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NUSANED

**Audit report and statement of receipts and disbursements
for the year ended 31 December 2020**

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Independent auditor's report to the Advisory Board of Nusaned

Report on the audit of the statement of receipts and disbursements

Our opinion

In our opinion, the statement of receipts and disbursements of Nusaned (the "Organisation") for the year ended 31 December 2020 is prepared, in all material respects, in accordance with the cash basis of accounting as described in note 2 to the financial statements.

What we have audited

The Organisation's statement of receipts and disbursements comprise:

- the statement of receipts and disbursements for the year ended 31 December 2020; and
- the notes to the statement of receipts and disbursements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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 statement of receipts and disbursements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of these financial statements in Lebanon. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and the ethical requirements in Lebanon.

Emphasis of Matter

We draw attention to note 2, which describes the basis of accounting. The statement is prepared to assist the Organisation's management to provide financial information to the Organisation's funders. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the Organisation funders and should not be distributed to or used by parties other than the Organisation funders. Our report is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the statement of receipts and disbursements

Management is responsible for the preparation of the statement of receipts and disbursements in accordance with the cash basis of accounting described in note 2, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

In preparing the statement, management is responsible for assessing the Organisation'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 Organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation's financial reporting process.

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Independent auditor's report (continued) to the Advisory Board of Nusaned

Auditor's responsibilities for the audit of the statement of receipts and disbursements

Our objectives are to obtain reasonable assurance about whether the statement of receipts and disbursements 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 this statement.

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

- Identify and assess the risks of material misstatement of the statement of receipts and disbursements, 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 Organisation'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 Organisation'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 statement of receipts and disbursements 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 Organisation to cease to continue as a going concern.

We communicate with those charged with governance 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.



PricewaterhouseCoopers
Beirut, Lebanon
27 July 2021

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**Statement of receipts and disbursements
for the year ended 31 December 2020**

	Notes	2020 LL'000
Receipts		
Roofs that shield		6,588,097
Goods in need		343,382
Crops that yield		108,225
Other donations		68,656
Total donations		<u>7,108,360</u>
Other revenues		4,000
Difference of exchange		514,644
		<u>7,627,004</u>
Disbursements		
Program service expenses	3	6,731,493
Administrative and other expenses	4	305,497
Employee benefit expenses		45,424
		<u>7,082,414</u>
Surplus		<u>544,590</u>

This statement has been approved and authorised by Mrs. Ghaida Nawam on 23 June 2021 on behalf of the board of trustees.


Mrs. Ghaida Nawam

President

The notes on pages 4 and 8 are an integral part of the statement of receipts and disbursements.


Mrs. Ghaida Nawam

Notes to the statement of receipts and disbursements for the year ended 31 December 2020

1 General information

Nusaned (the "Organization") is a not-for-profit organisation established under (i) decree No. 5868 dated 18 July 2011, (ii) law governing associations dated 3 August 1909 (article 6) and is registered at the Department of Political and Social Affairs under No. 4/7260 dated 18 May 2020. The Organisation started its activities on 1 January 2020.

The main activity of the Organisation is to fund under-served Lebanese communities to become self-sustaining by offering access to food security, building shelter and providing ongoing opportunities for productive economies. It cooperates and coordinates with various associations and institutions in Lebanon and abroad, acting as a bridge between donors and the needy.

1.1 General economic and financial situation

Lebanon is experiencing a severe financial crisis that is impacting the banking sector and, more generally, the economic and business environment in the country. The impact includes a significant public debt burden (above 150% of GDP), high interest rates, a level of country risk that is far above normal and increasing unemployment. This has created liquidity pressures in most businesses. The crisis also led to the resignation of the Council of Ministers of Lebanon on 29 October 2019. A new Government was formed on 21 January 2020 which began to focus on urgent measures including the settlement of Eurobonds and which requested the technical assistance of the International Monetary Fund.

At 31 December 2019, Lebanon's sovereign debt amounted to approximately US\$ 92 billion and consisted of Lebanese Pound debt of approximately 63% and foreign currency debt of 37%. 87% of the Lebanese Pound debt is held by Lebanese banks and the Central Bank and only approximately a third of the US Dollar debt is held by foreign funds and financial institutions, the remaining foreign currency debt being held by either local lenders (mainly banks) or the Central Bank.

Lebanon's sovereign credit rating was downgraded by international credit rating agencies to imminent default. Commercial banks' rating was initially downgraded to selective default but was further downgraded subsequently. On 7 March 2020, the government announced that it will withhold settlement on the bonds due on 9 March 2020, which was followed by another announcement on 23 March 2020 for the withholding of payments on all of its US Dollar denominated Eurobonds.

The ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets was significantly reduced. Banks in Lebanon have restricted access to US Dollars and have frozen company credit facilities, which has in turn created significant liquidity pressure. Banks have implemented their own foreign exchange controls that prohibit US Dollar transfers outside Lebanon and limit the amount of US Dollars that may be withdrawn from accounts, all of which added to the disruption of the country's economic activity, given the extent to which the Lebanese economic model is reliant upon imports and consumption.

Notes to the statement of receipts and disbursements (continued)**1 General information (continued)****1.1 General economic and financial situation (continued)**

This has in turn led to:

- A general slowdown in economic activity leading to lower revenue and cash flows and an increased risk of asset impairment;
- Increased actual and expected credit losses for all companies;
- Some companies not being able to settle their bank facilities when due;
- Increased cost in connection with obtaining hard currency; and
- Uncertainty about whether some entities can continue as a going concern.

On 30 April 2020, the Council of Ministers approved the Lebanese government's Financial Recovery Plan (the "Plan"). The Plan rests on nine central and interrelated pillars including a comprehensive restructuring of the financial system, a debt restructuring strategy, growth enhancing macro-economic reforms covering tax compliance and the public sector, a social sector reform agenda, an ambitious national anti-corruption strategy and securing international financial assistance.

On 1 May 2020, the Lebanese Prime Minister and the Lebanese Finance Minister signed a request for aid from the International Monetary Fund (IMF) as part of Lebanon's detailed discussions with the IMF.

The Lebanese government resigned on 10 August 2020 following a devastating explosion at the Beirut Port (note 30). The financial crisis has deepened and, in addition, its social effects are starting to be felt more acutely. No new government has been formed since and the existing government is currently acting in a caretaking capacity. During October 2020, the Lebanese economy was recognized as a hyperinflationary economy.

The specific areas for consideration arising from the economic situation are set out below:

- At 31 December 2020, the Organisation had cash on hand of LL 4.9 million and LL 491 million of bank balances held with Lebanese commercial banks that can be utilised in the normal course of business, despite the current banking restrictions;
- Monetary assets and liabilities denominated in USD were converted at the official rate as at 31 December 2020; and
- The current economic situation and the outbreak of Covid-19 (see note 6).

Notes to the statement of receipts and disbursements (continued)**2 Principal accounting policies**

A summary of important accounting policies is set out below.

Basis of accounting

The statement of receipts and disbursements is prepared using the Organisation's accounting policies as stated below.

Foreign currency

Foreign currency transactions are translated into Lebanese Pounds at the rates prevailing on the transaction date.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Receipts

Receipts comprise the value of the consideration received in cash for donations in the ordinary course of the Organisation's activities. They are recorded upon receipt.

Donation programs

1. Roofs that shield
2. Goods in need
3. Crops that yield

Disbursements

All disbursements are recorded at the time of payment regardless of when goods and services are actually received.

Notes to the statement of receipts and disbursements (continued)

3 Program service expenses

	2020 LL'000
Roofs that shield	6,184,940
Goods in need	445,276
Crops that yield	101,277
	<u>6,731,493</u>

4 Administrative and other expenses

	2020 LL'000
Advertising	67,356
Professional fees	54,967
Stationery and office supplies	50,105
Bank charges	27,233
External services	24,670
Transportation	22,604
Maintenance charges	20,078
Telecommunications	18,035
Entertainment expense	7,641
Insurance expense	7,238
Donations	5,000
Other	566
	<u>305,495</u>

5 Cash and bank

	2020 LL'000
Receipts during the year	7,627,004
Disbursements during the year	<u>(7,082,414)</u>
Net increase in cash and bank balances during the year	544,590
Adjustments for:	
Increase in accounts and other receivables	(31,190)
Increase in accounts and other payables	35,310
Cash and bank balances at beginning of the year	<u>-</u>
Cash and bank balances at 31 December 2020	<u><u>548,710</u></u>

Notes to the statement of receipts and disbursements (continued)**6 Significant events during the reporting period***(a) Covid-19*

Possible effects of the outbreak of COVID-19 may include, but are not limited to, disruption to the Organisation's operations and revenues, delay in payments by customers and damage to the health of employees. The Organisation is continuously monitoring the COVID-19 pandemic situation and its impact on the aforementioned factors. The Organisation is continuing its operations without any significant disruption after implementing the necessary business continuity procedures and ensuring required precautionary measures.

As the COVID-19 situation is still fluid and evolving, currently it is difficult to measure the complete extent and duration of the economic impact. However, management believes, based on its assessment of the situation and available information, that there is no significant impact on the Organisation's financial performance and that the Organisation has sufficient liquidity and access to financing facilities to continue to meet its financial obligations for the foreseeable future as and when they become due.

(b) Port of Beirut

A devastating explosion occurred in the Port of Beirut on 4 August 2020 caused by a fire in one of the warehouses of the Port that contained highly inflammable materials consisting of ammonium nitrate. The resulting blast wave levelled buildings near the port and caused extensive damage over much of the rest of the capital. There has been limited damage to the Organisation's offices.