INDEPENDENT AUDITOR REPORTS ON THE FINANCIAL STATEMENT OF

SELAM CHILDREN'S VILLAGE

DECEMBER 31, 2020

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SELAM CHILDREN'S VILLAGE
FOR THE YEAR ENDED 31 DECEMBER 2020

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SELAM CHILDREN'S VILLAGE
STATEMENT OF MANAGEMENT RESPONSIBILITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

The Financial Reporting Proclamation No. 847/2014 requires the organization to prepare its financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

The Financial Reporting Proclamation No. 847/2014, require the Management to prepare financial statements in respect of that organization, which give a true and fair view of the state of affairs of the organization at the end of the financial year/period and the operating results of the organization for that year/period. The Management is also required to ensure that the organization keeps proper accounting records which disclose with reasonable accuracy the financial position of the organization. The Management is also responsible for safeguarding the assets of the organization.

The Management is responsible for the preparation and presentation of the organization's financial statements, which give a true and fair view of the state of affairs of the organization for and as at the end of the financial year (period) ended on December 31, 2020.

The Management accepts the responsibility for the organization's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS). The Management is of the opinion that the organization's financial statements give a true and fair view of the state of organization's transactions during the financial year ended December 31, 2020, and of the organization's financial position as at that date. The Management further confirms the completeness of the accounting records maintained for the organization, which have been relied upon in the preparation of the organization's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Management to indicate that the organization will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements
The organization's financial statements were approved by the Management on March ----, 2021 and signed on its behalf by:

Managing Director

Manager, Finance & Accouting Dep't

SELAM CHILDREN'S VILLAGE
INDEPENDENT AUDITORS REPORT

1. Qualified Opinion

We have audited the financial statements of Selam Children's Village which comprise the Statement of Financial Position as at 31 December 2020 and the Statement of Financial Performance, Statement of Cash Flows and Statements of Changes in Equity for the year then ended and note to the financial statements, including a summary of significant accounting Policies.

In our opinion, except for the effect of the matter stated in the basis for qualified opinion section of our report below, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2020 and the Statement of Financial Performance, Statement of Cash Flows and Statements of Changes in Equity for the year then ended in accordance with the International Public Sector Accounting Standards (IPSASs) .

2. Basis for Qualified Opinion

We noted that the reported Biological Assets and its produces were not measured at the subsequent reporting dates at fair value less estimated costs to sell as per IPSAS 27. In addition the disclosure are not sufficient and not indicates complete information about the asset and its measurements. Consequently, we are not certain as to its propriety of the same.

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 Statement section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies adopted, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

4. 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 judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the statement of expenses, 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 Organization's internal control.

• Evaluate the appropriateness of accounting polices used and the reasonableness of accounting estimates and related disclosures made by management.

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.

5. Report on other Legal and Regulatory Requirements

Based on our verification procedures, Selam Children's Village has complied, in all material respect, with the requirements of the Organization of Civil Societies Proclamation No. 1113/2019 issued on March 9, 2019.

ADDIS ABABA
APRIL 15, 2021

GIRMA AND FASIL AUDIT SERVICE PARTNERSHIP
CHARTERED CERTIFIED ACCOUNTANTS (UK) AND
AUTHORIZED AUDITOR (ETH.)

SELAM CHILDREN'S VILLAGE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Notes	31-Dec-20 ETB	31-Dec-19 ETB
ASSETS			
Non - Current Assets			
Plant, Property and Equipment	5	141,958,664	130,035,671
Construction in progress	6	-	139,601
Biological asset	7	3,358,800	3,358,800
		145,317,464	133,534,072
Current Assets			
Biological asset	7	484,325	484,325
Inventory	8	4,388,559	3,551,892
Account receivables	9	41,662,570	4,234,126
Advance and prepayments	10	684,832	2,107,684
Cash and cash equivalents	11	17,274,572	18,300,897
		64,494,859	28,678,925
Total Assets		**209,812,322**	**162,212,996**
LIABILITIES			
Non - Current Liabilities			
Non-current employee benefit - Severance	13 b	8,020,380	7,605,108
		8,020,380	7,605,108
Current Liabilities			
Account payables	12	37,238,042	588,705
Employees benefit obligation - Annual Leave	13 a	550,241	978,219
		37,788,283	1,566,924
Total Liabilities		**45,808,663**	**9,172,032**
NET ASSETS		**164,003,659**	**153,040,964**
NET ASSETS			
Reserve for fixed asset	14	141,958,667	130,035,672
Fund balance	15	22,044,992	23,005,292
Total Net Assets		**164,003,659**	**153,040,964**

The notes on pages 9 to 27 are an integral part of these financial statements.

