



Building a better
working world

Afghanistan Skateboarding Training Organisation (ASTO)

Audited Financial Statements

For the year ended 31 December 2014

Ernst & Young Ford Rhodes Sidat Hyder
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INDEPENDENT AUDITORS REPORT TO THE EXECUTIVE DIRECTOR

We have audited the accompanying financial statements of Afghanistan Skateboarding Training Organization (the Entity), which comprise the statement of financial position as at 31 December 2014, and the statement of income and expenditure, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRSs for SMEs) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of Afghanistan Skateboarding Training Organization as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities as issued by the International Accounting Standards Board (IASB).



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Date: 30 March 2015
Kabul, Afghanistan
Name of the Engagement Partner: Muhammad Basheer Juma

AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 US \$	2013 US \$
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property and equipment	4	625,033	626,112
Related party receivables	11	257,379	256,775
		<u>882,412</u>	<u>882,887</u>
CURRENT ASSETS			
Cash and bank balances	5	64,533	94,712
Inventory		1,999	907
Grants receivable	6	4,799	-
Prepayments and other receivables		6,342	1,200
		<u>77,673</u>	<u>96,819</u>
TOTAL ASSETS		<u>960,085</u>	<u>979,706</u>
<u>EQUITY AND LAIBILITIES</u>			
EQUITY			
Accumulated surplus		381,732	407,315
NON-CURRENT LIABILITIES			
Deferred grant	6	561,626	565,000
CURRENT LIABILITIES			
Accounts payable		16,727	7,391
TOTAL EQUITY AND LIABILITIES		<u>960,085</u>	<u>979,706</u>
CONTINGENCIES AND COMMITMENTS	7		

The annexed notes 1 to 13 form an integral part of these financial statements.


EXECUTIVE DIRECTOR


FINANCE DIRECTOR

AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 US \$	2013 US \$
INCOME			
Grants	6	747,780	587,806
General donations		11,115	3,974
Royalty income		1,395	11,941
Income from sale of branded items	8	2,584	3,573
Other income		-	9,400
		<u>762,874</u>	<u>616,694</u>
EXPENSES			
Salaries and other benefits		447,031	396,646
Travelling and visa cost		42,028	67,792
Learning material		5,076	4,806
Utilities		57,697	42,565
Vehicle fuel		19,025	13,291
Printing and stationery		3,746	3,817
Rent		42,832	41,278
Repairs and maintenance		18,250	16,130
Office equipment		18,247	11,059
Audit and consulting fees	10	13,952	12,751
Bank charges		7,337	6,016
Depreciation	4	107,443	86,210
Exchange gain/(loss)		(579)	101
Other		6,372	15,229
	9	<u>788,457</u>	<u>717,691</u>
Deficit for the year		<u>(25,583)</u>	<u>(100,997)</u>

The annexed notes 1 to 13 form an integral part of these financial statements.


EXECUTIVE DIRECTOR


FINANCE DIRECTOR

**AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Accumulated surplus US \$
Balance as at 1 January 2013	508,312
Deficit for the year	(100,997)
Balance as at 31 December 2013	407,315
Deficit for the year	(25,583)
Balance as at 31 December 2014	381,732

The annexed notes 1 to 13 form an integral part of these financial statements.

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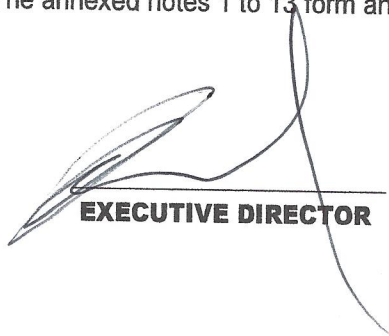

