

**SERVICE SOCIAL POUR LE BIEN-ÊTRE  
DE L'ENFANT AU LIBAN (SESOBEL)**

**FINANCIAL STATEMENTS**

**30 JUNE 2023**





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## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF SERVICE SOCIAL POUR LE BIEN-ÊTRE DE L'ENFANT AU LIBAN (SESOBEL)**

### **Adverse opinion**

We have audited the financial statements of Service Social Pour le Bien-Être De L'Enfant au Liban (Sesobel) (the "Association"), which comprise the statement of financial position as at 30 June 2023 and the statement of activities and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, because of the significance of the matters discussed in the "Basis for adverse opinion" section of our report, the accompanying financial statements do not present fairly, the financial position of the Association as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for adverse opinion**

1. As disclosed in Note 2.1 to the financial statements, the Association did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") in the financial statements for years ended 30 June 2023 and 2022, nor did the Association consider its effects on forecasts and discount rates used in accounting estimates (noting that the Lebanese Lira was defined as hyperinflationary from 2020). Had the Association applied the requirements of IAS 29, many elements and disclosures in the accompanying financial statements, including the comparative financial information as at and for the year ended 30 June 2022, would have been materially different. The effects on the financial statements from this departure have not been determined. Our opinion for the year ended 30 June 2022 was modified for same reasons.
2. The Association translated its assets and liabilities, denominated in foreign currencies as at 30 June 2023 using the official published exchange rates as disclosed in Note 2.2 to the financial statements, and all transactions in foreign currencies that occurred during the year then ended using multiple exchange rates. However, other exchange rates through legal exchange mechanisms are available, depending on the source and nature of the operation or balance. As per IAS 21, when several exchange rates are available, the rate to be used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Due to the uncertainties disclosed in Note 2.2 to the financial statements, management did not use the rate at which the future cash flows could have been settled. In addition, there are no supporting documents for currencies exchange transactions. The results of these transactions (positive and negative) were recorded under "Gain on foreign exchange, net" in the statement of activities and changes in net assets. Had the Association applied the requirements of IAS 21 and had the Association used the rate at which the future cash flows could have been settled, many accounts and disclosures in the financial statements would have been materially different. The effects on the financial statements from the departure of IAS 21 and the uncertainties relating to the appropriate exchange rates have not been determined. Our opinion for the year ended 30 June 2022 was modified for same reasons.
3. As at 30 June 2023, the Association held bank balances in Lebanon subject to defacto capital control and receivables from government agencies amounting to LL (000) 8,405,512 and LL (000) 4,618,223 respectively (2022: LL (000) 1,447,954 and LL (000) 1,544,819 respectively). The accompanying financial statements do not include adjustments, as required by IFRS 9 – Financial Instruments, to the carrying amounts of these balances and its related accounts and disclosures that would result from the resolution of the uncertainties disclosed in Note 2.2 to the financial statements. Had such adjustments and disclosures been determined and made, many elements and related disclosures in the accompanying financial statements would have been materially different. The effects of the resolution of these uncertainties on these financial statements have not been determined. Our opinion for the year ended 30 June 2022 was modified for the same reason.



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#### **Basis for adverse opinion (continued)**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the “*Auditor’s responsibilities for the audit of the financial statements*” section of our report. We are independent of the Association in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards* (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

#### **Emphasis of a matter**

We draw attention to Note 2.2 of the financial statements which describes the current economic situation in Lebanon. Our opinion is not further modified in respect of this matter.

#### **Responsibilities of management and the Board of Directors for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Association’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Association’s financial reporting process.

#### **Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the 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 Association’s internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Association to cease to continue as a going concern.

**Auditors' responsibilities for the audit of the financial statements (continued)**

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.



Ernst & Young

6 June 2024  
Beirut, Lebanon

## Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended 30 June 2023

	<i>Notes</i>	<i>2023</i> <i>LL (000)</i>	<i>2022</i> <i>LL (000)</i>
<b>Revenues and donations</b>			
Revenue from sales of goods		31,266,433	10,097,779
Donations	3	21,197,897	10,779,688
Tuition fees		6,845,558	2,139,190
Events		1,940,229	33,999
Interest income		123,997	20,270
Revenue from emergency aid		36,722	22,106
Other revenues		680,502	730,881
		<u>62,091,338</u>	<u>23,823,913</u>
<b>Costs and expenses</b>			
Cost of goods sold		(1,665,752)	(1,231,065)
Other expenses	4	(12,572,567)	(5,854,486)
Cost of events		(687,135)	(19,540)
Finance costs		(190,233)	(187,309)
		<u>(15,115,687)</u>	<u>(7,292,400)</u>
General and administrative expenses	5	(54,295,405)	(21,847,125)
Gain on sale of property and equipment		-	10,000
Gain on foreign exchange, net		20,421,591	6,521,067
<b>RESULT FOR THE YEAR</b>		<u>13,101,837</u>	<u>1,215,455</u>
<b>NET ASSETS, BEGINNING OF THE YEAR</b>			
Result for the year – Profit		2,658,312	1,442,857
		<u>13,101,837</u>	<u>1,215,455</u>
<b>NET ASSETS, END OF THE YEAR</b>		<u>15,760,149</u>	<u>2,658,312</u>

The attached notes 1 to 17 form part of these financial statements.

Service Social Pour le Bien-Être de L'Enfant au Liban (Sesobel)

STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	2023 LL (000)	2022 LL (000)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	19,047,534	12,802,862
Intangible assets	7	128,321	21,761
Deposits		13,964	15,464
		<b>19,189,819</b>	<b>12,840,087</b>
<b>Current assets</b>			
Inventories	8	4,424,170	2,501,177
Accounts receivable and prepayments	9	9,275,556	4,201,319
Bank balances and cash	10	40,618,742	8,209,529
		<b>54,318,468</b>	<b>14,912,025</b>
<b>TOTAL ASSETS</b>		<b>73,508,287</b>	<b>27,752,112</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred contributions	11	24,629,468	15,661,645
Provision for employees' end-of-service benefits	12	22,778,942	4,998,156
Term loans – non current portion		109,000	149,550
		<b>47,517,410</b>	<b>20,809,351</b>
<b>Current liabilities</b>			
Accounts payable and accrued expenses	13	10,190,178	4,221,855
Term loans – current portion		40,550	62,594
		<b>10,230,728</b>	<b>4,284,449</b>
<b>Total liabilities</b>		<b>57,748,138</b>	<b>25,093,800</b>
<b>Net assets</b>		<b>15,760,149</b>	<b>2,658,312</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>73,508,287</b>	<b>27,752,112</b>

The financial statements were authorised for issue on 6 June 2024 by:

Fadia Safi  
General Manager



The attached notes 1 to 17 form part of these financial statements.