



Ponheary Ly Foundation
Finance Report
2014-2016



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. In this financial 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 2016 financials as painless as possible.

Before we begin, let me mention that this year (for the first time) we commissioned an **independent audit** and in that process had an even more in-depth analysis of things. We passed the audit with flying colors and we hope that it cements in further the extraordinary level of trust that we have with each other to do the right thing with your generosity.

The best part of all these spreadsheets is the stories they tell about how we've grown, or not, and generally help us measure if growth has been in the right directions and more importantly they show us how things are connected. How tweaking one end of something can bring measurable changes to the other end. They show us trends and sometimes throw red flags and they help us see the whole enchilada with a bit more clarity. We appreciate the chance to bring all of you into all those conversations. about what we are noticing.



An important note before proceeding.

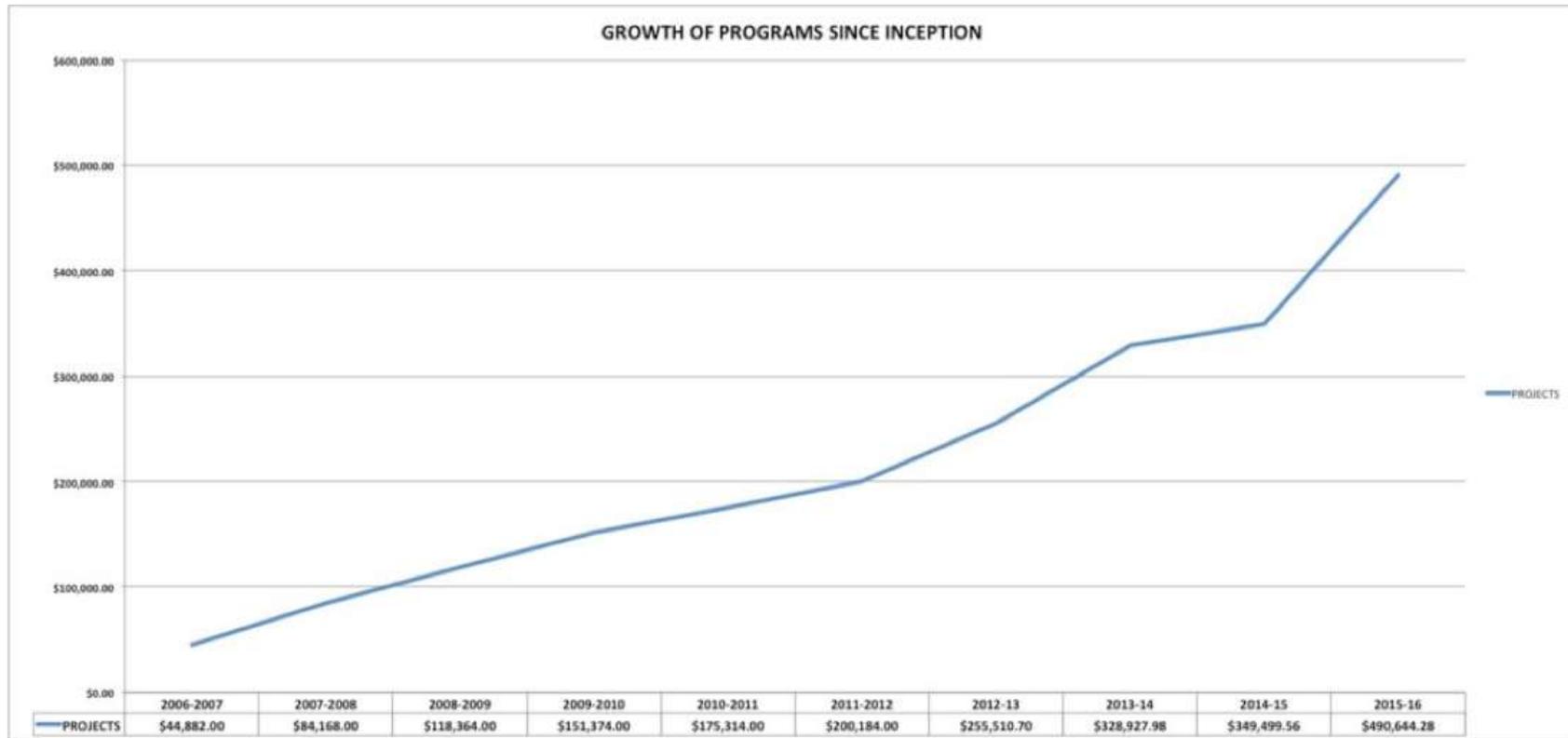
In 2016 we changed our IRS reporting cycle from calendar year to fiscal year. Our budget runs from October 1 to September 30, so we've filed a "short 990" for 2016 that goes from January 1 to September 30. Next year we will file from October to September and that 990 will include the entire school year. For the purpose of comparisons across years, our annual report here will cover the whole school year; if you download the 990 please be aware that it does not.

