

Skateistan Cambodia Association

Management report
and
Audited special purpose financial statements

for the year ended 31 December 2015

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 2015 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 9 employees as at 31 December 2015 (2014: 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.

Excess of income over expenses for the year ended 31 December 2015 was US\$ 593 (2014: deficit of income over expenses of US\$ 2,751).

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 2015, 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 2015, 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 2016



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Ernst & Young (Cambodia) Ltd.
5th Floor, Emerald Building
#64 Norodom Boulevard corner Street 178
Sangkat Chey Chumneah, Khan Daun Penh
12206 Phnom Penh, Kingdom of Cambodia

Tel: +855 23 860 450/451
Fax: +855 23 217 805
ey.com

Reference: 61116889/18257898

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 2015, 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 auditors consider 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 2015 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.

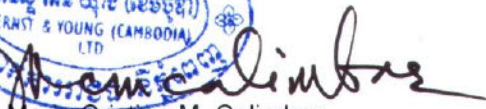


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Basis of accounting and restriction on distribution and use

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 2016

Skateistan Cambodia Association

STATEMENT OF INCOME AND EXPENSES for the year then ended 31 December 2015

	Notes	2015 US\$	2014 US\$
INCOME			
Grant	3	96,320	76,339
Contributions	4	10,210	6,400
Donations	5	7,491	2,290
Income from sale of branded items	6	900	80
Other income	7	723	1,060
		115,644	86,169
EXPENSES			
Staff cost	8	47,052	38,084
Rental	9	18,659	15,919
Supplies	10	11,074	6,219
Travel		7,766	3,611
Professional fees		7,456	3,800
Reimbursements	11	6,512	-
Depreciation		3,943	6,683
Insurance		3,773	4,142
Utilities		2,052	2,401
Repairs and maintenance		1,143	1,614
Events		734	971
Communication		646	1,930
Fuel		557	973
Bank charges		518	238
Others		3,166	2,335
		115,051	88,920
EXCESS (DEFICIT) OF INCOME OVER EXPENSES		593	(2,751)

Skateistan Cambodia Association

BALANCE SHEET
as at 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>US\$</i>	<i>2014</i> <i>US\$</i>
ASSETS			
Current assets			
Cash	12	43,267	17,059
Lease deposits	13	4,380	4,907
Prepayments	14	4,132	2,609
Other receivables	15	4,161	14,969
Other assets	16	9,301	13,444
		<hr/>	<hr/>
		65,241	52,988
Non-current assets			
Property and equipment	17	3,103	5,206
		<hr/>	<hr/>
TOTAL ASSETS		68,344	58,194
LIABILITIES AND FUND BALANCE			
Current liabilities			
Deferred income	18	31,092	25,336
Other payable	19	3,957	156
		<hr/>	<hr/>
		35,049	25,492
Fund balance			
Beginning fund balance		32,702	35,453
Excess of income over expenses		593	(2,751)
		<hr/>	<hr/>
	20	33,295	32,702
TOTAL LIABILITIES AND FUND BALANCE		68,344	58,194

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
as at and for the year then ended 31 December 2015

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 9 employees as at 31 December 2015 (2014: 10 employees).

The special purpose financial statements were approved for issue by management on 30 March 2016.

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 fund 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 2015

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 received.

Recognition of expenditure

All expenditures are accounted for on an accrual basis. Under this basis, all expenditures are recorded as use of fund when incurred rather than when paid.

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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The initial cost of an item of property, plant and equipment comprises its purchase price or donated value and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable for operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that it is classified as held-for-sale) and the date the asset is derecognized.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation is charged to all items of property and equipment so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method.

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Organization. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold improvement	5 years
IT & multimedia equipment	2 years
Sports equipment	5 years
Motor vehicles	4 years
Furniture and fixtures	4 years

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognized in the income statement on the date of retirement or disposal.

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.

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 Cambodian 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.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

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 realize 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.

3. GRANT INCOME

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

	2015 US\$	2014 US\$
Skateistan gGmbH	39,100	54,765
Laureus Sport for Good Foundation	33,000	-
Games 4 Good Foundation	10,000	7,500
Prince Claus	8,022	2,674
Skateistan USA	6,198	-
Skateistan eV	-	11,400
	<u>96,320</u>	<u>76,339</u>

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2015

4. CONTRIBUTIONS

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

	2015 US\$	2014 US\$
Skateboarding tools and equipment	9,596	3,672
Vehicle	614	875
Information technology equipment	-	734
Other supplies	-	1,119
	<u>10,210</u>	<u>6,400</u>

5. DONATIONS

Donations represent charitable contribution from individuals and other entities.

