

Skateistan Cambodia Association

Management report
and
Audited special purpose financial statements

for the year ended 31 December 2014

Skateistan Cambodia Association

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Skateistan Cambodia Association

MANAGEMENT REPORT

Management of Skateistan Cambodia ("the Organization") is pleased to present its report and the Organization's audited special purpose financial statements as at 31 December 2014 and for the year then ended.

THE ORGANIZATION

The Organization is a local non-government organization registered with the Ministry of Interior of the Royal Government of Cambodia on 19 April 2012.

The Phnom Penh-based Organization uses skateboarding and other creative activities to engage and empower youth. The Organization works with youth aged 5 - 25 from diverse backgrounds, with a focus on disadvantaged and street working children. Through regular skateboarding lessons and events, the Organization equips boys and girls with the confidence to lead their communities toward social change and development.

The Organization's registered office is at No. 26, Street 135, Sangkat Phsar Doeurn Tkov, Khan Chamkar Morn, Phnom Penh, Kingdom of Cambodia.

The Organization has 10 employees as at 31 December 2014 (2013: 10 employees).

RESULTS

The Organization prepares an annual budget for its expenditures based on available fund in each year. The actual excess or deficit for the year is accumulated with fund balance.

Deficit of income over expenses for the year ended 31 December 2014 was US\$ 2,751 (2013: excess of income over expenses of US\$13,203).

EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the special purpose financial statements.

THE MANAGEMENT

Members of the management during the year and at the date of this report are:

Mr. Oliver Percovich	Executive Director
Ms. Claire Dugan	Finance Director
Mr. Benjamin Pecqueur	Country Manager

AUDITOR

Ernst & Young (Cambodia) Ltd., is the auditor of the Organization.

Skateistan Cambodia Association

REPORT OF MANAGEMENT (continued)

STATEMENT OF MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

Management is responsible for the special purpose financial statements which are prepared, in all material respects, to present the financial position of the Organization as at 31 December 2014, and its income and expenses for the year then ended in accordance with the accounting policies described in Note 2 to the special purpose financial statements. In preparing these special purpose financial statements, management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the special purpose financial statements on a going concern basis unless it is inappropriate to assume that the Organisation will continue operations in the foreseeable future; and,
- Set overall policies for the Organization, ratify all decisions and actions that have a material effect on the operations and performance of the Organization, and ensure they have been properly reflected in the special purpose financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Organization and to ensure that the accounting records comply with the applicable accounting system. It is also responsible for safeguarding the assets of the Organization and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management has confirmed that the Organization has complied with the above requirements in preparing the accompanying special purpose financial statements.

APPROVAL OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

We hereby approve the accompanying special purpose financial statements which are prepared, in all material respects, to present the financial position of the Organization as at 31 December 2014, and its income and expenses for the year then ended in accordance with the accounting policies described in Note 2 to the special purpose financial statements.

On behalf of the Management:




Mr. Benjamin Pecqueur
Country Manager

Phnom Penh, Kingdom of Cambodia

30 March 2015

Reference: 61116889/17083818

INDEPENDENT AUDITORS' REPORT

To: The Management of Skateistan Cambodia

We have audited the accompanying special purpose financial statements of Skateistan Cambodia Association ("the Organization"), which comprise the balance sheet as at 31 December 2014, and the statement of income and expenses for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared by the management in accordance with the accounting policies described in Note 2 to the special purpose financial statements.

Management's responsibility for the special purpose financial statements

Management is responsible for the preparation of these special purpose financial statements in accordance with the accounting policies described in Note 2 to the special purpose financial statements, and for such internal control as management determines necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with Cambodian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose financial statements of the Organization as at 31 December 2014 and for the year then ended are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the special purpose financial statements.



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Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to meet the Organization's financial reporting requirements. As a result, the special purpose financial statements may not be suitable for another purpose.