With all the numbers in this report expressed as "budget cycles" rather than calendar years, this annual report will match the audit and next year our 990 will match those two things and we will be very happy indeed to finally have everything in the same cycle!



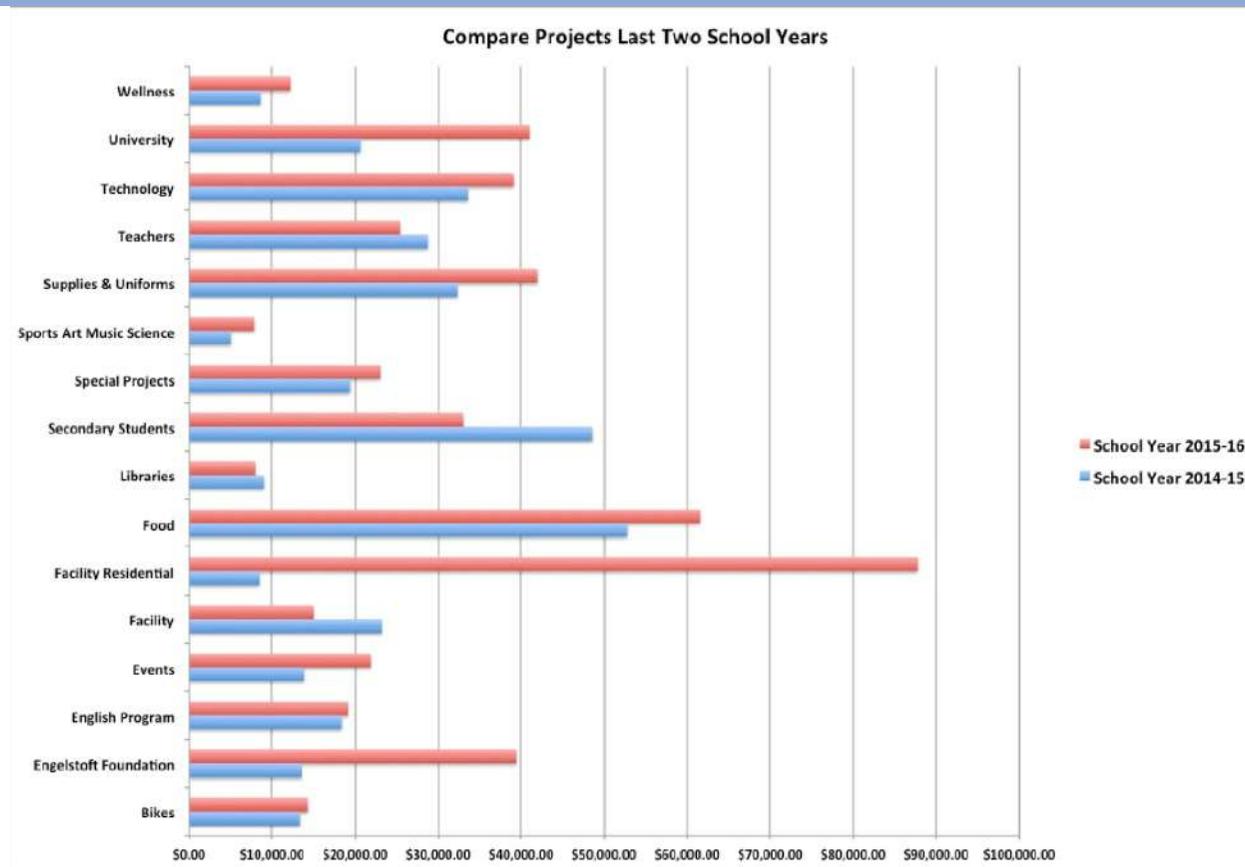
Let's begin with the simple stuff– the growth of the project in general.

