

KAYANY FOUNDATION

Report and financial statements for the year ended 31 December 2017

**Report and financial statements
for the year ended 31 December 2017**

	Page
Independent Auditor's Report	1 - 2
Statement of financial position	3
Statement of comprehensive income and disbursements	4
Statement of changes in surplus	5
Statement of cash flows	6
Notes to the financial statements	7 - 12

INDEPENDENT AUDITOR'S REPORT

to the Board of Trustees of KAYANY FOUNDATION

Opinion

We have audited the accompanying financial statements of KAYANI FOUNDATION, ("the Company") which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity, and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants (Code of Ethics for Professional Accountants – 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 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 opinion.

Responsibility of Management and the Board of Trustees

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (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 Company's ability to continue as a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the Company'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 misstatements, 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 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.

INDEPENDENT AUDITOR'S REPORT to the Board of Trustees of KAYANY FOUNDATION (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment 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 Company'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 exist related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, 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 Company 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.

Sarkis Sakr & Partners
An independent member of Geneva Group International
Beirut, Lebanon
29 January 2018

KAYANY FOUNDATION

Statement of financial position at 31 December 2017

		<u>2017</u>	<u>2016</u>
	Notes	LBP '000	LBP '000
Assets			
Non-current assets			
Property and equipment	4	<u>1,276,884</u>	<u>967,709</u>
Total non-current assets		<u>1,276,884</u>	<u>967,709</u>
Current assets			
Other receivables	5	<u>46,864</u>	122,257
Cash and bank balances	6	<u>1,007,259</u>	<u>617,383</u>
Total current assets		<u>1,054,123</u>	<u>739,640</u>
Total assets		<u>2,331,007</u>	<u>1,707,349</u>
Fund balance and liabilities			
Surplus		<u>2,074,900</u>	<u>1,565,657</u>
Liabilities			
Non-current liabilities			
Provision for other liabilities and charges		<u>223,998</u>	<u>132,949</u>
Total non-current liabilities		<u>223,998</u>	<u>132,949</u>
Current liabilities			
Other payables	7	<u>31,657</u>	8,291
Due to a related party		<u>452</u>	<u>452</u>
Total current liabilities		<u>32,109</u>	<u>8,743</u>
Total liabilities		<u>256,107</u>	<u>141,692</u>
Total fund balance and liabilities		<u>2,331,007</u>	<u>1,707,349</u>

The financial statements on pages 3 to 12 were approved and signed by Mrs. Nora Sharabati Jomblatt, Founder, on behalf of the Trustees.

Mrs. Nora Sharabati Jomblatt

The notes on pages 7 to 12 are an integral part of the financial statements.

KAYANY FOUNDATION

Statement of comprehensive income and disbursements for the year ended 31 December 2017

	Notes	<u>2017</u> LBP '000	<u>2016</u> LBP '000
Contribution income			
Donations received		2,559,529	2,200,023
Other Income		<u>5,000</u>	<u>-</u>
Income for the year		2,564,529	2,200,023
Expenses			
Professional fees		(1,309,964)	(889,874)
Donations distributed		(87,175)	(75,630)
Provision and depreciation expense	8	(138,013)	(105,216)
Stationary expense		(114,541)	(104,650)
Entertainment, travel and transportation expense		(214,145)	(107,052)
Rent and related charges		(62,632)	(30,122)
Maintenance fees		(65,076)	(58,576)
Kitchen expense		(16,494)	(7,580)
Insurance premiums		(2,745)	(2,738)
Other expense		<u>(44,501)</u>	<u>(65,865)</u>
Operating expenses		<u>(2,055,286)</u>	<u>(1,447,303)</u>
Surplus for the year		<u>509,243</u>	<u>752,720</u>

The notes on pages 7 to 12 are an integral part of the financial statements.

KAYANY FOUNDATION

Statement of changes in surplus for the year ended 31 December 2017

	<u>Total</u> <u>LBP '000</u>
Balance at 1 October 2013	-
Surplus for the period	<u>1,445,087</u>
Balance at 31 December 2013	1,445,087
Deficit for the year	<u>(653,681)</u>
Balance at 31 December 2014	791,406
Surplus for the year	<u>21,531</u>
Balance at 31 December 2015	812,937
Surplus for the year	<u>752,720</u>
Balance at 31 December 2016	1,565,657
Surplus for the year	<u>509,243</u>
Balance at 31 December 2017	<u>2,074,900</u>

The notes on pages 7 to 12 are an integral part of the financial statements.

KAYANY FOUNDATION

Statement of cash flows for the year ended 31 December 2017

		<u>2017</u>	<u>2016</u>
	Notes	LBP '000	LBP '000
Cash flows from operating activities			
Surplus for the year		509,243	752,720
Adjustments for:			
Depreciation expense	4,8	46,964	39,106
Provision for other liabilities and charges	8	91,049	66,110
Changes in working capital:			
Decrease/(increase) in other receivables	5	75,393	(108,657)
Increase/(decrease) in other payables	7	23,366	(21,859)
Net cash generated from operating activities		<u>746,015</u>	<u>727,420</u>
Cash flows from investing activities			
Purchase of property and equipment	4	<u>(356,139)</u>	<u>(241,901)</u>
Net cash used in investing activities		<u>(356,139)</u>	<u>(241,901)</u>
Net change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	6	<u>617,383</u>	<u>131,864</u>
Cash and cash equivalents at end of year	6	<u>1,007,259</u>	<u>617,383</u>

The notes on pages 7 to 12 are an integral part of the financial statements.