Maria Cristina M. Calimbas
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

30 March 2015

Skateistan Cambodia Association

STATEMENT OF INCOME AND EXPENSES for the year then ended 31 December 2014

	Notes	For the year ended 31 December 2014 US\$	For the year ended 31 December 2013 US\$
INCOME			
Grant income	3	76,339	69,132
Contributions	4	6,400	14,080
Donations	5	2,290	10,613
Income from sale of branded items	6	80	150
Other income	7	1,060	500
		<u>86,169</u>	<u>94,475</u>
EXPENSES			
Staff cost	8	38,084	28,721
Rental	9	15,919	16,062
Supplies	10	6,219	14,148
Depreciation	16	6,683	5,812
Insurance		4,142	648
Professional fees		3,800	-
Travel		3,611	1,907
Utilities		2,401	1,759
Repairs and maintenance		1,614	4,075
Communication		1,930	2,284
Fuel		973	2,087
Events		971	521
Bank charges		238	208
Others		2,335	3,040
		<u>88,920</u>	<u>81,272</u>
(DEFICIT) EXCESS OF INCOME OVER EXPENSES		<u>(2,751)</u>	<u>13,203</u>

Skateistan Cambodia Association

BALANCE SHEET
as at 31 December 2014

	Notes	2014 US\$	2013 US\$
ASSETS			
Current assets			
Cash	11	17,059	18,734
Deposits	12	4,907	4,600
Prepayments	13	2,609	4,153
Other receivables	14	14,969	20,441
Other assets	15	13,444	3,422
		<u>52,988</u>	<u>51,350</u>
Non-current assets			
Property and equipment	16	<u>5,206</u>	<u>8,961</u>
TOTAL ASSETS		<u>58,194</u>	<u>60,311</u>
LIABILITIES AND FUND BALANCE			
Current liabilities			
Deferred income	17	25,336	24,172
Other payable	18	<u>156</u>	<u>686</u>
		<u>25,492</u>	<u>24,858</u>
Fund balance			
Beginning fund balance		35,453	22,250
Excess of income over expenses		<u>(2,751)</u>	<u>13,203</u>
		<u>32,702</u>	<u>35,453</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>58,194</u>	<u>60,311</u>

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
as at and for the year then ended 31 December 2014

1. THE ORGANIZATION'S BACKGROUND

Skateistan Cambodia is a local non-governmental organization that received official registration from the Ministry of Interior of the Royal Government of Cambodia on 19 April 2012.

The Organization is based in Phnom Penh that uses skateboarding and other creative activities to engage and empower youth. The Organization works with youth aged 5 - 25 from diversified backgrounds, with a focus on disadvantaged and street working children. Through regular skateboarding lessons and events, the Organization equips boys and girls with the confidence to lead their communities toward social change and development.

The Organization's registered office is at No. 26, Street 135, Sangkat Phsar Doeurn Tkov, Khan Chamkar Morn, Phnom Penh, Kingdom of Cambodia.

The Organization has 10 employees as at 31 December 2014 (2013: 10 employees).

The special purpose financial statements were approved for issue by management on 30 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The special purpose financial statements of the Organization, expressed in United States dollar ("US\$"), have been prepared based on the historical cost convention under the accrual basis of accounting.

The accounting policies set out below have been consistently applied by the Organization during the year.

Fiscal year

The Organization's fiscal year starts on 1 January and ends on 31 December.

Accounting currency

The Organization maintains its accounting records in US\$. Monetary assets and liabilities in currencies other than US\$ are translated into US\$ at the rates of exchange ruling at the balance sheet date and transactions in currencies other than US\$ are translated into US\$ at the rates of exchange prevailing on the transaction date. Exchange differences are dealt within the statement of income and expenses.

Recognition of revenue

Income

The Organization classifies its income into five categories: grant income, donations, contributions, earned income and other income.

Grant income

This represents funds received from donors according to the respective grant agreement entered between the Organisation and the donor. Grant income is recognized in the period in which the performance conditions imposed by the grant are met.

Contributions

Contributions represent the property, tools and equipment received from donors that the Organization has already used during the year.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of revenue (continued)

Donations

Donations are funds received from visitors or individuals interested in supporting general and specific activities of the Organization. Donations are recognized on a receipt basis.

Sale of branded items

This represents income generated from sale of Skateistan T-shirts to visitors who have visited the Organization. Income from such sale is recognized when the goods are delivered to the customer and the proceeds from the transaction are realised.