We began simply and our growth the first five years was slow and steady, almost predictable and in 2011 we started to see our first plateau, which to Ponheary and I represented the end to how much two women could get done alone.



The above chart is total spending, strictly on programs. In the early days we see a nice steady growth upward with no hiccups. In 2012 when we started bringing on more staff and we were able to expand projects more dramatically, the slow and steady trajectory was over. Our new normal is the line that is much more spiky; growth seems to come in waves now and it's an important note to remember as we discuss further.

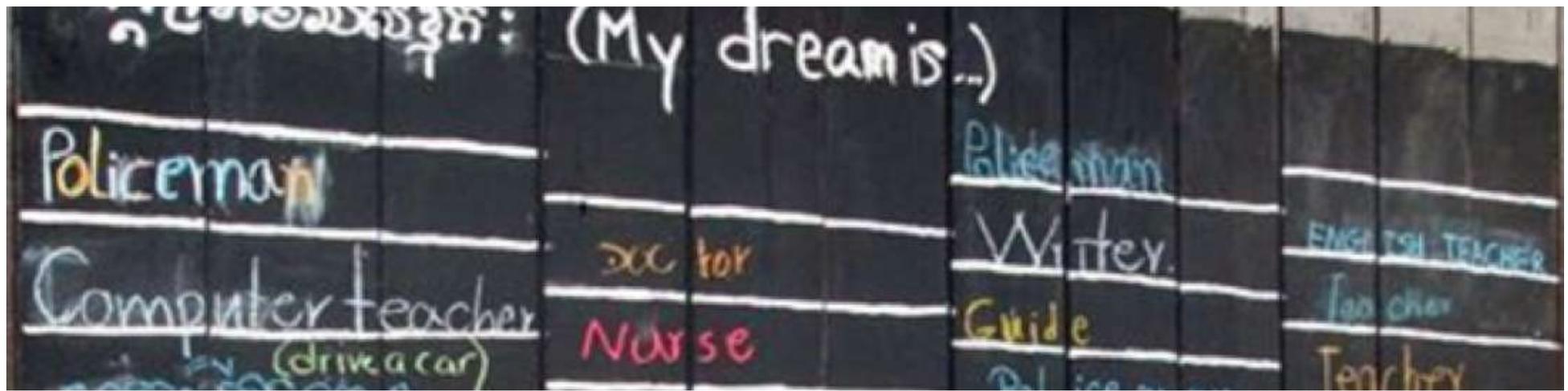
It's always useful to me to compare this year to last and have a look at what has changed. A few things really stand out.



Secondary school scholarships decreased. The good news is that only the money spent decreased, the number of students has remained strong. Graham Smith, who runs the Tertiary programming, collected sufficient data in the last few years to really refine our scholarship program by being a bit more surgical in terms of which students need which forms of support in order for them to pass grade 12 national exam.

[Read more about that here.](#)

This efficiency pays off in University scholarships. A huge uptick in scholarships last year has a few different causes, but the biggest one is the ability to move what used to be money spent at high school into college. Other contributors to the growth of University scholarships had to do with our ability to attract more scholarship donors and the sheer demand from students who come out of high school completely prepared to achieve a college degree. As our other programs “upstream” get more refined, this number continues to grow. We value it as an indicator of how well everything at primary school is running.