6. SALE OF BRANDED ITEMS

This represents income generated from sale of Skateistan shirts to the Organization's visitors.

7. OTHER INCOME

	2015 US\$	2014 US\$
Gain on sale of fixed assets	43	550
Rental income	680	510
	<u>723</u>	<u>1,060</u>

8. STAFF COST

	2015 US\$	2014 US\$
Salaries	46,141	37,600
Staff training	911	484
	<u>47,052</u>	<u>38,084</u>

9. RENTAL

Rental represents payments for Skatepark and guest house.

10. SUPPLIES

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

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2015

11. REIMBURSEMENTS

Reimbursements represent expenses for accounting and audit fees, legal fees, utilities, office supplies, staff costs, travel costs, and others costs, which are reimbursed by the Head Office.

12. CASH

	2015 US\$	2014 US\$
Cash in bank	43,239	17,029
Cash on hand	28	30
	<u>43,267</u>	<u>17,059</u>

13. DEPOSITS

Deposits represent amounts deposited for house rental and internet subscription.

14. PREPAYMENTS

Prepayments comprise amounts prepaid for rental and insurance service.

15. OTHER RECEIVABLES

	2015 US\$	2014 US\$
Skateistan gGmbH	3,892	12,093
Unicef	269	-
Prince Claus	-	2,674
The Games 4 Foundation	-	202
	<u>4,161</u>	<u>14,969</u>

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2015

16. OTHER ASSETS

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

17. PROPERTY AND EQUIPMENT

	<i>Leasehold improvement US\$</i>	<i>IT & multimedia equipment US\$</i>	<i>Sports equipment US\$</i>	<i>Motor vehicles US\$</i>	<i>Furniture and fixtures US\$</i>	<i>Total US\$</i>
<i>2015</i>						
Cost						
As at 1 January 2015	697	6,408	4,000	4,479	1,764	17,348
Additions	-	562	-	1,150	173	1,885
Disposals	-	-	-	(400)	-	(400)
Write-offs	-	-	-	(365)	(144)	(509)
As at 31 December 2015	697	6,970	4,000	4,864	1,793	18,324
Less: Accumulated depreciation						
As at 1 January 2015	418	5,732	2,400	2,381	1,211	12,142
Depreciation	140	1,112	800	1,407	484	3,943
Disposals	-	-	-	(300)	-	(300)
Write offs	-	-	-	(456)	(108)	(564)
As at 31 December 2015	558	6,844	3,200	3,032	1,587	15,221
Net book value	139	126	800	1,832	206	3,103

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2015

17. PROPERTY AND EQUIPMENT (continued)

	<i>Leasehold improvement US\$</i>	<i>IT & multimedia equipment US\$</i>	<i>Sports equipment US\$</i>	<i>Motor vehicles US\$</i>	<i>Furniture and fixtures US\$</i>	<i>Total US\$</i>
<i>2014</i>						
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 2015

18. DEFERRED INCOME

Deferred income represents the portion of grant received from Skateistan Head Office expected to be utilized in the next coming year.

	2015 US\$	2014 US\$
Skateistan USA	18,595	-
Games 4 Good Foundation	2,500	2,500
Prince Claus	-	8,022
Equivalent value of outstanding:		
Skate inventory	9,120	13,445
Donated fixed assets	755	1,369
T-shirts	122	-
	<u>31,092</u>	<u>25,336</u>

19. OTHER PAYABLES

Other payables represent amounts payable to tax authorities and other.

20. FUND BALANCES

	<i>Beginning fund balance</i> US\$	<i>Fund received</i> US\$	<i>Expenditures</i> US\$	<i>Ending fund balance</i> US\$
General	32,702	58,424	(61,870)	29,256
Skateistan USA	-	6,198	(2,159)	4,039
Games 4 Good Foundation	-	10,000	(10,000)	-
Prince Claus	-	8,022	(8,022)	-
Laureus Sport for Good Foundation	-	33,000	(33,000)	-
	<u>32,702</u>	<u>115,644</u>	<u>(115,051)</u>	<u>33,295</u>

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at and for the year then ended 31 December 2015

21. 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>	<i>2015 US\$</i>	<i>2014 US\$</i>
<i>Balance sheet</i>				
Other receivable	Skateistan gGmbH	Head Office	3,892	12,093
Deferred income	Skateistan USA	Affiliate	18,595	-
<i>Income statement</i>				
Grant received	Skateistan gGmbH	Head Office	39,100	54,765
	Skateistan USA	Affiliate	6,198	-
	Skateistan eV	Affiliate	-	11,400
Donated items	Skateistan gGmbH	Head Office	5,171	13,695

22. 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.