KAYANY FOUNDATION

Notes to the financial statements for the year ended 31 December 2017

1 General information

The KAYANY FOUNDATION (“the Foundation”) is a Lebanese Non-Governmental Organization (registration no.1806) founded in 2013.

Established in response to the Syrian refugee crisis in Lebanon, the Foundation delivers aid and initiates educational projects in informal tented settlements within the Bekaa governorate and its surrounding areas.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of KAYANY FOUNDATION have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) and IFRIC interpretations (“IFRIC”).

The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Lebanese Pounds (LBP) which is the official reporting currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Foundation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Adoption of new and revised IFRS and IFRIC

In the current year, the Foundation has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to the Foundation's operations and effective for annual reporting periods beginning on 1 January 2017. The adoption of these new and revised Standards and Interpretations did not result in any significant impact on the Foundation's financial statements or changes to the Foundation's accounting policies.

In addition, and as of the date of authorization of these financial statements, certain Standards and Interpretations were in issue but not yet effective. Management anticipates that the adoption of these Standards and Interpretations in the related future periods will have no material financial impact on the financial statements of the Foundation.

KAYANY FOUNDATION

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translate

(a) Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Lebanese Pounds, which is the Foundation's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "finance income or costs". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other expenses".

2.4 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Foundation adds to the carrying amount of an item of equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Foundation. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation on equipment is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful life range is as follows:

	Rate
Buildings	2.5%
Vehicles	10%
Furniture, fixtures and office equipment	<u>8 – 20%</u>

KAYANY FOUNDATION

2 Summary of significant accounting policies (continued)

2.4 Property and equipment (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other expenses in the statement of comprehensive income.

2.5 Other receivables

Other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the receivables.

2.6 Other payables

Other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Other payables are classified as current liabilities if payment is due within one year or less (or in normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks.

2.8 Disbursements

All disbursements and capital expenditures are recorded when goods and services are actually received.

KAYANY FOUNDATION

2 Summary of significant accounting policies (continued)

2.9 Contribution income

The foundation's income mainly arises from contributions. The Foundation recognises income from contributions as follows:

- (i) upon receipt of donations in cash or in kind where the donor does not bind the foundation by any specific performance condition; and
- (ii) upon the fulfilment of any specific performance conditions for those contributions where the donor imposes such conditions.

Any cash received on conditional contributions is recognized as a liability until such performance conditions are met.

2.10 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3 Critical accounting judgments and use of estimates

In the application of the accounting policies described in note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

KAYANY FOUNDATION

4 Property and equipment

	Buildings	Vehicles	Furniture, fixtures and office equipment	Total
	LBP '000	LBP '000	LBP '000	LBP '000
<u>Cost:</u>				
Balance at 1 January 2016	582,802	62,108	149,609	794,519
Additions	157,232	-	84,669	241,901
Balance at 31 December 2016	740,034	62,108	234,278	1,036,420
Additions	286,087	-	70,052	356,139
Balance at 31 December 2017	1,026,121	62,108	304,330	1,392,559
<u>Accumulated depreciation:</u>				
Balance at 1 January 2016	(10,417)	(8,319)	(10,869)	(29,605)
Additions	(12,560)	(6,211)	(20,335)	(39,106)
Balance at 31 December 2016	(22,977)	(14,530)	(31,204)	(68,711)
Additions	(14,750)	(6,211)	(26,003)	(46,964)
Balance at 31 December 2017	(37,727)	(20,741)	(57,207)	(115,675)
<u>Net book value:</u>				
Balance at 31 December 2017	988,394	41,367	247,123	1,276,884
Balance at 31 December 2016	717,057	47,578	203,074	967,709

5 Other receivables

	2017	2016
	LBP '000	LBP '000
Prepaid charges	34,590	18,260
Other receivables	12,274	103,997
	46,864	122,257

6 Cash and bank balances

	2017	2016
	LBP '000	LBP '000
Current bank balances	998,039	613,279
Cash on hand	9,220	4,104
	1,007,259	617,383

The cash and bank balances are denominated in US Dollars and Lebanese Pounds.

KAYANY FOUNDATION

7 Other payables

	<u>2017</u>	<u>2016</u>
	LBP '000	LBP '000
Sundry operating creditors	27,474	-
Accrued charges	<u>4,183</u>	<u>8,291</u>
	<u>31,657</u>	<u>8,291</u>

8 Provision and depreciation expense

	<u>2017</u>	<u>2016</u>
	LBP '000	LBP '000
Provision expense	91,049	66,110
Depreciation expense (note 4)	<u>46,964</u>	<u>39,106</u>
	<u>138,013</u>	<u>105,216</u>

9 Auction income

The Foundation's first project was Syri-Arts exhibition and charity auction that took place at the Beirut International Exhibition and Leisure Center (BIEL) from 30 October 2013 to 9 November 2013. The Syri-Arts charity auction generated over LL 1.6 billion from the sale of art pieces donated by painters and artists. All proceeds will be used to alleviate the plight of the Syrian refugee children in Lebanon and Syria.