

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

FINANCIAL STATEMENTS

30 JUNE 2019



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

Qualified 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 2019 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, except for the possible effect of the matter described in the "*Basis for qualified opinion*" section, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 30 June 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for qualified opinion

The Association holds bank balances in Lebanon amounting to LL (000) 2,822,227 as at 30 June 2019. As stated in Note 1.1, 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.

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 qualified audit opinion.

Emphasis of a matter

We draw attention to Note 1 of the financial statements which describes the current economic situation in Lebanon. Our opinion is not modified in respect of this matter

Responsibilities of management 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.

Management is responsible for overseeing the Association's financial reporting process.



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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.
- ▶ 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 management 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

11 June 2020
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 2019

	<i>Notes</i>	<i>2019</i> <i>LL (000)</i>	<i>2018</i> <i>LL (000)</i>
Revenues and donations			
Revenue from sales of goods		2,252,049	2,043,292
Donations	3	6,864,204	6,853,947
Tuition fees		2,840,459	3,234,054
Events		601,590	604,525
Interest income		101,832	99,889
Revenue from emergency aid		64,281	45,171
Other revenues		55,180	104,121
Total revenues and donations		<u>12,779,595</u>	<u>12,984,999</u>
Costs and expenses			
Cost of goods sold		(1,116,569)	(872,897)
Other expenses	4	(3,475,146)	(2,768,806)
Cost of events		(173,043)	(183,948)
Finance costs		(67,518)	(44,635)
		<u>(4,832,276)</u>	<u>(3,870,286)</u>
Other income		180,415	52,650
General and administrative expenses	5	(8,612,482)	(8,695,502)
Provision for expected credit losses	9	(80,899)	-
Other expenses		(28,254)	(64,506)
(Loss) gain on foreign exchange, net		(6,083)	320
RESULT FOR THE YEAR		<u>(599,984)</u>	<u>407,675</u>
NET ASSETS, BEGINNING OF THE YEAR		(8,056)	(415,731)
Result for the year		(599,984)	407,675
NET ASSETS, END OF THE YEAR		<u>(608,040)</u>	<u>(8,056)</u>

The attached notes 1 to 19 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 2019

	<i>Notes</i>	2019 <i>LL (000)</i>	2018 <i>LL (000)</i>
ASSETS			
Non-current assets			
Property and equipment	6	10,271,030	9,843,176
Intangible assets	7	9,857	16,266
Deposits		15,964	12,664
		10,296,851	9,872,106
Current assets			
Inventories	8	1,009,880	1,170,894
Accounts receivable and prepayments	9	4,562,398	4,736,578
Bank balances and cash	10	2,843,008	2,431,086
		8,415,286	8,338,558
TOTAL ASSETS		18,712,137	18,210,664
LIABILITIES AND NET ASSETS			
Liabilities			
Non-current liabilities			
Deferred contributions	11	13,452,516	12,308,062
Provision for employees' end-of-service benefits	12	1,355,440	1,458,671
Term loan – non current portion	13	338,278	354,469
Notes payable – non current portion		-	9,896
		15,146,234	14,131,098
Current liabilities			
Accounts payable and accrued expenses	14	4,044,127	3,867,627
Term loan – current portion	13	16,137	17,640
Notes payable – current portion		9,896	28,536
Bank overdrafts	10	103,783	173,819
		4,173,943	4,087,622
Total liabilities		19,320,177	18,218,720
Net assets		(608,040)	(8,056)
TOTAL LIABILITIES AND NET ASSETS		18,712,137	18,210,664

The financial statements were authorised for issue on 11 June 2020 by:

Fadia Safi
General Manager



The attached notes 1 to 19 form part of these financial statements.