

NUSANED

**Audit report and statement of receipts
and disbursements for the year ended
31 December 2021**

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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 2021 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 2021; 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.

Independent auditor's report to the Advisory Board of NUSANED

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

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
10 October 2023

**Statement of receipts and disbursements
as at 31 December 2021**

	Notes	2021 LL'000	2020 LL'000
Receipts			
Roofs that shield		24,408,236	6,588,097
Goods in need		3,171,327	343,382
Crops that yield		52,104	108,225
Other donations		2,802,294	68,656
Total donations		30,433,961	7,108,360
Other revenues		23,687	4,000
Difference of exchange		2,813,667	514,644
		33,271,315	7,627,004
Disbursements			
Program service expenses	3	31,869,599	6,731,493
Administrative and other expenses	4	1,718,148	305,497
Employee benefit expenses		147,280	45,424
		33,735,027	7,082,414
		(463,712)	544,590

This statement has been approved and authorised by Mrs. Ghaida Nawam on 10 October 2023 on behalf of the board of trustees.



Ms. Ghaida Nawam,
President



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

**Notes to the statement of receipts and disbursements
for the year ended 31 December 2021****1 General information****1.1 Organization 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 Organization supports 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.

1.2 General economic and financial situation

1.2.1 Lebanon has been experiencing since 2019 a severe economic and financial crisis that has impacted its economic and business environment, resulting in a significantly heightened level of country risk.

Following the decision of the government in March 2020 to withhold payment on its US Dollar denominated Eurobonds, Lebanon's sovereign credit rating was downgraded by international credit rating agencies to Default. As a result of the ensuing shortage in US Dollars, local banks have limited access to US Dollars and have frozen company credit facilities, which in turn resulted in significant liquidity pressure. The banking sector has implemented a system of foreign exchange controls that makes it virtually impossible to transfer foreign currency outside Lebanon and limits the amount of foreign currency that may be withdrawn from bank accounts.

The deep economic and financial crisis, combined with COVID-19, the explosion at the Port of Beirut on 4 August 2020 and the banking sector foreign currency restrictions, have led to the emergence of an unofficial US Dollar exchange rate in the foreign exchange market that is at a significant premium as compared to the official rate of LL 1,507.5 to the US Dollar.

Foreign currencies that are not subject to banking restrictions on withdrawals are referred to as "unrestricted" foreign currencies. Companies have been transacting on the basis of multiple exchange rates depending on the nature of transactions and stakeholders (clients, suppliers, other stakeholders).

In May 2021, the Central Bank of Lebanon ('the BDL') launched a new foreign exchange platform, namely the Sayrafa platform, where US Dollars can be sold or purchased at a rate determined by the BDL. The Sayrafa rate was set at LL 12,000 to the US Dollar upon the launching of the platform and had reached LL 22,700 at 31 December 2021. The Sayrafa rate generally fluctuates in line with the market rate.

All of these conditions have exacerbated the disruption in economic activity, given the extent to which the Lebanese economic model is reliant upon imports and consumption.

Furthermore, as a result of the above, there was a significant increase in inflation. Since 2020, the Lebanese economy was recognised as a hyperinflationary economy.

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

Notes to the statement of receipts and disbursements (continued)**1 General information (continued)****1.2 General economic and financial situation (continued)**

A new government was appointed in September 2021 after a void in government of approximately 13 months, following the government's resignation on 10 August 2020. The new government has started discussions with the International Monetary Fund as well as focusing on the urgent measures required. During 2022, a new Parliament was elected; however, government affairs are still run by a caretaker government, pending the appointment of a new government.

During November 2022, a new budget Law (2022 Budget Law) was passed in Lebanon, followed by several other ministerial decisions issued by the Ministry of Finance, which included provisions related to the computation of payroll and other stamp duty liabilities (note 20).

As of 1 February 2023, a new official exchange rate was adopted by the Ministry of Finance and the Central Bank of Lebanon of LL 15,000 to the US Dollar as compared to the previous rate of LL 1,507.5 to the US Dollar.

These events have in turn led to:

- A general slowdown in economic activity leading to lower revenues and cash flows and an increased risk of asset impairment for many businesses;
- Increased actual and expected credit losses;
- Some businesses not being able to settle their bank facilities when due;
- Increased cost of obtaining hard currency; and
- Uncertainty about whether some companies will be able to survive the crisis and remain in business for the foreseeable future.

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

- At 31 December 2021, the Organization holds current bank accounts of LL 66.5 million at 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 2021; and
- The current economic situation and the outbreak of Covid-19 (see note 6).

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

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.

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

Notes to the statement of receipts and disbursements (continued)

3 Program service expenses

	2021 US\$	2020 LL
Roofs that shield	24,407,432	6,184,940
Goods in need	3,936,228	445,276
Crops that yield	389,215	101,277
Other	3,136,724	-
	<u>31,869,599</u>	<u>6,731,493</u>

4 Administrative and other expenses

	2021 LL'000	2020 LL'000
Maintenance charges	351,182	20,078
Rent	293,400	-
Professional fees	231,459	54,967
Stationery and office supplies	224,010	50,105
Bank charges	192,255	27,233
Telecommunications	91,317	18,035
Transportation	73,843	22,604
Advertising	71,162	67,356
External services	22,215	24,670
Entertainment expense	16,145	7,641
Insurance expense	8,505	7,238
Donations	-	5,000
Other	142,655	566
	<u>1,718,148</u>	<u>305,495</u>

5 Cash at banks

	2021 LL'000	2020 LL'000
Receipts during the year	33,271,315	7,627,004
Disbursements during the year	<u>(33,735,027)</u>	<u>(7,082,414)</u>
Net increase in cash and bank balances during the year	(463,712)	544,590
Adjustment for:		
Increase in accounts and other receivables	-	(31,190)
Increase in accounts and other payables	-	35,310
Release of net profit	(540,470)	-
Cash and bank balances at beginning of the year	548,710	-
Cash and bank balances at 31 December 2021	<u>84,997</u>	<u>548,710</u>

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

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 Organization's operations and revenues, delay in payments by customers and damage to the health of employees. The Organization is continuously monitoring the COVID-19 pandemic situation and its impact on the aforementioned factors. The Organization 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 Organization's financial performance and that the Organization 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 Organization's corporate headquarters.