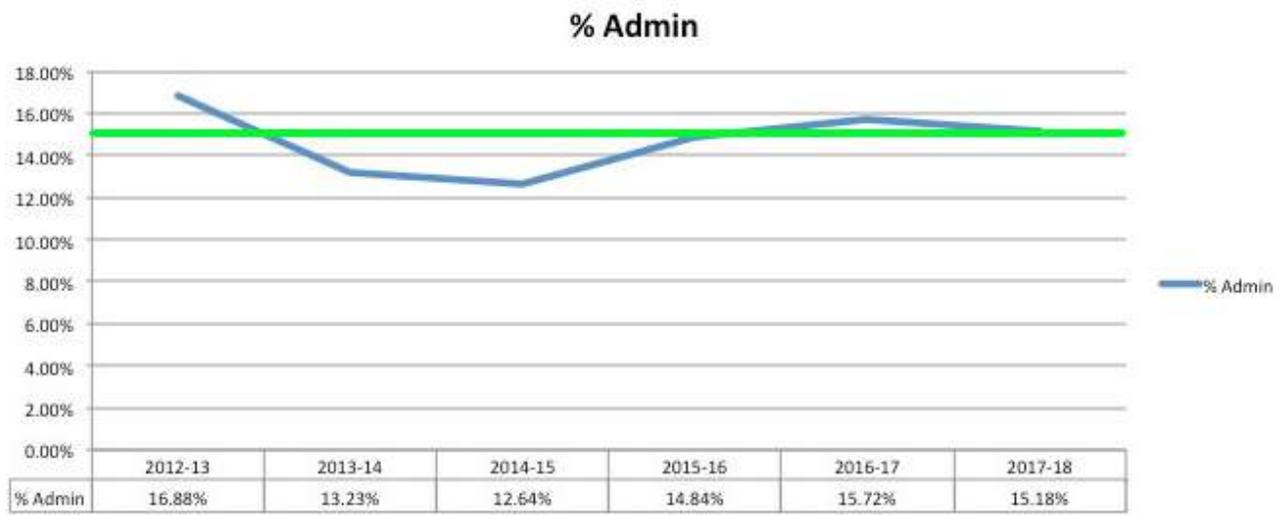
We have a target of 15% overhead and where that number comes from is frankly, **not known to us**, it just seems to be a commonly acceptable number for an organization our size. We don't make decisions solely based on what will happen to that number if we try new things. I know a few organizations who seem to fixate on their admin percentage, using some arbitrary number as a tool for deciding how or when to deploy projects. We won't ever be that kind of organization.

We make our decisions based on the needs of our communities and measure what impact will be on the people if we move ahead or not. We are grateful that our supporters understand that we will not be shackled by some random number, when no one on the planet can even explain to us what that number should be or how it should be calculated. Honestly, which expenses are admin? Which are project? There are no clear guidelines and so every organization comes up with their own criteria.

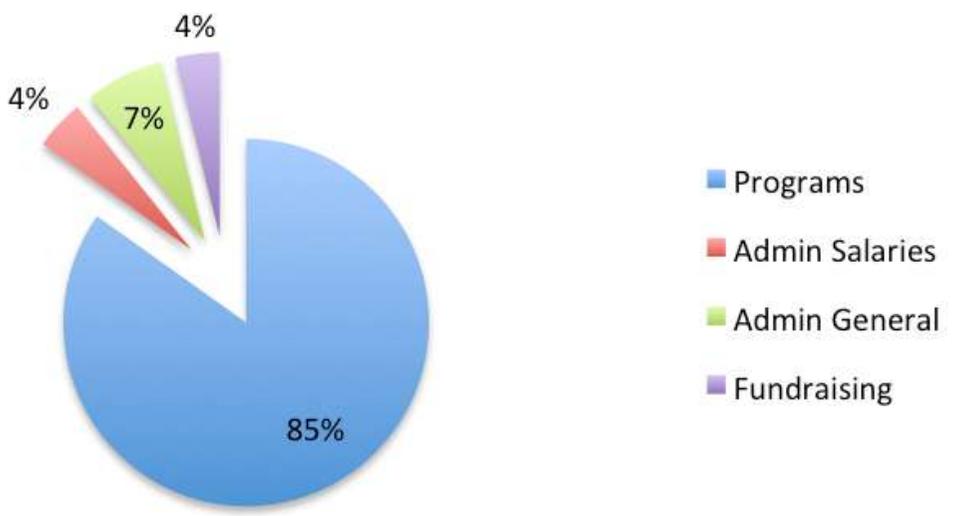
I find it hilarious that we all cling to some arbitrary number in light of that very messy fact.

