

THE PEPY RIDE

**Financial Statements
for the year ended 31 December 2014
and
Report of the Independent Auditors**

The PEPY Ride

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Statement by the Management

I do hereby state that, in my opinion, the accompanying financial statements of The PEPY Ride (“PEPY” or “the Organisation”) which comprise the statement of financial position as at 31 December 2014 and the statements of income and expenditure and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 4 to 16 are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Signed on behalf of the management,

A handwritten signature in blue ink, appearing to be "Nuch Kimline", is written over a horizontal line. The signature is stylized and cursive.

Ms. Nuch Kimline
Executive Director

Siem Reap, Kingdom of Cambodia

Date: 29 MAY 2015



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Report of the independent auditors To the Management and Donors

We have audited the accompanying financial statements of The PEPY Ride (“PEPY” or “the Organisation”), which comprise the statement of financial position as at 31 December 2014 and the statements of income and expenditure and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 4 to 16. The financial statements have been prepared by the management of the Organisation based on the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of the 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 Cambodian 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Organisation’s preparation 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 Organisation’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 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 accompanying financial statements of The PEPY Ride for the year ended 31 December 2014 are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies as described in Note 2 to the financial statements.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting and the accounting policies adopted by the Organisation. The financial statements are prepared for the information and use of the management and donors of The PEPY Ride. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management and donors of the Organisation and should not be distributed to or used by any other parties.

Other matter

The financial statements of the Organisation as of and for the year ended 31 December 2013 were audited by another auditors who expressed an unmodified opinion on those statements on 12 June 2014.

For KPMG Cambodia Ltd

Nge Huy
Audit Partner

Phnom Penh, Kingdom of Cambodia

29 May 2015

The PEPY Ride

Statement of financial position As at 31 December 2014

	Note	US\$	2014 KHR'000 (Note 2c)	2013 US\$
ASSETS				
Current assets				
Cash and cash equivalents	3	20,313	82,024	354,017
Deposits and prepayments		-	-	1,360
Deposits and placements with bank	4	80,000	323,040	90,000
Receivables	5	2,650	10,701	5,690
TOTAL ASSETS		102,963	415,765	451,067
LIABILITIES				
Current liabilities				
Other payables		5,227	21,107	907
Non-current liabilities				
Deferred income	6	-	-	40,524
		5,227	21,107	41,431
Net Assets		97,736	394,658	409,636
Represented by:				
Funds Balance at the end of the year	17	97,736	394,658	409,636

The accompanying notes form an integral part of these financial statements.

The PEPY Ride

Statement of income and expenditure for the year ended 31 December 2014

	Note	2014 US\$	2014 KHR'000 (Note 2c)	2013 US\$
Income				
Donations	7	152,142	614,349	120,587
Fundraising income		-	-	38
Other income	8	7,342	29,647	9,261
Total income		<u>159,484</u>	<u>643,996</u>	<u>129,886</u>
Expenditure by program				
Partnership contribution	9	306,588	1,238,002	-
Scholarship	10	44,921	181,391	17,893
Learning centre	11	44,920	181,387	19,512
Dream management	12	14,295	57,723	-
PEPY Ride school support	13	18,247	73,681	60,137
Capacity building	14	3,233	13,055	6,196
Management and general expenses	15	22,943	92,644	24,294
Fundraising	16	16,237	65,565	15,096
Community development		-	-	18,054
Total expenditure	18	<u>471,384</u>	<u>1,903,448</u>	<u>161,182</u>
Deficit of income over expenditure		(311,900)	(1,259,452)	(31,296)
Fund balance at beginning of the year		<u>409,636</u>	<u>1,654,110</u>	<u>440,932</u>
Fund balance at end of the year	17	<u>97,736</u>	<u>394,658</u>	<u>409,636</u>

The accompanying notes form an integral part of these financial statements.