Managing Director

Manager, Finance & Accounting Dept

SELAM CHILDREN'S VILLAGE
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	31-Dec-20 ETB	31-Dec-19 ETB
REVENUE			
Revenue from non - exchange transaction			
Grant contribution in cash	**16**	86,196,999	56,295,719
Grant contribution in kind	**17**	2,056,572	1,083,947
Revenue from exchange transaction	**18**	24,164,003	28,210,342
Other income	**19**	-	130,550
Income released from fixed asset reserve	**20**	6,163,686	5,809,452
Total Revenue		118,581,260	91,530,010
EXPENDITURES			
Program expenditure	**21**	85,027,772	66,411,211
Administrative expenditure	**22**	16,254,198	23,509,784
Total Expenditure		101,281,970	89,920,995
Net Surplus (Deficit) for the year		**17,299,290**	**1,609,015**

The notes on pages 9 to 27 are an integral part of these financial statements.

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SELAM CHILDREN'S VILLAGE
STATEMENT OF CHANGE IN NET ASSET/EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Fund balance ETB	PPE reserve ETB	Total ETB
As at January 01, 2019	20,638,394	133,572,371	154,210,766
Assets purchased	(2,272,752)	-	(2,272,752)
Capitalised asset - PPE	-	2,272,752	2,272,752
Depriciation for the period	-	(5,809,452)	(5,809,452)
Purchased livestock	(530,000)	-	(530,000)
Consumable and building materials on hand	3,551,892	-	3,551,892
Prior period adjustment	8,742	-	8,742
Surplus/ (Deficit) for the period	1,609,015	-	1,609,015
As at December 31, 2019	**23,005,292**	**130,035,671**	**153,040,963**
As at January 01, 2020	23,005,292	130,035,671	153,040,963
Assets purchased	(18,086,679)	-	(18,086,679)
Capitalised asset - PPE	-	18,086,682	18,086,682
Depriciation for the period	-	(6,163,686)	(6,163,686)
Prior period adjustment	(172,911)	-	(172,911)
Surplus/ (Deficit) for the period	17,299,290	-	17,299,290
As at December 31, 2020	**22,044,992**	**141,958,667**	**164,003,659**

The notes on pages 9 to 27 are an integral part of these financial statements.

SELAM CHILDREN'S VILLAGE
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2020

	31-Dec-20 ETB	31-Dec-19 ETB
Cash flow from Operating activities		
Surplus for the year	17,299,290	1,609,018
Depriciation	6,163,686	5,809,452
Depriciation balance included in current year operation	(6,163,686)	(5,809,452)
(Increase)/Decrease in Biological assets	-	(130,550)
(Increase)/Decrease in Inventory	(836,668)	(3,551,892)
(Increase)/Decrease in Account receivable	(37,428,444)	469,356
(Increase)/Decrease in Advance & prepayments	1,422,852	(2,098,047)
Increase/ (Decrease) in Non-current employee benefit - Severance	415,272	1,544,486
Increase/ (Decrease) in Account payables	36,649,337	(535,516)
Increase/ (Decrease) in Current employee benefit - Annual leave	(427,978)	505,198
Consumable & building materials counted on hand	-	3,551,892
Adjustment made to Fund balance	(172,911)	8,742
Net cash flow from operating activites	16,920,752	1,372,688
Cash flow from Investing activities		
Construction in progress	139,601	(139,601)
Purchase of livestock	-	(530,000)
Purchase of plant, property & equipments	(18,086,678)	(2,272,752)
Net cash flow from investing activites	(17,947,077)	(2,942,353)
Cash flow from Financing activities		
Net Increase (Decrease) in cash and cash equivalent	(1,026,326)	(1,569,669)
Cash and cash equivalent at the beginning of the year	18,300,897	19,870,566
Cash and cash equivalent at the end of the year	*17,274,572*	*18,300,897*
Component of cash and cash equivalent		
Cash and bank balances	*17,274,572*	*18,300,897*

The notes on pages 9 to 27 are an integral part of these financial statements.