While considering overhead we need to pay attention to other factors of nonprofit performance: transparency, governance, leadership, and most importantly, impact — as well as the costs of running those programs.

Here is a visual for what admin has been like for PLF across time. That green line is the magical 15%.



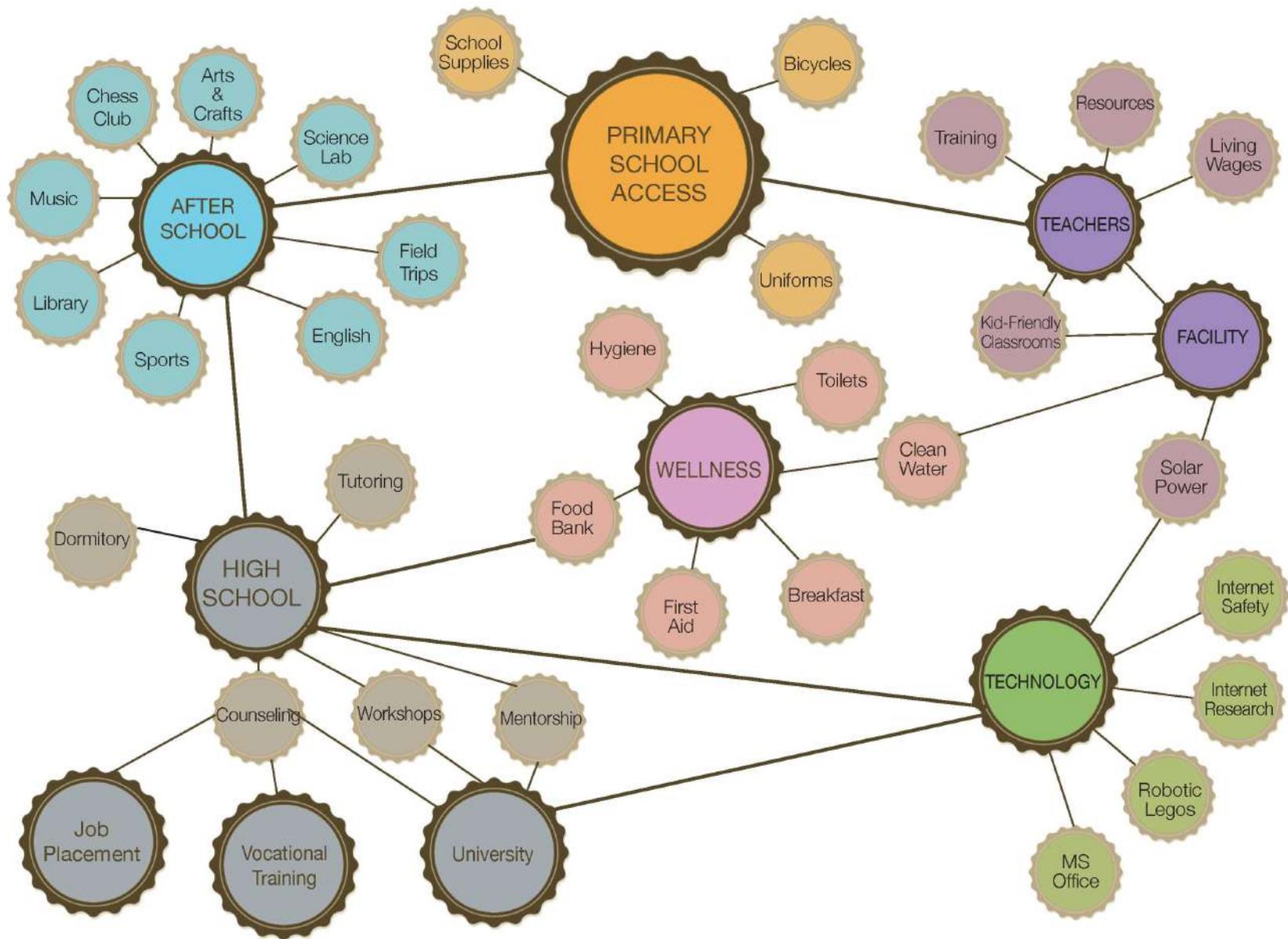
And here is a visual for the year that's just passed. 2017-2018 School Year





Again, I'd like to reiterate that we are not running the organization using the 15% admin number as a factor in any decision we make. Decisions are made based on their impact and its relationship to costs. Whatever admin it takes to lift something and make it work is what we spend. That is magically hovers around the mysterious 15% is an accident, to be frank.