We are proud of how many of our students are now finishing high school, and the way our tertiary program has taken shape over the last few years. Whether students enter Vocational training or otherwise enter the workplace or whether they continue their education at University, they are surpassing whatever wild dreams we might have had for them in the beginning. [I hope you'll take a moment to read more about the successes of our graduates](#)

The next really huge growth area is in “Facility Residential” as we continue to find ways to support students who are living far from home so that they might finish high school or complete vocational training. You may remember that in October 2015 we took over financial control and management of the [Girls Dormitory at Angkor High School](#) in Siem Reap town. The facility belongs to the Cambodian government and houses 56 girls who come from districts all over the province where there is not upper secondary school available. (Grades 10-12) These girls are the top of their class in their villages and are selected by the Ministry of Education to come to Siem Reap to complete High School. Over the last few years we have brought girls from our rural projects to this facility and were forced to take the project over to keep it running to a high enough standard. It is a big, expensive project and was not always going in the direction we would have liked under the auspices of the Ministry and the High School. After a year of banging our heads on a wall, we decided to establish our own girl’s dormitory and removed the 17 PLF girls from the government dorm to our own facility. In October we began again, this time having 100% control.

Not wanting to completely abandon the girls in the government program, we continue to supply all 56 of them with food, toiletries and health insurance, to the tune of \$30,000 per year. The PLF makes sure their basic needs are met, then it’s up to the government to work out how to fund and run all other aspects of the girl’s experience while under their care.

These two projects have sent our expenses for residential housing through the roof. Next year it will level off as we wean the government dorm off the budget.



In addition to these two dormitories for girls, we continue to operate and improve the dormitories at Srayang in Preah Vihear Province and the **Boys Dormitory** in Siem Reap. All these facilities have been put in place to make a way for bright students in remote areas to complete high school and have access to tertiary education. These homes also provide a place for us to house girls who are at risk for exploitation or who have been abandoned.

We currently have over 100 students in residential housing.

Another small victory worth noting is a decrease in teacher support.

This has to do with primary school teachers who are employed by the government but not paid a living wage. This underpayment of wages causes teachers everywhere in Cambodia to charge kids to come to school. At the schools we are supporting, we've always given each teacher a small stipend to bring them up to a living wage and stop the practice of children paying for classes. For the second year in a row, the government has increased teachers wages and we've pulled back our support accordingly. This is all very good movement in the right direction.



There were a couple of contributors to food expenses going up this year.

One was the 18 month drought that drove food prices up in general. A bigger contributor was moving all the students at Knar school to the morning schedule (rather than half in the morning, half in the afternoon) so that all children could have breakfast every day, rather than on rotation. Breakfast expenses at Knar School then doubled and our field partners at **Eyes-Open** met the challenge.



The Englestoft Foundation:

PLF has agreed to umbrella projects for a small 501c3 that operates projects at middle schools where PLF students go after leaving Tchey Primary School. EFF also wants technology projects at their schools and needs ground staff to provide necessary oversight. PLF has taken over ground management of English programs at two EFF schools and the computer lab at another and also does financial management of construction projects for Englestoft. In 2015-16 we see big growth in the Englestoft project because of a water tower that was constructed in the Chansar community. We see it as a testimony to how lean and clean PLF is, that other NGOs would ask us for assistance in running their programming.





We are all very happy with the way all our projects have been refined this year. Our primary school program is working very well indeed, as evidenced by how much growth we've seen in secondary and tertiary education. Our focus now turns to services for our older students: better technology classes, higher levels of English education, job skills training, workshops, residential housing, books and more books, and a better, more data-driven focus on the needs of our ever-growing older student body. More than a couple of times it's been asked why we don't take another primary school and "grow wider"; the response for now is "We will not go wider until we are finished going deep; until we can know for sure we've stood with our current 2,800 students as far as they can go".