EXECUTIVE DIRECTOR


FINANCE DIRECTOR

AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 US \$	2013 US \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(25,583)	(100,997)
Adjustments for:			
Depreciation	4	107,443	86,210
Deferred grant income	6	(128,471)	(60,000)
Non cash expenses		24,574	-
Gain on sale of property and equipment		-	(2,235)
Deficit before working capital changes		(22,037)	(77,022)
(Increase) / decrease in related party receivables		(604)	185,643
Increase in inventories		(1,092)	(228)
Increase in prepayments and other receivables		(5,142)	(838)
Increase in grant receivables		(4,799)	-
Increase / (decrease) in accounts payable		9,336	(10,588)
Net cash (used) / generated from operating activities		(24,338)	96,967
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	4	(38,181)	(44,754)
Proceed from sale of property and equipment		-	2,235
Net cash used in investing activities		(38,181)	(42,519)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received during the year		32,340	25,000
Net cash generated from financing activities		32,340	25,000
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(30,179)	79,448
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		94,712	15,264
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		64,533	94,712

The annexed notes 1 to 13 form an integral part of these financial statements.


EXECUTIVE DIRECTOR


FINANCE DIRECTOR

AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. INFORMATION ABOUT THE ENTITY

Afghanistan Skateboarding Training Organization ("the Entity") is a non-government organization registered with the Ministry of Economy of Islamic Republic of Afghanistan as of 02 July 2009 under license no. 1442. The Entity provides the skateboarding training and basic education to children, and sells sports equipment and clothing under brand name of "Skateistan". The registered office of the Entity is situated at Skateistan Park, behind Ghazi Stadium, District 16 Kabul, Afghanistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Entity have been prepared in accordance with "International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities" as issued by the International Accounting Standards Board (IASB). The Entity qualifies as a small and medium-sized Entity due to relatively small size and less complex nature of operations.

2.2 Basis of preparation

The financial statements have been prepared on a historical cost basis.

2.3 Functional and presentation currency

The financial statements are presented in US \$ which is also the organization's functional currency as well as presentation currency. Transactions in currencies other than US \$ are converted into US \$ at the official spot rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than US \$ are remeasured at the exchange rate prevailing at the statement of financial position date. Exchange gain or loss if any, arising from the remeasurement of monetary assets and liabilities, is recognised in the statement of income and expenditure.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis in accordance with depreciation rates specified below. Full year depreciation is charged in the year of additions while no depreciation is charged in the year of disposals.

<u>Category</u>	<u>Rate</u>
Building	10%
Leasehold improvements	10%
Vehicles	25%
IT and multi-media equipment	33.33%
Sports equipment	50%
Furniture and fixture	25%

3.2 Inventory

Inventory items are valued at the lower of cost and net realisable value. The cost of inventory items that are not ordinarily interchangeable is recognised using specific identification of individual costs. For other items that are interchangeable, cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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3.3 Revenue

Grant income

Grant income is recognised in the period in which the performance conditions imposed by the grantee are met.

Donations

Donations are recognized on receipt basis.

Revenue from sale of branded items

Revenue from sale of branded items is recognized on the delivery of these to customers and proceeds from sale are realized.

3.4 Taxation

No provision for income tax has been made in these financial statements as the Entity is exempt from income tax as per Article 10 of the Income Tax Law of Afghanistan.

3.5 Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value. The Entity's financial assets include cash and bank balance, grant and other receivables.

ii) Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value. The Entity's financial liabilities include account payable.

iii) 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

iv) Fair value of financial instruments

Carrying amounts of financial assets approximate their fair values.



4. PROPERTY AND EQUIPMENT

	Building	Lease hold improvements	Vehicles	IT and multimedia equipment	Sports equipment	Furniture and fixture	Total
	US \$						
Cost							
As at 1 January 2013	40,242	1,161	15,955	18,257	4,793	38,743	119,151
Additions	627,337	1,202	5,500	2,639	-	8,076	644,754
Disposals	-	-	(15,950)	-	-	-	(15,950)
As at 31 December 2013	667,579	2,363	5,505	20,896	4,793	46,819	747,955
Additions	-	30,386	56,145	13,033	849	5,951	106,364
As at 31 December 2014	667,579	32,749	61,650	33,929	5,642	52,770	854,319
Accumulated depreciation							
As at 1 January 2013	8,706	348	15,955	12,379	3,077	11,118	51,583
For the year	66,758	236	1,375	4,436	1,715	11,690	86,210
Disposals	-	-	(15,950)	-	-	-	(15,950)
As at 31 December 2013	75,464	584	1,380	16,815	4,792	22,808	121,843
For the year	66,870	3,162	15,412	8,302	424	13,273	107,443
As at 31 December 2014	142,334	3,746	16,792	25,117	5,216	36,081	229,286
Carrying amount							
As at 31 December 2013	592,115	1,779	4,125	4,081	1	24,011	626,112
As at 31 December 2014	525,245	29,003	44,858	8,812	426	16,689	625,033
					2014 US \$	2013 US \$	