I want to take a moment to share a visual on just how many programs PLF has running currently. These projects are running at multiple locations, some of them in remote areas. The oversight required to keep this many gears in motion is substantial.



From 100 feet up, PLF is just one big project that “helps kids go to school” but there are many moving parts to the holistic approach we take. Some of these projects are simple enough and require very little oversight, some of them are quite complex and require an extraordinary amount. The important thing is that they all need to stay spinning if we want the whole thing to work. I am proud of how well our small staff of 10 keeps this many gears greased and moving.

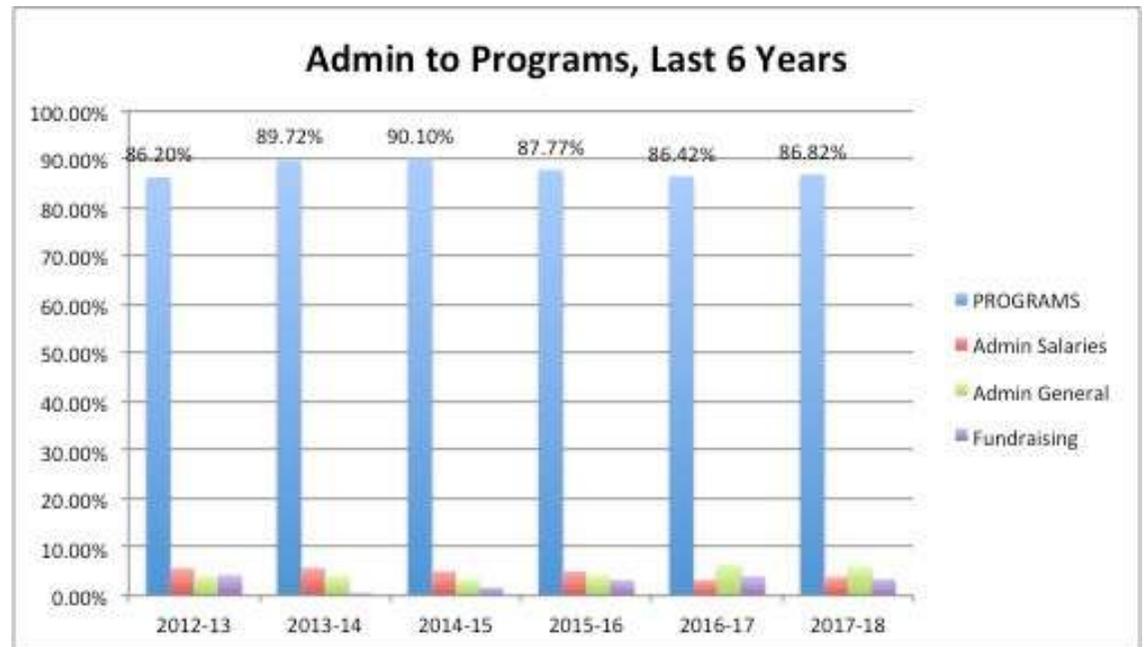
STRATEGY:

Dissecting Admin

The graph below shows what is considered “admin overhead” by PLF and the dance that is performed between general expenses, salaries and fundraising expenses over the last six years.



And a better way to look at it,
by %.



ADMIN ALCHEMY

Success has been found up to now with this magical formula:

General Admin:

Keep the staff equipped with the skills and tools they need to work efficiently. This number also includes rent, utilities, websites, office supplies, CPA's and Auditors. It also contains the massive amount of fees we must pay online donation merchants and wire transfer fees. Something new in the last two years is paying taxes in Cambodia. While the number is not huge, it is something we've had to factor in. Part of those taxes are to provide our Khmer Staff/Teachers with obligatory medical coverage and while medical care in Cambodia is not yet up to par, this is movement in the right direction to get the working class covered with health insurance and we're happy to pay it.

Fundraising:

Previously we have depended on our advocacy partners around the world to do a great deal of fundraising for us, which is why Fundraising has always been so much less than other admin expenses. We don't do costly gala events or pay Grant-writers, but we do travel a bit to give presentations; we do hire videographers and have other marketing expenses. An uptick in 2016-17 for fundraising had to do with us rebuilding the website.