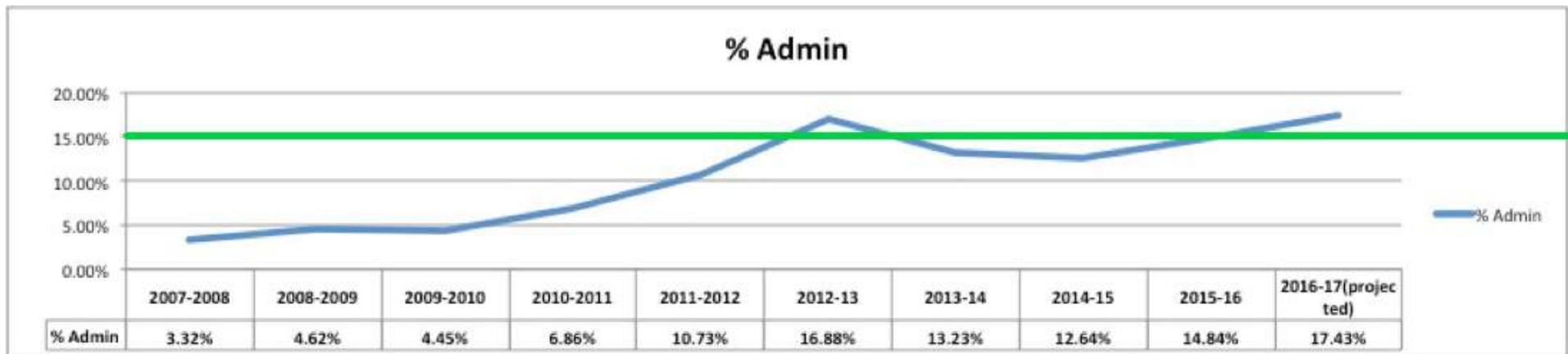
And now, here is everyone's favorite topic: Admin.

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%.



I think it's safe to say that we will have short peaks over that line every time we are gearing up for a big push forward then dip below it during deployment. There does seem to be a pattern settling in. Next year (projected) will see us making the final investments for the next growth pattern and I predict it will settle back in for the 2-3 years following.

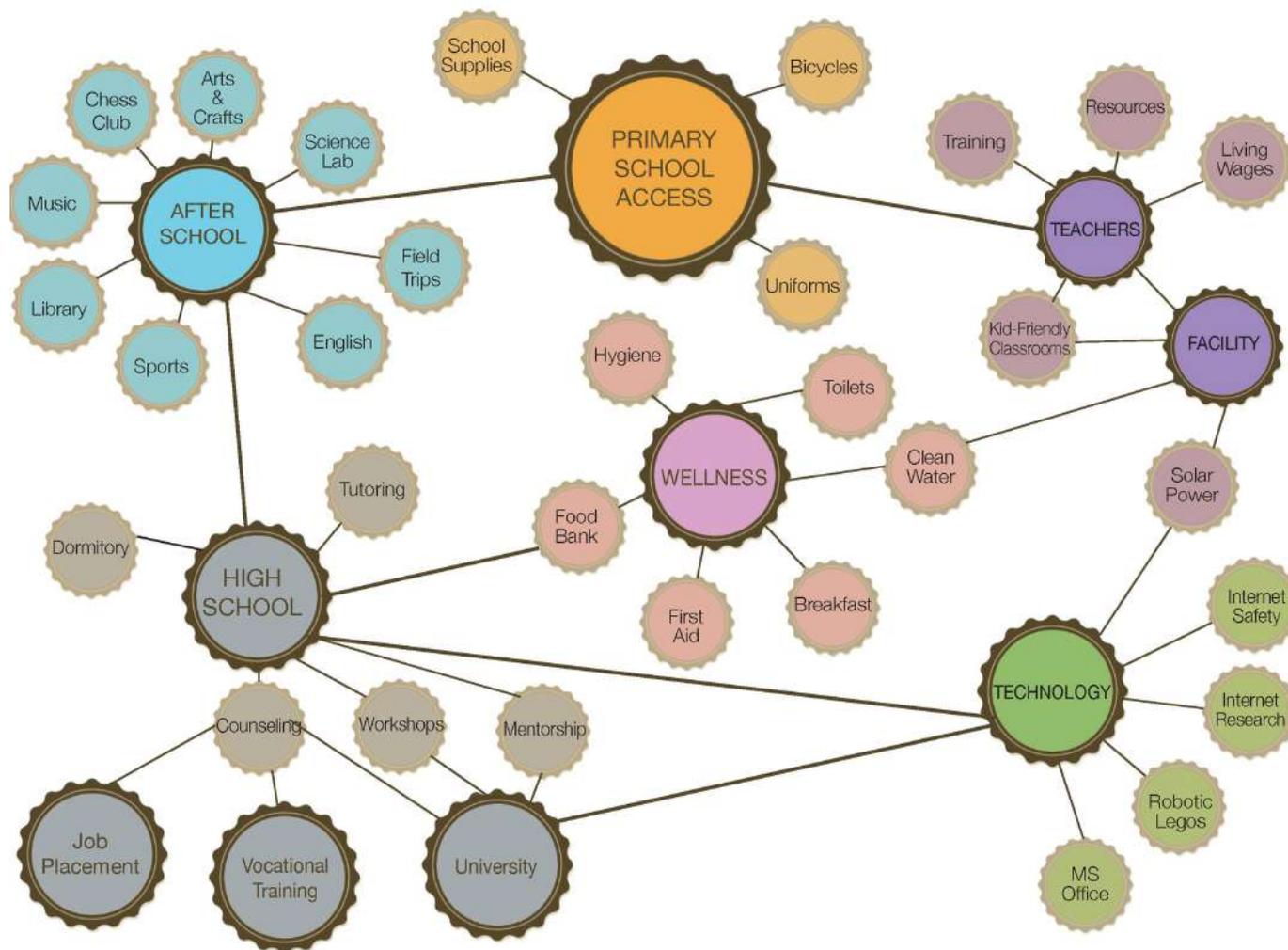
Our strategies for growth always begin with a period of making investments in the most critical areas of up-skilling staff. Then refining evaluation procedures and internal systems. It can sometimes include the addition of a new staff member or sometimes new tools. Only then do we begin the push of scaling up projects or adding new ones. This becomes more and more critical as our projects become more complex.

