

# **Skateistan Cambodia Association**

Management report  
and  
Audited special purpose financial statements

as at 31 December 2017 and for the year then ended

# Skateistan Cambodia Association

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## 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 2017 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 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. 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. Claire Dugan	Deputy Executive Director
Ms. Talia Kaufman	Country 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 2017, 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.

## REPORT OF MANAGEMENT (continued)

**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 2017, 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:



Talia Kaufman  
Country Manager

Phnom Penh, Kingdom of Cambodia

29 June 2018

Reference: 61116889/19902308

## **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 2017, 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 2017 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

29 June 2018

# Skateistan Cambodia Association

## STATEMENT OF INCOME AND EXPENSES for the year then ended 31 December 2017

	<i>Notes</i>	<i>2017</i> <i>US\$</i>	<i>2016</i> <i>US\$</i>
<b>INCOME</b>			
Grants	3	158,316	156,888
Donations	5	35,650	1,825
Contributions	4	6,213	7,680
Sale of branded items	6	20	245
		<b>200,199</b>	<b>166,638</b>
<b>EXPENSES</b>			
Staff cost	7	119,431	76,000
Rental	8	22,962	17,208
Travel		17,537	9,824
Professional fees		8,961	5,130
Supplies	9	8,174	10,069
Insurance		5,836	5,607
Depreciation	15	4,339	2,234
Repairs and maintenance		2,480	1,943
Utilities		1,910	888
Fuel		1,397	1,006
Communication		1,372	879
Bank charges		1,164	2,083
Events		799	869
Food and accommodation		480	-
Others		11,422	2,771
		<b>208,264</b>	<b>136,511</b>
<b>EXCESS OF (EXPENSES OVER INCOME) INCOME OVER EXPENSES</b>		<b>(8,065)</b>	<b>30,127</b>

# Skateistan Cambodia Association

BALANCE SHEET  
as at 31 December 2017

	<i>Notes</i>	<i>2017</i> <i>US\$</i>	<i>2016</i> <i>US\$</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	10	14,582	9,925
Lease deposits	11	5,737	3,894
Prepayments	12	1,079	1,395
Other receivables	13	1,000	51,804
Other assets	14	11,858	9,082
		<u>34,256</u>	<u>76,100</u>
<b>Non-current assets</b>			
Property and equipment	15	<u>81,005</u>	<u>2,908</u>
<b>TOTAL ASSETS</b>		<u><b>115,261</b></u>	<u><b>79,008</b></u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Current liabilities</b>			
Deferred income	16	45,497	9,504
Other payables	17	14,407	6,082
		<u>59,904</u>	<u>15,586</u>
<b>Fund balance</b>			
Beginning fund balance		63,422	33,295
Excess of (expenses over income) income over expenses		<u>(8,065)</u>	<u>30,127</u>
	18	<u>55,357</u>	<u>63,422</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<u><b>115,261</b></u>	<u><b>79,008</b></u>



# Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
as at 31 December 2017 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 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. 1159, Street No.2, Sangkat Chak Angre Leu, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

The Organization has 12 employees as at 31 December 2017 (2016: 9 employees).

The special purpose financial statements were approved for issue by management on 22 June 2018.

## 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, donations, contributions, earned income 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.

#### ***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.

# Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Recognition of revenue** (continued)

#### *Contributions*

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

#### *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 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.

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.

# Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 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:

	<i>No. of years</i>
Leasehold improvements	5
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.

### ***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 grant 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 recognized for these donated assets at each reporting period.

### ***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 cash and receivables from donors.

#### *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.

# Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Financial instruments – initial recognition and subsequent measurement* (continued)

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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.

#### *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.

## 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:

	2017 US\$	2016 US\$
Skateistan USA	90,000	18,595
Skateistan gGmbH	45,816	95,293
Laureus Sport for Good Foundation	20,000	33,000
Games 4 Good Foundation	2,500	10,000
	<u>158,316</u>	<u>156,888</u>

## 4. CONTRIBUTIONS

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

	2017 US\$	2016 US\$
Skateboarding tools and equipment	4,205	7,380
Information technology equipment	1,183	300
Donated service	825	-
	<u>6,213</u>	<u>7,680</u>

# Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 5. DONATIONS

Donations represent charitable contributions from individuals and other entities.

## 6. SALE OF BRANDED ITEMS

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

## 7. STAFF COST

	<i>2017</i> <i>US\$</i>	<i>2016</i> <i>US\$</i>
Salaries	89,021	75,277
Staff training	30,410	723
	<u>119,431</u>	<u>76,000</u>

## 8. RENTAL

Rental represents payments for skatepark, guest house and office rental in Cambodia and allocated rental cost from Skateistan in Berlin, Germany.