The PEPY Ride

Statement of cash flows for the year ended 31 December 2014

	2014	2013
	US\$	US\$
	KHR'000	
	(Note 2c)	
Cash Flows from operating activities		
Deficit of income over expenditure	(311,900)	(31,296)
Adjustment for:		
Interest income	(4,187)	(7,311)
(Gain)/loss on disposal of equipment	(2,326)	1,985
Depreciation	-	961
	<u>(318,413)</u>	<u>(35,661)</u>
Change in:		
Inventories	-	4,624
Deposits and prepayments	1,360	5,270
Receivables	2,617	8,571
Other payables	4,320	(8,264)
Deferred income	(40,524)	(15,261)
	<u>(350,640)</u>	<u>(40,721)</u>
Net cash used in operating activities	<u>(350,640)</u>	<u>(40,721)</u>
Cash Flows from investing activities		
Short term deposits	10,000	60,287
Interest received	4,610	6,666
Proceeds from disposal of equipment	2,326	1,000
	<u>16,936</u>	<u>67,953</u>
Net cash generated from investing activities	<u>16,936</u>	<u>67,953</u>
Net (decrease)/increase in cash and cash equivalents	<u>(333,704)</u>	<u>27,232</u>
Cash and cash equivalents at beginning of the year	<u>354,017</u>	<u>326,785</u>
Cash and cash equivalents at the end of the year	<u><u>20,313</u></u>	<u><u>354,017</u></u>

The accompanying notes form an integral part of these financial statements.

The PEPY Ride

Notes to the financial statements for the year ended 31 December 2014

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1. Background and activities

The PEPY Ride (“PEPY” or “the Organisation”) was incorporated in February 2006 in the United States of America under the Not-for-Profit Corporation Law and registered as an international non-governmental organisation in the Kingdom of Cambodia on 7 March 2007. PEPY has its registered office at No. 188 Salakanseng, Svay Donkom, Siem Reap, Kingdom of Cambodia.

The main objective of PEPY is to assist rural Cambodian communities to improve their education, health and environmental knowledge.

PEPY’s programs are supported through volunteer efforts, funds raised from its partner organisation, PEPY Tours, and by direct donations.

Over the years, PEPY has transitioned from funding school construction to teacher training, support programs to a community-based school support system involving training, and supporting local school boards to eventually pulling out of school-based programming and focusing on university scholarships and youth leadership programs. PEPY carried out 5 projects such as Dream Management, Scholarship, Junior High School support, Learning Centre and Capacity Building.

PEPY’s new strategic goal is focused on supporting students in Kralanh District, a rural area around 65 km from Siem Reap. PEPY works directly with young people to support the development of quality education and improve access to skilled employment. Due to this, the emphasis shifted from working with junior high school students to high school and university-age students.

PEPY’s founding team, the board and senior management had worked to identify a plan for localising PEPY’s operation. The process of localisation was completed and handed over successfully by the end of 2014. The local entity took the name as PEPY Empowering Youth and from 1 January 2015, it has taken over independent leadership of their education and youth leadership programs.

As at 31 December 2014, PEPY had 12 employees (31 December 2013: 13 employees).

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Notes to the financial statements (continued) for the year ended 31 December 2014

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Organisation in the preparation of these financial statements.

(a) Basis of preparation

The financial statements, which are expressed in United States Dollars (“US\$”), have been prepared in accordance with the historical cost convention and on an accrual basis. This is a basis of accounting that is designed to meet the requirements of the Organisation; it is not designed to produce financial statements that are compatible with International Financial Reporting Standards.

(b) Non-expendable equipment

The cost of non-expendable equipment is charged to expenditure upon acquisition. For control and management purposes, a memorandum account for non-expendable items is maintained by way of a non-expendable items listing.

(c) Foreign currency transactions

The Organisation transacts and maintains its accounting records primarily in United States Dollars (“US\$”). Transactions in currencies other than US\$ are converted into US\$ at the rates of exchange prevailing on the transaction dates. Monetary assets and liabilities denominated in currencies other than US\$ at reporting date are translated into US\$ at the open market rates of exchange ruling at the date. Exchange differences are recognised in the statement of income and expenditure.

The translations of United States Dollars amounts into Khmer Riel as at and for the year ended 31 December 2014 are included solely for meeting the presentation requirements of the Organisation Management by using the official exchange rate published by the Cambodian General Department of Taxation amounting to of US\$1 to KHR4,038.

(d) Deposits and placements with bank

Deposits and placements with bank are stated at cost.

(e) Receivables

Receivables are carried at lower of cost and estimated realisable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the end of the reporting date.

The PEPY Ride

Notes to the financial statements (continued) for the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

(f) Income, differed income and expenditure

Donations are recognised as income when the Organisation gains control of the contribution, the right to receive the contribution, or all required conditions have been fulfilled.

Deferred income reflects work to be implemented in future years with respect to grants received from donors, and that are in agreement with the donor requirements.

Expenditure is recognised when they are incurred.