5. CASH AND BANK BALANCES

Cash in hand	4,509	3,345
Cash at bank	60,024	91,367
	64,533	94,712

6. GRANTS

	Opening	Received during the year	Recognised during the year	Receivable	Deferred
	2014 (US \$)				
Mazar building	540,000	-	60,000	-	480,000
Grant from Blossom Hill	25,000	-	25,000	-	-
School Bus from GIZ	-	55,000	13,749	-	41,251
Grant from Finnish Embassy	-	124,007	91,667	-	32,340
Grant from Danish Embassy	-	361,423	361,423	-	-
Grant from Foundation De France	-	3,391	3,391	-	-
Grant repaid to Norwegian Embassy	-	(11,593)	(11,593)	-	-
Grant from Swiss Agency for Cooperation and Development	-	150,000	154,799	4,799	-
Grant from Skateistan gGmbH - a related party	-	19,622	19,622	-	-
Contributions in kind	-	37,757	29,722	-	8,035
	565,000	739,607	747,780	4,799	561,626

	Opening	Received during the year	Recognised during the year	Deferred
	2013 (US \$)			
Mazar building	600,000	-	60,000	540,000
Grant from Blossom Hill	-	25,000	-	25,000
Grant from Danish Embassy	-	349,039	349,039	-
Grant from Foundation De France	-	10,146	10,146	-
Grant from Norwegian Embassy	-	168,621	168,621	-
	600,000	552,806	587,806	565,000

7. CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments at the year end.

	Note	2014 US \$	2013 US \$
8. INCOME FROM SALE OF BRANDED ITEMS			
Sale of branded items		2,656	3,345
Less: cost of sales	8.1	(72)	228
		<u>2,584</u>	<u>3,573</u>

8.1 Cost of sales

Opening inventory	907	679
Purchases	1,164	-
Closing inventory	(1,999)	(907)
	<u>72</u>	<u>(228)</u>

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9. PROJECT WISE INCOME AND EXPENDITURES