Other income

Other income includes allowance receipt for expenses claimed from an overseas conference.

Recognition of expenditure

Expenditure is recognized in the statement of income and expenses when cash is paid rather than when the obligation to pay them arises, except for the following which are accrued at the end of the month:

- Taxes which include tax on salary and withholding tax on rental
- Operational expenses initially paid by the employees

Cash

Cash consists of cash on hand and in banks that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Lease deposits

Lease deposits represent amounts deposited for future services such as house rental and internet.

Prepayments

Prepayments represent monthly rental amounts prepaid to lessors which are amortised over the period of benefit.

Other receivables

Other receivables represent amounts collectable from related parties, third-parties and others.

Other assets

Other assets represent skateboarding tools and equipment received as donation from Skateistan Head Quarter in Germany. Donated goods are recognized at fair value on the date of receipt based on reliable source of information such as supplier invoices, agreements or available market value.

Payable and accrual

Payable and accrual are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Organization.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred grant

Deferred income represents the portion of grant received from a donor that will be used to pay operational expenses in the next coming year. Included also in the balance of this account is the equivalent carrying value of donated fixed assets and skateboarding equipment which will be realized as income from contributions at the same amount of depreciation and amortization recognized for these donated assets at each reporting period.

Taxation

The Organization is exempt from income tax as per Article 9 (New) of the Cambodia Law on Taxation, accordingly no provision for income tax has been made in the special purpose financial statements.

Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

All financial assets are recognized initially at fair value. The Organization's financial assets include bank balances.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value. There were no financial liabilities of the Organization at year end.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realized the assets and settle liabilities simultaneously.

Fair value of financial instruments

Carrying amounts of financial assets approximate their fair values.

Contingencies

Contingent liabilities are not recognized in the special purpose financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the special purpose financial statements but are disclosed in the notes when inflows of economic benefits are probable.

Events after the end of the reporting period

Post year-end events that provide additional information about the Organization's position at the reporting period (adjusting events) are reflected in the special purpose financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the special purpose financial statements when material.

Corresponding figures

Certain corresponding figures have been reclassified to conform with current year's presentation.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2014

3. GRANT INCOME

Grant income comprises funds received from the following donors which were recognized as income according to the terms of the respective grant agreements:

	<i>For the year ended 31 December 2014</i>	<i>For the year ended 31 December 2013</i>
	US\$	US\$
Skateistan gGmbH	54,765	15,570
Skateistan eV	11,400	-
Games 4 Good Foundation	7,500	-
Prince Claus	2,674	-
Skateistan USA	-	53,562
	<u>76,339</u>	<u>69,132</u>

4. CONTRIBUTIONS

Contributions represent the depreciation and amortization amounts of donated fixed assets and skateboarding equipment from Skateistan gGmbH.

	<i>For the year ended 31 December 2014</i>	<i>For the year ended 31 December 2013</i>
	US\$	US\$
Skateboarding tools and equipment	3,672	13,030
Vehicle	875	175
IT equipment	734	875
Other supplies	1,119	-
	<u>6,400</u>	<u>14,080</u>

5. DONATIONS

	<i>For the year ended 31 December 2014</i>	<i>For the year ended 31 December 2013</i>
	US\$	US\$
Quiksilver Foundation	-	9,966
Others	2,290	647
	<u>2,290</u>	<u>10,613</u>

6. SALE OF BRANDED ITEMS

This represents income generated from sale of Skateistan shirts to visitors who visited the Organization.

7. OTHER INCOME

	<i>For the year ended 31 December 2014</i>	<i>For the year ended 31 December 2013</i>
	US\$	US\$
Gain on sale of fixed assets	550	-
Rental income	510	-
Funds received for conference costs	-	500
	<u>1,060</u>	<u>500</u>

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2014

8. STAFF COST

	<i>For the year ended 31 December 2014 US\$</i>	<i>For the year ended 31 December 2013 US\$</i>
Salaries	37,600	28,561
Staff training	484	160
	<u>38,084</u>	<u>28,721</u>

9. RENTAL

Rental represents payments for Skatepark and guest house.