3. Cash and cash equivalents

	2014	2013	
	US\$	KHR'000 (Note 2c)	US\$
Cash on hand	2,496	10,079	6,441
Cash at banks	17,817	71,945	347,576
	<u>20,313</u>	<u>82,024</u>	<u>354,017</u>

4. Deposits and placements with bank

These represent short term fixed deposits placed with Aceda Bank Plc for twelve months term earning interest at 5% per annum (2013: 5% per annum).

5. Receivables

	2014	2013	
	US\$	KHR'000 (Note 2c)	US\$
Account receivables	65	262	1,855
Accrual interest	2,585	10,439	3,008
Staff loan	-	-	827
	<u>2,650</u>	<u>10,701</u>	<u>5,690</u>

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Notes to the financial statements (continued) for the year ended 31 December 2014

6. Deferred income

Deferred income relates to restricted donations provided under the scholarship programme. These funds are restricted for use against scholarship candidates living and educational expenses in accordance with the funding agreement. The brought forward fund has been utilised to support 22 scholarship students in 2014 of US\$33,737 and the remaining income of US\$6,787 had been transferred to Pepy Empowering Youth on 31 December 2014.

7. Donations

	2014		2013
	US\$	KHR'000 (Note 2c)	US\$
Restricted donation	76,818	310,191	53,423
Unrestricted donation	75,324	304,158	67,164
	<u>152,142</u>	<u>614,349</u>	<u>120,587</u>

8. Other income

	2014		2013
	US\$	KHR'000 (Note 2c)	US\$
Interest	4,187	16,907	7,311
Other income	829	3,348	618
Gain on disposal of equipment	2,326	9,392	1,332
	<u>7,342</u>	<u>29,647</u>	<u>9,261</u>

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Notes to the financial statements (continued) for the year ended 31 December 2014

9. Partnership contribution

This represents the fund transferred to Pepy Empowering Youth during the year based on the agreements made between the Pepy Ride and Pepy Empowering Youth.

10. Scholarship

	2014		2013
	US\$	KHR'000 (Note 2c)	US\$
Personnel costs	12,411	50,116	3,416
Programme costs	31,391	126,757	11,294
Travel expenses	268	1,082	221
Operating expenses	851	3,436	2,962
	<u>44,921</u>	<u>181,391</u>	<u>17,893</u>

Scholarship programme expenses which do not relate to the candidates living or educational expenses are borne by the organisation. Scholarship revenues will be recognised in line with candidates educational and living expenses over the period of the scholarship programme.

11. Learning centre

	2014		2013
	US\$	KHR'000 (Note 2c)	US\$
Personnel costs	26,244	105,973	7,698
Programme costs	10,133	40,917	8,882
Travel expenses	2,522	10,184	53
Operating expenses	6,021	24,313	2,879
	<u>44,920</u>	<u>181,387</u>	<u>19,512</u>

The PEPY Ride

Notes to the financial statements (continued) for the year ended 31 December 2014

11. Learning centre (continued)

Learning centre currently comprises of 3 program courses:

(a) English course

	2014	2013
	US\$	US\$
	KHR'000	
	(Note 2c)	
Personnel costs	6,748	2,785
Programme costs	3,750	1,391
Travel expenses	152	9
Operating expenses	1,905	940
	<u>12,555</u>	<u>5,125</u>
	<u>50,697</u>	

This is one of three courses under learning centre provided at Siem Reap.

(b) Information Communication Technology course

	2014	2013
	US\$	US\$
	KHR'000	
	(Note 2c)	
Personnel costs	9,348	2,535
Programme costs	4,296	6,880
Travel expenses	220	38
Operating expenses	2,392	1,276
	<u>16,256</u>	<u>10,729</u>
	<u>65,641</u>	

(c) Youth Empowerment

	2014	2013
	US\$	US\$
	KHR'000	
	(Note 2c)	
Personnel costs	10,148	2,378
Programme costs	2,087	611
Travel expenses	2,149	6
Operating expenses	1,725	663
	<u>16,109</u>	<u>3,658</u>
	<u>65,049</u>	
	<u>44,920</u>	<u>19,512</u>
	<u>181,387</u>	

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Notes to the financial statements (continued) for the year ended 31 December 2014

12. Dream management

	2014	2013	
	US\$	KHR'000 (Note 2c)	US\$
Personnel costs	11,299	45,625	-
Programme costs	1,085	4,381	-
Travel expenses	468	1,890	-
Operating expenses	1,443	5,827	-
	<u>14,295</u>	<u>57,723</u>	<u>-</u>

