

Skateistan Cambodia Association

Management report
and
Audited special purpose financial statements

as at 31 December 2018 and for the year then ended

Skateistan Cambodia Association

CONTENTS

| | <i>Pages</i> |
|---|--------------|
| MANAGEMENT REPORT | 1 - 2 |
| AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS | |
| Independent auditor's report | 3 - 4 |
| Statement of income and expenses | 5 |
| Balance sheet | 6 |
| Notes to the special purpose financial statements | 7 - 15 |

MANAGEMENT REPORT

Management of Skateistan Cambodia Association (“the Organization”) is pleased to present its report and the Organization’s audited special purpose financial statements as at 31 December 2018 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 to 17 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 Factory #6 No. 1159, Street No.2, Sangkat Chak Angre Leu, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

THE MANAGEMENT

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

| | |
|----------------------|--------------------|
| Mr. Oliver Percovich | Executive Director |
| Ms. Anne Fargeas | Finance Director |
| Mr. Cheatra Kheiu | General Manager |

AUDITOR

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

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 2018, 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; 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 REPORT

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

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 2018, 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:



Chetra Khieu
General Manager

Phnom Penh, Kingdom of Cambodia

23 April 2019



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INDEPENDENT AUDITORS' REPORT

To: **The Management of Skateistan Cambodia Association**

Opinion

We have audited the special purpose financial statements of Skateistan Cambodia Association ("the Organization"), which comprise the balance sheet as at 31 December 2018, and the statement of income and expenses for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements of the Organization as at 31 December 2018 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.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements* section of our report. We are independent of the Organization in accordance with the sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use

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 assist the management of the Organization to comply with the financial reporting requirements of its donors. As a result, the special purpose financial statements may not be suitable for another purpose. Our auditor's report is intended solely for the information and use of the Organization and should not be used by parties other than the specified parties. Our opinion is not modified in respect of this matter.

Responsibilities of Management 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.

Management is responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Sinratana Lan
Partner

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

Phnom Penh, Kingdom of Cambodia

23 April 2019

Skateistan Cambodia Association

STATEMENT OF INCOME AND EXPENSES for the year then ended 31 December 2018

| | <u>Notes</u> | <u>2018</u> US\$ | <u>2017</u> US\$ |
|--|--------------|---------------------|---------------------|
| INCOME | | | |
| Grants | 3 | 185,000 | 158,316 |
| Donations | 4 | 31,782 | 35,650 |
| Contributions | 5 | 16,591 | 6,213 |
| Other income | 6 | 1,322 | 20 |
| | | 234,695 | 200,199 |
| EXPENSES | | | |
| Staff cost | 7 | 147,743 | 119,431 |
| Supplies | 9 | 16,473 | 8,174 |
| Depreciation | 15 | 14,241 | 4,339 |
| Rental | 8 | 11,788 | 22,962 |
| Transportation and travel | | 10,585 | 17,537 |
| Professional fees | | 4,760 | 8,961 |
| Insurance | | 3,440 | 5,836 |
| Fuel | | 2,078 | 1,397 |
| Utilities | | 1,739 | 1,910 |
| Communication | | 1,278 | 1,372 |
| Events | | 1,101 | 799 |
| Repairs and maintenance | | 925 | 2,480 |
| Bank charges | | 790 | 1,164 |
| Food and accommodation | | - | 480 |
| Others | | 3,069 | 11,422 |
| | | 220,010 | 208,264 |
| EXCESS OF (EXPENSES OVER INCOME) INCOME OVER EXPENSES | | 14,685 | (8,065) |

The attached notes 1 to 20 form part of these financial statements

Skateistan Cambodia Association

BALANCE SHEET as at 31 December 2018

| | <i>Notes</i> | <u>2018</u> US\$ | <u>2017</u> US\$ |
|---|--------------|---------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | 10 | 10,963 | 14,582 |
| Lease deposits | 11 | 5,557 | 5,737 |
| Prepayments | 12 | 932 | 1,079 |
| Other receivables | 13 | 16,497 | 1,000 |
| Other assets | 14 | 12,423 | 11,858 |
| | | 46,372 | 34,256 |
| Non-current assets | | | |
| Property and equipment | 15 | 74,567 | 81,005 |
| TOTAL ASSETS | | 120,939 | 115,261 |
| LIABILITIES AND FUND BALANCE | | | |
| Current liabilities | | | |
| Deferred income | 16 | 39,062 | 45,497 |
| Other payables | 17 | 11,835 | 14,407 |
| | | 50,897 | 59,904 |
| Fund balance | | | |
| Beginning fund balance | | 55,357 | 63,422 |
| Excess of (expenses over income) income over expenses | | 14,685 | (8,065) |
| | 18 | 70,042 | 55,357 |
| TOTAL LIABILITIES AND FUND BALANCE | | 120,939 | 115,261 |

The attached notes 1 to 20 form part of these financial statements

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
as at 31 December 2018 and for the year then ended

1. THE ORGANIZATION'S BACKGROUND

Skateistan Cambodia Association ("the Organization") is a local non-government 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 to 17 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 Factory #6 No. 1159, Street No.2, Sangkat Chak Angre Leu, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

The Organization has 8 employees as at 31 December 2018 (2017: 12 employees). Some functions in the Organization, such as those relating to the programs, monitoring, evaluation and learning (MEL) and finance and management are handled by the Head Quarters of the Organization in Germany. International staff members from Skateistan Head Quarters also provide support in program implementation, MEL and finance and management to Skateistan Cambodia.