10. SUPPLIES

Supplies represent skateboarding tools and equipment, learning materials and office stationary.

11. CASH

	<i>2014 US\$</i>	<i>2013 US\$</i>
Cash in bank	17,029	17,809
Cash on hand	30	925
	<u>17,059</u>	<u>18,734</u>

12. DEPOSITS

Deposits represent amounts deposited for house rental and internet subscription.

13. PREPAYMENTS

Prepayments comprise amounts prepaid for rental and insurance service.

14. OTHER RECEIVABLES

	<i>2014 US\$</i>	<i>2013 US\$</i>
Skateistan gGmbH	12,093	20,218
Prince Claus	2,674	-
The Games 4 Foundation	202	-
Others	-	223
	<u>14,969</u>	<u>20,441</u>

15. OTHER ASSETS

Other assets represents skateboarding equipment and spare parts at year end.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2014

16. PROPERTY AND EQUIPMENT

2014	Leasehold improvement US\$	IT & multimedia equipment US\$	Sports equipment US\$	Motor vehicles US\$	Furniture and fixtures US\$	Total US\$
Cost						
As at 1 January 2014	697	4,802	4,000	7,375	1,891	18,765
Additions	-	1,701	-	3,664	-	5,365
Disposals	-	-	-	(3,060)	(127)	(3,187)
Write-offs	-	(95)	-	(3,500)	-	(3,595)
As at 31 December 2014	697	6,408	4,000	4,479	1,764	17,348
Less: Accumulated depreciation						
As at 1 January 2014	279	3,426	1,600	3,666	833	9,804
Depreciation	139	2,401	800	2,870	473	6,683
Disposals	-	-	-	(1,530)	(95)	(1,625)
Write offs	-	(95)	-	(2,625)	-	(2,720)
As at 31 December 2014	418	5,732	2,400	2,381	1,211	12,142
Net book value	279	676	1,600	2,098	553	5,206

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2014

16. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvement US\$	IT & multimedia equipment US\$	Sports equipment US\$	Motor vehicles US\$	Furniture and fixtures US\$	Total US\$
Cost						
As at 1 January 2013	697	2,050	4,000	7,290	1,442	15,479
Additions	-	3,062	-	85	449	3,596
Disposals	-	(310)	-	-	-	(310)
As at 31 December 2013	697	4,802	4,000	7,375	1,891	18,765
Less: Accumulated depreciation						
As at 1 January 2013	140	1,025	800	1,822	360	4,147
Depreciation	139	2,556	800	1,844	473	5,812
Disposals	-	(155)	-	-	-	(155)
As at 31 December 2013	278	3,426	1,600	3,644	833	9,804
Net book value	419	1,376	2,400	3,731	1,058	8,961

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2014

17. DEFERRED INCOME

Deferred income represents the portion of grant received from Skateistan Head Office for payment of operational expenses in the next coming year.

	2014 US\$	2013 US\$
Prince Claus	8,022	-
Games 4 Good Foundation	2,500	-
Skateistan gGmbH	-	19,000
Equivalent value of outstanding:		
Donated fixed assets	1,369	1,750
Skate inventory	13,445	3,422
	<u>25,336</u>	<u>24,172</u>

18. OTHER PAYABLES

Other payables represent amount payable to tax authorities and other.

19. RELATED PARTY DISCLOSURES

Related parties include Skateistan gGmbH and Skateistan USA by virtue of common directorship.

Transactions and balances with related parties during and as at year end are as follows:

	<i>Related party</i>	<i>Relationship</i>	2014 US\$	2013 US\$
<i>Balance sheet</i>				
Other receivable	Skateistan gGmbH	Head Office	12,093	20,218
Deferred grant	Skateistan gGmbH	Head Office	-	19,000
<i>Income statement</i>				
Grant received	Skateistan gGmbH	Head Office	54,765	15,570
	Skateistan eV	Affiliate	11,400	-
	Skateistan USA	Affiliate	-	53,562
Donated items	Skateistan gGmbH	Head Office	13,695	1,696

20. TAX CONTINGENCY

The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Organization could be significant.



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