Description	SEI (Note 9.1)	BTS (Note 9.2)	Leadership (Note 9.3)	Other Projects	Unassigned	Total	SEI (Note 9.1)	BTS (Note 9.2)	Leadership (Note 9.3)	Other Projects	Unassigned	Total
2014							2013					
US \$							US \$					
<u>Income</u>												
Grant received	150,000	124,007	-	19,622	445,978	739,607	-	-	-	10,146	542,660	552,806
Recognized from deferred grant	-	-	25,000	-	60,000	85,000	-	-	-	-	60,000	60,000
Grant receivable	4,799	-	-	-	-	4,799	-	-	-	-	-	-
Other income and donations	-	-	-	-	15,094	15,094	-	-	-	-	28,888	28,888
Deferred	154,799	124,007	25,000	19,622	521,072	844,500	-	-	-	10,146	631,548	641,694
	-	(32,340)	-	-	(49,286)	(81,626)	-	-	-	-	(25,000)	(25,000)
	154,799	91,667	25,000	19,622	471,786	762,874	-	-	-	10,146	606,548	616,694
<u>Expenditures</u>												
<u>Compliance Costs</u>												
Accounting & Audit Fees	6,464	2,297	539	-	-	9,300	4,518	1,606	377	-	-	6,501
Bank Fees	2,472	878	206	-	-	3,556	2,274	808	190	-	-	3,272
Legal Fees	-	-	-	-	-	-	-	-	-	-	-	-
Government Compliance	5,721	2,033	478	-	-	8,232	1,211	430	101	-	-	1,742
Visas & Work Permits	3,362	1,195	281	-	-	4,838	4,696	1,669	392	-	-	6,757
<u>Guesthouse(GH) Costs</u>												
Food GH	3,249	1,155	271	-	-	4,675	5,366	1,907	448	238	-	7,959
Gas, Power & Heating GH	1,493	531	125	-	-	2,149	2,103	747	175	-	-	3,025
Internet GH	576	205	48	-	-	829	673	239	56	-	-	968
Rent GH	12,185	4,331	1,017	-	-	17,533	13,516	4,804	1,128	-	-	19,448
Repairs & Maintenance GH	1,183	420	99	-	-	1,702	1,665	592	139	-	-	2,396
Withholding Tax (Rent) GH	1,132	403	95	-	-	1,630	47	17	4	-	-	68
Water GH	-	-	-	-	-	-	1,705	606	142	-	-	2,453
<u>Skatepark/Office Costs</u>												
Cleaning	2,289	814	191	-	-	3,294	640	228	53	-	-	921
Emergency Student Supplies	562	200	47	-	-	809	1,011	359	84	-	-	1,454
Events	1,185	421	98	-	-	1,704	2,119	753	177	-	-	3,049
Food	4,140	11,399	346	-	-	15,885	3,638	10,019	304	-	-	13,961
Freight	454	161	38	133	-	786	5,335	1,896	445	656	-	8,332
Gas & Heating	1,861	661	155	-	-	2,677	1,205	428	101	-	-	1,734
Learning Supplies	1,433	-	120	1,077	-	2,630	839	-	70	-	-	909
Learning Supplies BTS	-	2,446	-	-	-	2,446	-	2,433	-	-	-	2,433
Miscellaneous Equipment	2,134	759	178	138	13,775	16,984	7,284	2,589	608	578	-	11,059
Power	2,655	944	222	-	-	3,821	1,431	509	119	-	-	2,059
Printing & Stationery	2,032	722	170	-	-	2,924	1,938	689	162	-	-	2,789
Repairs & Maintenance	2,879	1,023	240	4,970	-	9,112	2,478	881	207	81	-	3,647
Telephone	2,174	772	181	-	-	3,127	3,271	1,162	273	-	-	4,706
Vehicle & Generator Fuel	13,223	4,699	1,103	-	-	19,025	9,237	3,283	771	-	-	13,291
Vehicle Maintenance	5,161	1,834	431	-	-	7,426	6,346	2,255	530	-	-	9,131
Water	1,390	494	116	-	-	2,000	1,223	435	102	-	-	1,760
Internet	-	-	-	-	10,800	10,800	-	-	-	-	-	-

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Staff Costs												
Insurance	2,403	855	201	-	-	3,459	114	41	10	-	-	165
Salaries	123,126	43,759	10,275	-	-	177,160	69,381	24,658	5,790	-	-	99,829
Salaries International	91,957	32,681	7,674	-	-	132,312	108,391	38,522	9,046	-	-	155,959
Staff Development	-	-	-	-	-	-	45	16	4	-	-	65
Transport	1,250	444	104	-	-	1,798	-	-	-	-	-	-
Travel International	16,172	5,747	1,350	-	-	23,269	3,123	1,110	261	66	-	4,560
Travel Local	2,665	947	222	-	-	3,834	10,319	3,667	861	-	-	14,847
Withholding Tax (Salaries)	18,807	6,684	1,569	-	-	27,060	17,166	6,101	1,433	-	-	24,700
Costs Sub Total	337,789	131,914	28,190	6,318	24,575	528,786	294,308	115,459	24,563	1,619	-	435,949
Indirect Costs (Head Quarter expenses)	106,201	37,743	8,863	-	-	152,807	135,824	48,272	11,335	-	-	195,431
Total Operating Costs	443,990	169,657	37,053	6,318	24,575	681,593	430,132	163,731	35,898	1,619	-	631,380
Depreciation	-	-	-	-	107,443	107,443	-	-	-	-	86,210	86,210
Foreign Currency Gains and Losses	-	-	-	(757)	178	(579)	-	-	-	93	8	101
Total costs excluding capital expenditures	443,990	169,657	37,053	5,561	132,196	788,457	430,132	163,731	35,898	1,712	86,218	717,691
Capital Expenditure												
Land & Buildings	-	-	-	-	-	-	14,938	5,310	1,247	5,842	600,000	627,337
Leasehold Improvements	5,789	2,058	483	22,056	-	30,386	835	297	70	-	-	1,202
Vehicles	796	283	66	-	55,000	56,145	3,822	1,359	319	-	-	5,500
IT & Multimedia Equipment	2,155	766	180	-	9,932	13,033	1,834	652	153	-	-	2,639
Sport Equipment	-	-	-	849	-	849	-	-	-	-	-	-
Furniture & Fittings	1,236	439	103	922	3,251	5,951	5,613	1,995	468	-	-	8,076
Total Capital Expenditures	9,976	3,546	832	23,827	68,183	106,364	27,042	9,613	2,257	5,842	600,000	644,754
Total Costs	453,966	173,203	37,885	29,388	200,379	894,821	457,174	173,344	38,155	7,554	686,218	1,362,445