The special purpose financial statements were approved for issue by management on 23 April 2019.

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

The Organization classifies its income into five categories: grant, donations, contributions and sale of branded items and other income.

Grant

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

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of revenue (continued)

Donations

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

Contributions

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

Other income

This represents income generated from sale of goods 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 office rental and internet.

Prepayments

Prepayments represent monthly rental and internet amounts prepaid to suppliers and monthly insurance which are amortized 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 and equipment

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

The initial cost of an item of property 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.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation of an item of property 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.

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:

| | <u>No. of years</u> |
|-----------------------------|---------------------|
| Leasehold improvements | 5-10 |
| IT and multimedia equipment | 2 |
| Sports equipment | 5 |
| Motor vehicles | 4 |
| Furniture and fixtures | 4 |

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 statement of income and expenses on the date of retirement or disposal.

Other payables

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

Deferred income

Deferred income represents the portion of contribution 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 recognized for these donated assets at each reporting period.

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.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

3. GRANTS

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

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|-----------------------|-----------------------|
| | <u>US\$</u> | <u>US\$</u> |
| Skateistan gGmbH/ Google Grant | 50,000 | 90,000 |
| Skateistan gGmbH/ Jochnick foundation | 100,000 | 45,816 |
| Laureus Sport for Good Foundation | 20,000 | 20,000 |
| Games 4 Good Foundation | - | 2,500 |
| Australian Embassy | 15,000 | |
| | <u>185,000</u> | <u>158,316</u> |

4. DONATIONS

Donations represent charitable contributions from individuals and other entities.

5. CONTRIBUTIONS

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

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|----------------------|---------------------|
| | <u>US\$</u> | <u>US\$</u> |
| Skateboarding tools and equipment | 7,000 | 4,205 |
| Information technology equipment | 9,591 | 1,183 |
| Donated service | - | 825 |
| | <u>16,591</u> | <u>6,213</u> |

6. OTHER INCOME

This represents income generated from sales of t-shirts to the Organization's visitors.

7. STAFF COST

| | <u>2018</u> | <u>2017</u> |
|----------------|-----------------------|-----------------------|
| | <u>US\$</u> | <u>US\$</u> |
| Salaries | 70,479 | 89,021 |
| Staff training | 77,264 | 30,410 |
| | <u>147,743</u> | <u>119,431</u> |

8. RENTAL

Rental represents payments for skate facility and office rental in Cambodia and allocated rental cost from Skateistan in Berlin, Germany.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

9. SUPPLIES

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

10. CASH

| | <u>2018</u> | <u>2017</u> |
|--------------|----------------------|----------------------|
| | <u>US\$</u> | <u>US\$</u> |
| Cash in bank | 10,883 | 13,324 |
| Cash on hand | 80 | 1,258 |
| | <u>10,963</u> | <u>14,582</u> |

11. LEASE DEPOSITS

Deposits represent amounts deposited for office rental and internet subscription.

12. PREPAYMENTS

Prepayments comprise amounts prepaid for rental and insurance service.

13. OTHER RECEIVABLES

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|---------------------|
| | <u>US\$</u> | <u>US\$</u> |
| Overpayment of the rental - former Phnom Pehn Skate facility | 1,000 | 1,000 |
| Employee Agreement | 77 | - |
| Receivable from related party | 15,420 | - |
| | <u>16,497</u> | <u>1,000</u> |

14. OTHER ASSETS

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

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

15. PROPERTY AND EQUIPMENT

| | <i>Leasehold improvements</i> | <i>IT and multimedia equipment</i> | <i>Sports equipment</i> | <i>Motor vehicles</i> | <i>Furniture and fixtures</i> | <i>Total</i> |
|---------------------------------------|-----------------------------------|--|-----------------------------|-----------------------|-----------------------------------|-----------------|
| | <i>US\$</i> | <i>US\$</i> | <i>US\$</i> | <i>U S\$</i> | <i>US\$</i> | <i>US\$</i> |
| 2018 | | | | | | |
| Cost | | | | | | |
| As at 1 January 2018 | 80,527 | 9,465 | 4,558 | 5,278 | 2,677 | 102,505 |
| Additions | 2,398 | 2,395 | - | - | 3,010 | 7,803 |
| As at 31 December 2018 | 82,925 | 11,860 | 4,558 | 5,278 | 5,687 | 110,308 |
| Less: Accumulated depreciation | | | | | | |
| As at 1 January 2018 | (2,504) | (8,432) | (4,167) | (4,271) | (2,126) | (21,500) |
| Depreciation | (11,586) | (1,103) | (119) | (538) | (895) | (14,241) |
| As at 31 December 2018 | (14,090) | (9,535) | (4,286) | (4,809) | (3,021) | (35,741) |
| Net book value | 68,835 | 2,325 | 272 | 469 | 2,666 | 74,567 |