## 9. SUPPLIES

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

## 10. CASH

	<i>2017</i> <i>US\$</i>	<i>2016</i> <i>US\$</i>
Cash in bank	13,324	9,805
Cash on hand	1,258	120
	<u>14,582</u>	<u>9,925</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

	<i>2017</i> <i>US\$</i>	<i>2016</i> <i>US\$</i>
United Nations International Children's Emergency Fund	1,000	269
Skateistan gGmbH	-	44,035
Games 4 Good Foundation	-	7,500
	<u>1,000</u>	<u>51,804</u>

# Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 14. OTHER ASSETS

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

## 15. PROPERTY AND EQUIPMENT

	<i>Leasehold improvements US\$</i>	<i>IT and multimedia equipment US\$</i>	<i>Sports equipment US\$</i>	<i>Motor vehicles US\$</i>	<i>Furniture and fixtures US\$</i>	<i>Total US\$</i>
<b>2017</b>						
<b>Cost</b>						
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
<b>As at 31 December 2017</b>	<b>80,527</b>	<b>9,465</b>	<b>4,558</b>	<b>5,278</b>	<b>2,677</b>	<b>102,505</b>
<b>Less: Accumulated depreciation</b>						
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)
<b>As at 31 December 2017</b>	<b>(2,504)</b>	<b>(8,432)</b>	<b>(4,167)</b>	<b>(4,271)</b>	<b>(2,126)</b>	<b>(21,500)</b>
<b>Net book value</b>	<b>78,023</b>	<b>1,033</b>	<b>391</b>	<b>1,007</b>	<b>551</b>	<b>81,005</b>

# Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 and for the year then ended

## 15. PROPERTY AND EQUIPMENT (continued)

	<i>Leasehold improvements US\$</i>	<i>IT and 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>2016</i>						
<b>Cost</b>						
As at 1 January	697	6,970	4,000	4,864	1,793	18,324
Additions	-	1,185	239	400	509	2,333
Disposals	-	-	-	(588)	-	(588)
<b>As at 31 December</b>	<b>697</b>	<b>8,155</b>	<b>4,239</b>	<b>4,676</b>	<b>2,302</b>	<b>20,069</b>
<b>Less: Accumulated depreciation</b>						
As at 1 January	(558)	(6,844)	(3,200)	(3,032)	(1,587)	(15,221)
Depreciation	(139)	(742)	(848)	(302)	(203)	(2,234)
Disposals	-	-	-	294	-	294
<b>As at 31 December</b>	<b>(697)</b>	<b>(7,586)</b>	<b>(4,048)</b>	<b>(3,040)</b>	<b>(1,790)</b>	<b>(17,161)</b>
<b>Net book value</b>	<b>-</b>	<b>569</b>	<b>191</b>	<b>1,636</b>	<b>512</b>	<b>2,908</b>

# Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 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.

	2017 US\$	2016 US\$
Equivalent value of outstanding:		
Property and equipment		
Leasehold improvements	33,200	-
IT and multimedia equipment	317	300
Skate supplies	11,980	9,204
	<u>45,497</u>	<u>9,504</u>

## 17. OTHER PAYABLES

	2017 US\$	2016 US\$
Professional fee	5,335	3,740
Provision for severance pay	3,995	2,050
Withholding taxes	2,069	142
Payable to related party (Note 19)	2,059	-
Others	949	150
	<u>14,407</u>	<u>6,082</u>

## 18. FUND BALANCES

	<i>Beginning fund balance</i> US\$	<i>Income</i> US\$	<i>Expenses</i> US\$	<i>Ending fund balance</i> US\$
General	45,127	7,883	-	53,010
Skateistan USA / Google Grant	5,944	90,000	(93,597)	2,347
Skateistan gGmbH / Swedish Postcode Foundation	2,351	33,316	(35,667)	-
Skateistan gGmbH / Tony Hawk Foundation	-	12,500	(12,500)	-
Games 4 Good Foundation	10,000	2,500	(12,500)	-
Skateroom	-	34,000	(34,000)	-
Laureus Sport for Good Foundation	-	20,000	(20,000)	-
	<u>63,422</u>	<u>200,199</u>	<u>(208,264)</u>	<u>55,357</u>



# Skateistan Cambodia Association

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)  
as at 31 December 2017 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:

	<i>Related party</i>	<i>Relationship</i>	<i>2017 US\$</i>	<i>2016 US\$</i>
<i>Balance sheet</i>				
Other (payables) receivables	Skateistan gGmbH	Head Office	(2,059)	44,035
<i>Statement of income and expenses</i>				
Grant received	Skateistan gGmbH	Head Office	45,816	95,293
	Skateistan USA	Affiliate	90,000	18,595

## 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.