It's common sense that a foundation absolutely must be laid if we want to see the house stand. When we want to grow, we do what any business does.

This school year we are turning a bit inward: giving more attention to up-skilling our young staff, learning to use tools that will help us communicate and enter data from the field, building new workshop content and evaluating mountains of data on student performance. We know that a lot of our programs “work”, but we want to know why. We are also investing in teacher training, especially in our ever growing English program.



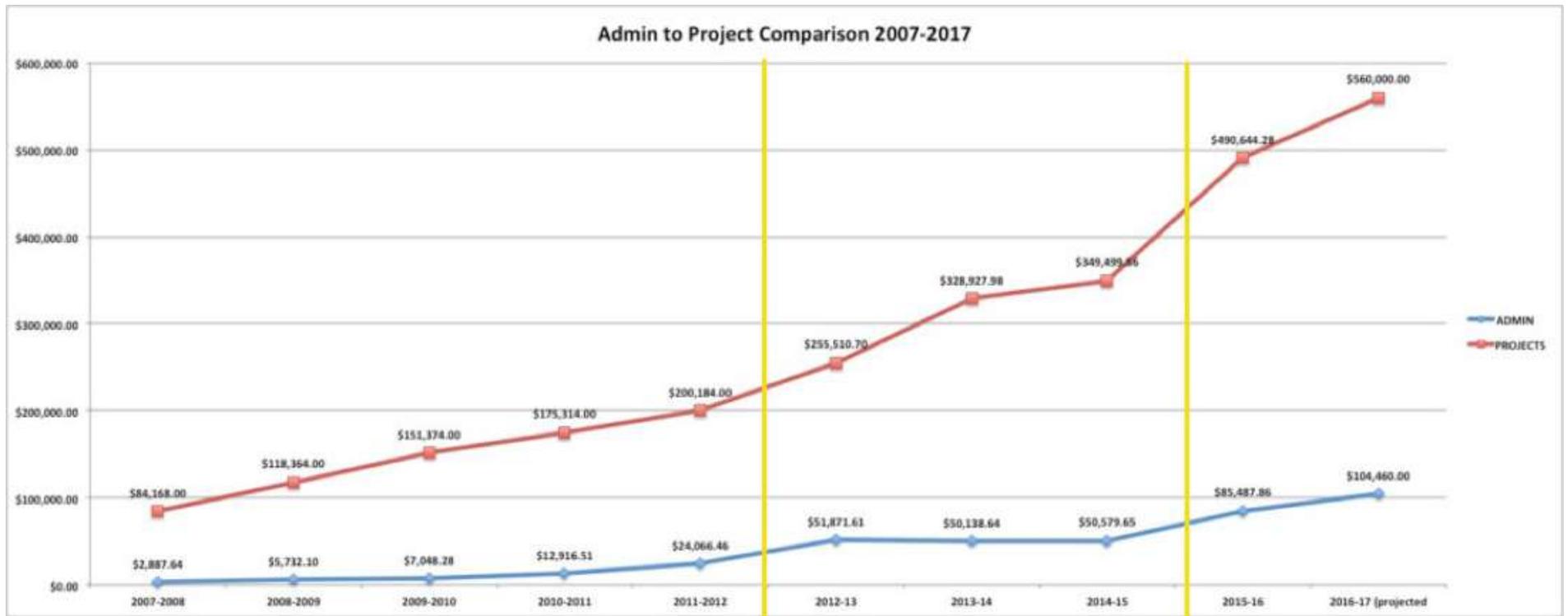
I want to take a moment to share a visual on just how many programs PLF has running currently. These projects are running at multiple locations, some of them in remote areas. The oversight required to keep this many gears in motion is substantial.