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

15. PROPERTY AND EQUIPMENT (continued)

| | <i>Leasehold improvements</i> | <i>IT and multimedia equipment</i> | <i>Sports equipment</i> | <i>Motor vehicles</i> | <i>Furniture and fixtures</i> | <i>Total</i> |
|---------------------------------------|-----------------------------------|--|-----------------------------|-----------------------|-----------------------------------|-----------------|
| | <i>US\$</i> | <i>US\$</i> | <i>US\$</i> | <i>US\$</i> | <i>US\$</i> | <i>US\$</i> |
| 2017 | | | | | | |
| Cost | | | | | | |
| As at 1 January 2017 | 697 | 8,155 | 4,239 | 4,676 | 2,302 | 20,069 |
| Additions | 79,830 | 1,310 | 319 | 602 | 375 | 82,436 |
| As at 31 December 2017 | 80,527 | 9,465 | 4,558 | 5,278 | 2,677 | 102,505 |
| Less: Accumulated depreciation | | | | | | |
| As at 1 January 2017 | (697) | (7,586) | (4,048) | (3,040) | (1,790) | (17,161) |
| Depreciation | (1,807) | (846) | (119) | (1,231) | (336) | (4,339) |
| As at 31 December 2017 | (2,504) | (8,432) | (4,167) | (4,271) | (2,126) | (21,500) |
| Net book value | 78,023 | 1,033 | 391 | 1,007 | 551 | 81,005 |

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

16. DEFERRED INCOME

Deferred income represents the portion of contributions and donations received expected to be utilized in the next coming year.

| | <u>2018</u> | <u>2017</u> |
|-----------------------------|----------------------|----------------------|
| | US\$ | US\$ |
| Beginning balance | 45,497 | 9,504 |
| Addition: | | |
| Leasehold improvements | - | 33,217 |
| IT and multimedia equipment | 565 | - |
| Skate supplies | - | 2,776 |
| Less: Contribution | <u>(7,000)</u> | <u>-</u> |
| | <u>39,062</u> | <u>45,497</u> |

17. OTHER PAYABLES

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|----------------------|----------------------|
| | US\$ | US\$ |
| Professional fee | 3,850 | 5,335 |
| Provision for severance pay | 5,218 | 3,995 |
| Withholding taxes | 1,119 | 2,069 |
| Payable to related party (Note 19) | - | 2,059 |
| Others | <u>1,648</u> | <u>949</u> |
| | <u>11,835</u> | <u>14,407</u> |

18. FUND BALANCES

| | <i>Unaudited</i> <i>Beginning</i> <i>fund balance</i> | <i>Income</i> | <i>Unaudited</i> <i>expenses</i> | <i>Unaudited</i> <i>ending fund</i> <i>balance</i> |
|---|---|-----------------------|-------------------------------------|--|
| | US\$ | US\$ | US\$ | US\$ |
| Free reserves | 17,502 | 17,913 | (6,726) | 28,689 |
| Capex reserves | 35,508 | - | (6,287) | 29,221 |
| Skateistan USA | 2,347 | - | (2,347) | - |
| The Skateroom | | 31,782 | (31,782) | - |
| Skateistan gGmbH / Google Grant | - | 50,000 | (50,000) | - |
| Skateistan gGmbH / Laureus Grant | - | 20,000 | (19,987) | 13 |
| Skateistan gGmbH / Jochnick Foundation | - | 100,000 | (100,000) | - |
| Australian Embassy | - | 15,000 | (2,881) | 12,119 |
| | <u>55,357</u> | <u>234,695</u> | <u>(220,010)</u> | <u>70,042</u> |

The allocation of expenses for each fund is based on the program costs that the Organization reports on a semi-annual and annual basis to the donors which were not audited. The allocated expenses exclude depreciation.

Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

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:

| | <u>Related party</u> | <u>Relationship</u> | <u>2018</u> | <u>2017</u> |
|---|----------------------|---------------------|-------------|-------------|
| | | | US\$ | US\$ |
| <i>Balance sheet</i> | | | | |
| Other (payables) | | | | |
| receivables | Skateistan gGmbH | Head Office | 15,420 | (2,059) |
| <i>Statement of income and expenses</i> | | | | |
| Grant received | Skateistan gGmbH | Head Office | 170,000 | 155,816 |

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. 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.