

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

FINANCIAL STATEMENTS

30 JUNE 2021





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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 2021 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 2021, 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 2021, the Association held bank balances in Lebanon and receivables from government agencies amounting to LL (000) 1,616,277 (2020: LL (000) 3,515,101) and LL (000) 954,132 (2020: LL (000) 1,819,349) 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 on the financial statements of prior year 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 2021. Had the Association applied IAS 29, many elements in the accompanying financial statements, including the comparative financial information for the year ended 30 June 2020, would have been materially different and also the disclosures for the years ended 30 June 2021 and 30 June 2020 would have been materially affected. The effects on the financial statements arising from the failure to apply IAS 29 have not been determined.
- 3- The Association's assets and liabilities as at 30 June 2021 were remeasured and presented in the accompanying financial statements for the year ended 30 June 2021 using the official published exchange rate - for those denominated in US dollars, the rate of 1 US\$ / LBP 1,507.5. As other officially published exchange rates became available through legal exchange mechanisms, per IAS 21, 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. The effects on the financial statements from failure to use the appropriate rates have not been determined.
- 4- "Gain (Loss) on foreign exchange, net" in the statement of activities and changes in net assets gain on exchange totaling to LL (000) 1,491,284 and loss on exchange LL (000) 835,919 resulting from the exchange of currencies conducted during the year ended 30 June 2021 for which there are no adequate supporting documents. As such, we were unable to determine whether any adjustments to these amounts were necessary.

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.



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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.
- ▶ 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

4 February 2022
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 2021

	<i>Notes</i>	2021 <i>LL (000)</i>	2020 <i>LL (000)</i>
Revenues and donations			
Revenue from sales of goods		2,661,425	1,173,589
Donations	3	6,566,332	10,122,598
Tuition fees		1,458,764	2,416,584
Events		12,071	284,493
Interest income		16,835	99,862
Revenue from emergency aid		23,168	6,469
Other revenues		309,288	9,606
Total revenues and donations		<u>11,047,883</u>	<u>14,113,201</u>
Costs and expenses			
Cost of goods sold		(593,485)	(488,828)
Other expenses	4	(2,879,727)	(4,168,995)
Cost of events		(3,372)	(60,012)
Finance costs		(56,231)	(50,036)
		<u>(3,532,815)</u>	<u>(4,767,871)</u>
General and administrative expenses	5	(7,769,193)	(7,633,875)
Provision for expected credit losses	9	-	(1,574)
Write back of provision for expected credit losses	9	82,473	-
Gain (loss) on foreign exchange, net		655,366	(142,698)
RESULT FOR THE YEAR – Capital		<u>483,714</u>	<u>1,567,183</u>
NET ASSETS, BEGINNING OF THE YEAR		959,143	(608,040)
Result for the year – Profit		483,714	1,567,183
NET ASSETS, END OF THE YEAR		<u><u>1,442,857</u></u>	<u><u>959,143</u></u>

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 2021

	Notes	2021 LL (000)	2020 LL (000)
ASSETS			
Non-current assets			
Property and equipment	6	10,820,776	10,637,133
Intangible assets	7	14,601	3,460
Deposits		18,464	18,464
		10,853,841	10,659,057
Current assets			
Inventories	8	1,782,543	1,190,047
Accounts receivable and prepayments	9	3,034,310	3,667,660
Bank balances and cash	10	5,435,884	5,000,641
		10,252,737	9,858,348
TOTAL ASSETS		21,106,578	20,517,405
LIABILITIES AND NET ASSETS			
Liabilities			
Non-current liabilities			
Deferred contributions	11	14,130,809	14,006,569
Provision for employees' end-of-service benefits	12	1,614,350	1,382,793
Term loans -- non current portion	13	200,391	251,231
		15,945,550	15,640,593
Current liabilities			
Accounts payable and accrued expenses	14	3,667,331	3,866,829
Term loans -- current portion	13	50,840	50,840
		3,718,171	3,917,669
Total liabilities		19,663,721	19,558,262
Net assets		1,442,857	959,143
TOTAL LIABILITIES AND NET ASSETS		21,106,578	20,517,405

The financial statements were authorised for issue on 4 February 2022 by:

Fadia Safi
General Manager



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