From 100 feet up, PLF is just one big project that "helps kids go to school" but just look at how many moving parts there are 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

If we examine the ratio of admin to projects we can see the way that PLF goes about the business of growth. First we sock away some capital. We use it to make investments in our ground staff and do a couple of pilots. We examine, measure and adjust. We acquire tools and skills when it becomes clear they are needed. Then we deploy.



A couple of interesting things are gleaned from the chart above. Blue line is admin, red line is projects. I can see three phases and have put a yellow line to denote them. The first five years is that steady trajectory we spoke of earlier, Ponheary and I slowly learning and growing. Then came a bump in admin, followed by admin leveling off, supporting a big spike in program growth.

School year 2015-16 is the beginning of a repeat on that pattern and the projection for 2016-17 should bring the leveling off stage. This new investment stage supports an already huge spike in programs. Something noteworthy is that this chart only represents dollars spent. That big red growth spike doesn't convey the quality and refinement of the projects we are growing.

DISSECTING ADMIN

The graph below shows what is considered “admin overhead” by PLF and the dance that is performed by general expenses, salaries and fundraising expenses over the last four years. (In the years running up to this we didn’t have much admin overhead as Ponheary and Lori could run the projects on our own)



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 (the red line) This number 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.



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

Fundraising:

Previously we have depended on our advocacy partners around the world to do a great deal of fundraising for us, which is why our green line has always been so much less than other admin expenses. We don’t do costly gala events, but this year we will spend some money on “marketing”. We need to build a new website that is “mobile friendly”, as more than 50% of our visits on the website are done on phones, who knew? We also spent some money this year to send Ponheary to New York to fetch the World of Children Award and the attendant prize.

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. (the blue line) This year we hired a proper accountant who has brought competency to that role as well as sorting out a mountain of international HR issues. Removing those burdens helped us get our first external audit done.

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 is multiple levels of reporting: to the IRS, to the Cambodian government, to you, to ourselves. It's a big job and we are grateful to have Sherry on board to help us keep it all "tickety-boo".

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.

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.