13. PEPY Ride school support

	2014	2013	
	US\$	KHR'000 (Note 2c)	US\$
Personnel costs	13,513	54,565	30,472
Programme costs	2,752	11,112	8,744
Travel expenses	519	2,096	1,342
Operating expenses	1,463	5,908	19,579
	<u>18,247</u>	<u>73,681</u>	<u>60,137</u>

14. Capacity building

	2014	2013	
	US\$	KHR'000 (Note 2c)	US\$
Personnel costs	2,670	10,781	5,028
Programme costs	-	-	1,075
Travel expenses	-	-	93
Operating expenses	563	2,274	-
	<u>3,233</u>	<u>13,055</u>	<u>6,196</u>

The PEPY Ride

Notes to the financial statements (continued) for the year ended 31 December 2014

15. Management and general expense

	2014	2013	
	US\$	KHR'000 (Note 2c)	US\$
Personnel costs	9,522	38,450	7,835
Programme costs	427	1,724	3,590
Travel expenses	1,857	7,499	1,227
Operating expenses	11,137	44,971	11,642
	<u>22,943</u>	<u>92,644</u>	<u>24,294</u>

16. Fundraising

	2014	2013	
	US\$	KHR'000 (Note 2c)	US\$
Personnel costs	11,802	47,656	11,011
Programme costs	891	3,598	1,173
Travel expenses	300	1,211	109
Operating expenses	3,244	13,100	2,803
	<u>16,237</u>	<u>65,565</u>	<u>15,096</u>

17. Fund balance at the ended of the year

On 7 January 2015, the Organisation entered into an agreement with Pepy Empowering Youth to transfer the remaining fund balance in bank accounts in Cambodia after settlement all outstanding liabilities and other operation cost to Pepy Empowering Youth. Up to the date of this reporting, the remaining fund balance has not been transferred to Pepy Empowering Youth yet.

The PEPY Ride

Notes to the financial statements (continued) for the year ended 31 December 2014

18. Total expenditure by type

	Fundraising US\$	Management and general US\$	Program US\$	Total US\$	Total KHR'000 (Note 2c)
Personnel, Travel & occupancy					
Salaries and wages	8,254	6,819	49,670	64,743	261,432
Other employee benefits	2,857	2,152	13,888	18,897	76,306
Payroll taxes (Local)	549	391	2,561	3,501	14,137
Payroll taxes (US)	-	160	-	160	646
Staff celebration	575	190	297	1,062	4,288
Staff training & development	406	395	4,326	5,127	20,703
Accounting fees	-	7,704	-	7,704	31,109
Legal & consulting fees	-	20	-	20	81
Recruitment fees	-	-	72	72	291
Information technology	110	11	89	210	848
Office expenses	885	539	1,459	2,883	11,642
Travel & transportation	300	1,857	1,787	3,944	15,926
Conferences, conventions and meetings	-	-	236	236	953
Other expenses					
Admin cost from CD and M&G	1,268	-	3,221	4,489	18,127
Books	-	9	76	85	343
Charitable contributions	-	320	-	320	1,292
Cleaning supplies	-	59	26	85	343

The PEPY Ride

Notes to the financial statements (continued) for the year ended 31 December 2014

18. Total expenditure by type (continued)

	Fundraising US\$	Management and general US\$	Program US\$	Total US\$	Total KHR'000 (Note 2c)
Dues and subscriptions	-	250	-	250	1,010
Building costs	-	-	437	437	1,765
Education items	-	-	37,763	37,763	152,487
Education travel scholarship	-	-	1,989	1,989	8,032
Equipment	-	260	-	260	1,050
Gifts	-	95	7	102	412
Meal, snacks for staff/other meeting	-	147	66	213	860
Office rental	-	448	-	448	1,809
Printing	892	97	214	1,203	4,858
Program equipment	-	-	3,388	3,388	13,681
Program-Furniture & Fixtures	-	-	16	16	65
Repairs and maintenance	-	18	71	89	359
Service fees	-	-	1,680	1,680	6,784
Training	-	2	1,769	1,771	7,150
Utilities	-	421	490	911	3,678
Visas	141	-	18	159	641
Localization process	-	579	-	579	2,338
Grant expense	-	-	306,588	306,588	1,238,002
Total	16,237	22,943	432,204	471,384	1,903,448