

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

FINANCIAL STATEMENTS

30 JUNE 2022





Building a better
working world

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INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES 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 2022 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 2022, 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 at 30 June 2022, the Association held bank balances in Lebanon subject to unofficial capital control and receivables from government agencies amounting to LL (000) 1,447,954 (2021: LL (000) 1,616,277) and LL (000) 1,609,577 (2021: LL (000) 954,132) respectively. As stated in Note 2.2, it is not possible to determine the future effects that the restructuring plan and the economic crisis could have on the expected credit losses and thus the carrying amount of these assets. The accompanying financial statements do not include adjustments that could result from the resolution of these uncertainties. Our opinion for the year ended 30 June 2021 was modified for the same reason.
- 2- 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 in the accompanying financial statements for the year ended 30 June 2022. Had the Association applied IAS 29, many elements in the accompanying financial statements, including the comparative financial information for the year ended 30 June 2021, would have been materially different and also the disclosures for the years ended 30 June 2022 and 30 June 2021 would have been materially affected. The effects on the financial statements arising from the failure to apply IAS 29 have not been determined. Our opinion for the year ended 30 June 2021 was modified for the same reason explained above.
- 3- The Association translated its assets and liabilities, denominated in foreign currencies, as at 30 June 2022 and all transactions in foreign currencies that occurred during the year then ended, using the official published exchange rates as disclosed in note 2.2 to the financial statements. However, during the period, other exchange rates were introduced through legal exchange mechanisms, and several exchange rates became 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 represented by the transaction or balance could have been settled. Had the Association used the rate at which the future cashflows 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 2021 was modified for the same reason explained above.
- 4- "Gain on foreign exchange, net" in the statement of activities and changes in net assets includes gains totaling to LL (000) 6,521,067 resulting from the exchange of currencies conducted during the year ended 30 June 2022 (30 June 2021: LL (000) 655,366), for which there are no adequate supporting documents. As such, we were unable to determine whether any adjustments to these amounts were necessary.

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 Trustees 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 Trustees 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 Trustees 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

12 May 2023
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 2022

	Notes	2022 LL (000)	2021 LL (000)
Revenues and donations			
Revenue from sales of goods		10,097,779	2,661,425
Donations	3	10,779,688	6,566,332
Tuition fees		2,139,190	1,458,764
Events		33,999	12,071
Interest income		20,270	16,835
Revenue from emergency aid		22,106	23,168
Other revenues		730,881	309,288
Total revenues and donations		23,823,913	11,047,883
Costs and expenses			
Cost of goods sold		(1,231,065)	(593,485)
Other expenses	4	(5,854,486)	(2,879,727)
Cost of events		(19,540)	(3,372)
Finance costs		(187,309)	(56,231)
		(7,292,400)	(3,532,815)
General and administrative expenses	5	(21,847,125)	(7,769,193)
Write back of provision for expected credit losses	9	-	82,473
Gain on sale of fixed assets		10,000	-
Gain on foreign exchange, net		6,521,067	655,366
RESULT FOR THE YEAR		1,215,455	483,714
NET ASSETS, BEGINNING OF THE YEAR		1,442,857	959,143
Result for the year – Profit		1,215,455	483,714
NET ASSETS, END OF THE YEAR		2,658,312	1,442,857

The attached notes 1 to 18 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 2022

	Notes	2022 LL (000)	2021 LL (000)
ASSETS			
Non-current assets			
Property and equipment	6	12,802,862	10,820,776
Intangible assets	7	21,761	14,601
Deposits		15,464	18,464
		12,840,087	10,853,841
Current assets			
Inventories	8	2,501,177	1,782,543
Accounts receivable and prepayments	9	4,201,319	3,034,310
Bank balances and cash	10	8,209,529	5,435,884
		14,912,025	10,252,737
TOTAL ASSETS		27,752,112	21,106,578
LIABILITIES AND NET ASSETS			
Liabilities			
Non-current liabilities			
Deferred contributions	11	15,661,645	14,130,809
Provision for employees' end-of-service benefits	12	4,998,156	1,614,350
Term loans – non current portion	13	149,550	200,391
		20,809,351	15,945,550
Current liabilities			
Accounts payable and accrued expenses	14	4,221,855	3,667,331
Term loans – current portion	13	62,594	50,840
		4,284,449	3,718,171
Total liabilities		25,093,800	19,663,721
Net assets		2,658,312	1,442,857
TOTAL LIABILITIES AND NET ASSETS		27,752,112	21,106,578

The financial statements were authorised for issue on 12 May 2023 by:

Fadia Safi
General Manager



The attached notes 1 to 18 form part of these financial statements.