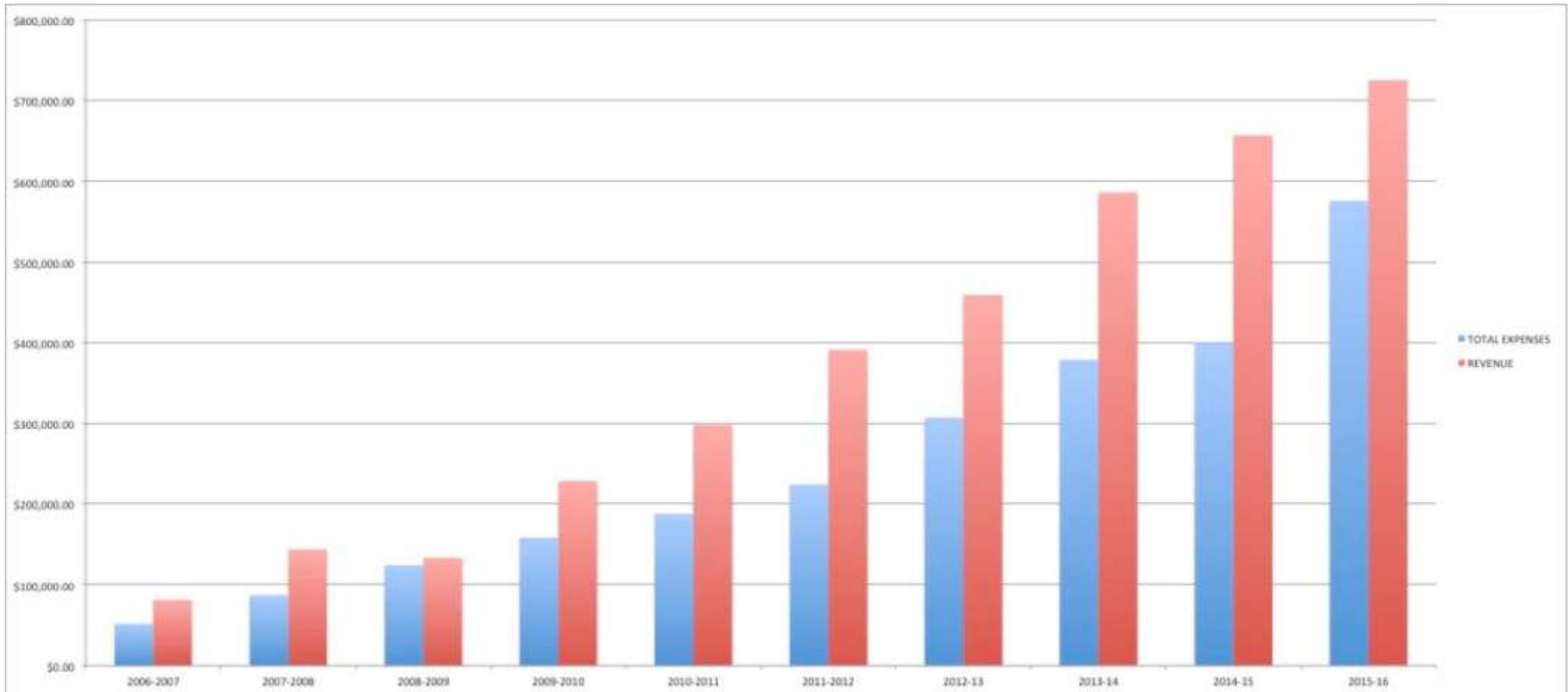
Well trained staff does more than just run the programs; they keep us on top of the data: whose scores are slipping and would a home visit help? Who is doing well and do we know why? What percentage of students are taking Computer classes? How many students do we have in advanced English? What English teacher is producing the most highly skilled students? We need to know these things to make informed decisions and that's impossible without terrific staff.



STABILITY

We have always had the goal to keep one year of program budget in the bank at all times. Since the beginning, we've struggled for that stability. 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.

Ever year we sock away more than we spend. This is no accident; we wanted to build stability and we did. This chart tells the story. Blue lines are all the money we spend every year, red lines are all the money you give us every year.



I've had some feedback lately 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 \$1,000,000 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 \$600,000 budget for school year 2017-18 and are currently half way through it, with \$300,000 left to expense.
- 2 We have \$110,000 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 The \$590,000 remaining is next year's budget. The goal of putting away cash was to be able to keep one year's budget in the bank and we've done it!

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



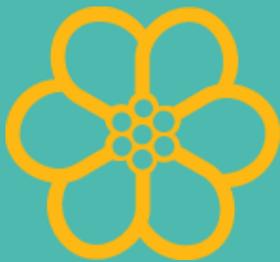
Why do we need a year's budget in the bank?

- 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 \$700k 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 also want to be able to sleep at night. 2,791 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.

In the coming year we expect to make our first major dip into the nest egg as we make the needed investments necessary for the next push forward. We will examine how well that plan worked out for us this time next year.

**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@theplf.org.