[Click here to head to our website](#)

Admin Salaries:

Having enough trained staff working logistics on the ground to keep Ponheary and Lori freed up to focus on fundraising, training, and strategy. In the last few years we've hired a proper accountant who has brought competency to that role as well as sorting out a mountain of international HR issues and helping us navigate the new Cambodian tax laws. Hiring an experienced Operations Director then brought a higher level of competency in Monitoring and Evaluation as well as a new focus on capacity building for our young khmer staff. These moves are helping us continue to refine our projects and be more efficient. Well trained staff does more than just run the programs; they keep us on top of the data: whose scores are slipping and would a home visit help? Who is doing well and do we know why? What percentage of students are taking Computer classes? How many students do we have in advanced English? Which Tech teacher is producing the most highly skilled students?



In Cambodia we don't have on-line banking, paper checks, AR/AP or credit cards. What we have is a paper statement book, circa 1962, and stacks of cash. We process an average of 3 cash transactions per hour. Then there are multiple levels of reporting: to the IRS, to the Cambodian government, to you, to ourselves. We will always look for ways to get more efficient but will not jeopardize the smooth running of programs by being short-sighted about staff or making sure they have the tools and knowledge they need to do a great job.

The programs we've added in the last few years require a great deal of oversight and that equals admin costs. In Cambodia there is a tremendous amount of graft; we can choose to spend money on staff to keep the money in the tube until it reaches the students directly, or we can forego oversight and let it leak out all over the place, usually in a much larger sum than the salary of the overseer. The programs we've added in the last few years are trickier than simply having direct oversight at programs running at a primary school and have included high school scholarships, vocational training, university scholarships, workshops, residential care, career counseling, social work. Complex projects require more well-trained staff and more tools. It's been a great investment. Our projects run well and your money stays in the tube until it lands on the kids. When it does, it gets things done.



STABILITY:

We have always had the goal to keep at least one year of program budget in the bank at all times. We never want to face any students and tell them a program is over because we had a bad year. Charities, just like for-profit businesses, need to have a plan for every disaster. Holding assets can smooth out choppy income cycles, finance capital needs for expansion, allow us to make quick decisions and help us sleep at night. We hope our balance sheet helps you sleep at night too, knowing that we can continue to make your investments work well in the field no matter what might befall us.

I've had some feedback in the past from supporters who look at our balance sheet and somehow get the feeling that we don't need their funds. I've even had people wonder why we aren't "spending all the money every year". Really? What business does that? By stockpiling cash each year, we've been able to create a capital account with \$1,400,000 in it. That sounds like a lot of money doesn't it? It's not really. Let's take it apart.

- 1 We have a \$750,000 budget for school year 2018-19 and are currently half way through it, with \$400,000 left to expense.
- 2 We have \$130,000 in a University Scholarship escrow account. Those scholarships have been awarded in full and all the money necessary to complete the four-year degree is held in this account. That money shows up on our balance sheet but is already "spent".
- 3 \$40,000 is sitting in the bank waiting to expense on the construction project at Knar.
- 4 Next year's budget will be in the order of \$800,000.

The goal of putting away capital was to be able to keep one year ahead of any disaster and we've done it.



Why do we need a year's budget in the bank?

- PLF has a very well thought through succession plan. If something happens to Ponheary or I, the staff would be 100% able to continue running our projects, but where would the money come from? It would take our Board of Directors a good amount of time to find new leadership capable of raising \$800k per year. We would need a solid year's worth of funding to weather a storm of that magnitude.
- As we get larger, we are able to attract bigger donors. Big donors are all at once amazing and scary. What if one of you drops off and we have no capital to run your projects for however many months until we find new support? Do we walk into labs and rip out equipment, do we go to the dormitory and send girls home in the middle of the week because we hit a pothole?
- We need to be able to launch pilot projects and work out the kinks before offering up them up to our supporters for scale up. What donor is going to fund a pilot project that might have a 50% chance of meeting success? None. Innovation absolutely requires capital.

We need reserves to do all these things and more. We want to be able to sleep at night. 2,800 students, all their teachers and project directors are under our wing. Our students' futures depend on our stability. We never want to let them down. Please don't let our nest egg stop you from continuing to invest in us; on the contrary I hope it gives you a level of confidence that we can keep your money working through any kind of calamity.

**If you've made
it to the end of
this report,
I'm impressed!**



Numbers can be boring, but for me they tell valuable stories of failed attempts, of false starts, and of incredible success. As our organization gets older, it's become increasingly helpful to be able to look back across time and understand the mechanics of how we grow. I hope I've succeeded in helping those who want to have a closer look at the numbers understand more what those numbers really mean and I hope that you're as excited as we are about what we've accomplished and the direction we're headed.



Thank you!



Anyone who would like to see a copy of the IRS form 990, or our last audit, or if you have any questions or comments in general, please send an email to Lori@thepif.org.