- 9.1 On 26 February 2014, Swiss Agency for Cooperation and Development (SDC) approved a grant amounting to US \$154,799 for Skate, Educate, Integrate (SEI) project under the grant agreement No. 81024596. The Entity has received US \$150,000 in the current year under this grant agreement. Remaining expenditures of the project are borne by the Entity using its own resource. The objective of the project is to offer regular weekly skateboarding instruction alongside an educational arts-based curriculum. In the skatepark children of all backgrounds find a platform for self-expression, creativity, goal setting and personal development. In the classroom, students use a variety of multi-media to explore topics such as geography, hygiene and environmental studies.
- 9.2 On 10 January 2014, Finnish Embassy approved a grant amounting to US \$124,000 for Back to School (BTS) project. The Entity has received US \$91,667 in the current year under this grant agreement. Remaining expenditures of the project are borne by the Entity using its own resource. The objective of the project is an accelerated learning program that prepares out of school youth to enrol for the first time, or re-enrol in the public school system.
- 9.3 On 11 December 2013, Blossom Hill Foundation approved a grant amounting to US \$25,000 for the Youth Leadership project. The Entity has received US \$25,000 in the current year under this grant agreement. Remaining expenditures of the project are borne by the Entity using its own resource. The objective of the project is to help exceptional youth reach their potential to become positive role models for hundreds of Skateistan students and to initiate positive community projects of their own.

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	2014 US \$	2013 US \$
10. AUDIT AND CONSULTING FEES		
Audit fee	6,900	6,500
Other consulting fees	7,052	6,251
	<u>13,952</u>	<u>12,751</u>

11. TRANSACTIONS WITH RELATED PARTIES

Related parties include Skateistan gGmbH and Skateistan International UG by virtue of common directorship and Oliver Percovich (Executive Director).

11.1 Related party receivables

Oliver Percovich- Executive Director	33,050	33,050
Skateistan gGmbH	154,023	153,776
Skateistan International UG	70,306	69,949
	<u>257,379</u>	<u>256,775</u>

The loan to Oliver Percovich was issued on 11 April 2012, for the purposes of founding the international Head Quarters. Skateistan gGmbH is a non-profit, registered company in Germany. The loan is interest free and repayable on demand.

The related party receivable balance with Skateistan gGmbH represents funds held by the Skateistan Head Quarters on behalf of the Entity and various expenses paid for on behalf of the Entity. Funds are transferred to the Entity as needed to cover costs of operations.

The related party receivable balance with Skateistan International UG represents the production costs of the Skateistan book. Skateistan International UG is a registered company in Germany. Ownership of the Skateistan books was transferred to Skateistan International UG in June 2012 for sale.

12. DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Executive Director as of 30/3/2015

13. GENERAL

Figures have been rounded off to nearest one US \$. *Eyfon*



EXECUTIVE DIRECTOR



FINANCE DIRECTOR