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SELAM CHILDREN'S VILLAGE
BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2020

	Final Budget ETB	Actual ETB	Performance difference ETB	Utilization %	Remark
Revenue					
Revenue from Non-exchange transaction	91,326,882	88,253,571	(3,073,311)	97%	
Revenue from Exchange transaction	64,415,805	24,164,003	(40,251,803)	38%	
Total revenue	**155,742,687**	**112,417,574**	**(43,325,113)**		
Expenditures					
Program expenditure					
Salaries & Benefits of Direct Program Saff (Mothers, Nannies, teachers, TVET trainers)	37,465,007	31,408,436	(6,056,571)	84%	
Materials for Children Education, cleaning, sport and other learning materials	19,903,831	12,984,493	(6,919,338)	65%	
Training and Upgrading Staff Mothers, nannies, teachers, nurse, TVET trainers	1,133,250	1,557,564	424,314	137%	
Repair and Maintenance of children's homes, school furniture and machineries	29,120,854	7,134,468	(21,986,385)	24%	
Children's Development Cost (food, health and psychosocial)	17,129,233	10,656,736	(6,472,497)	62%	
Community Support Cost (Education, health and living allowance)	3,839,402	2,151,976	(1,687,425)	56%	
Water, Electricity and Telephone program related	2,954,422	1,064,634	(1,889,788)	36%	
Advertisement and promotion	-	18,895	18,895	0%	
Entertaiment and guest meeting	-	92,352	92,352	0%	
PASEWAY Project	21,971,093	12,396,745	(9,574,348)	56%	
EYE Project	6,282,031	5,561,472	(720,559)	89%	
	139,799,122	85,027,772	(54,771,350)		
Administrative expenses					
Salaries and benefits	10,939,006	8,629,752	(2,309,254)	79%	
Materials	309,613	291,173	(18,440)	94%	
General Utilities & other admin	4,827,125	4,139,394	(687,731)	86%	
Other expenses	336,813		(336,813)	0%	
Repair and maintenance	165,000	470,261	305,261	285%	
PASEWAY Project	1,817,358	1,609,215	(208,143)	89%	
EYE Project	1,655,221	1,114,402	(540,819)	67%	
	20,050,135	16,254,197	(3,795,938)		
Total expenditure	**159,849,258**	**101,281,969**	**(58,567,288)**		
Result of the year	**(4,106,571)**	**11,135,604**	**15,242,175**		

SELAM CHILDREN'S VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. Reporting entity

Selam Children's Village /SCV/ is a Non-Governmental Humanitarian Organization that works to enable disadvantaged Children, Youth, Women and Community Members to improve their Lives and become Self-reliant Citizens. SCV has been working in Ethiopia since 1986 and currently Re-registered by the Federal Civil Societies Organizations Agency as per the revised Ethiopian Government's Organizations of Civil Societies Proclamation No. 1113/2019 with the Registartion Number 1043, on December 12, 2019. These financial statements, for the year ended 31 December 2020, are prepared in accordance with International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board (IPSASB).

2. Statement of Compliance and Basis of Preparation

The Financial Statements of Selam Children's Village have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Ethiopian Birr, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. Key Judgments and Sources of Estimation Uncertainty

The preparation of financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The key judgements management made in preparing the financial statements are as follows:

a) Inventories are reported at the lower of cost or their replacement costs.
b) The lives of property, plant and equipment are set out in notes number 4.6 below.

Key estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 the period of revision and future periods.

4. Summary of Significant Accounting Policies

4.1. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

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4.2. Receivables from exchange transaction and non-exchange transactions

Receivables from exchange transactions are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that Selam Children's Village will not be able to collect all amounts due according to the original terms of the receivables.

Receivables from non-exchange transactions comprises grants confirmed by donors for which Selam Children's Village has signed grant agreement. These receivables are initially assessed at nominal amount or face value; that is, the receivable reflects the amount of grant as shown in grant agreement. These receivables are subsequently tested for impairment.

4.3. Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

4.4. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

4.5. Financial assets

4.5.1 Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to- maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

4.5.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

4.5.3 Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

4.5.4 Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

4.6. Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Amortization is provided over the estimated useful life using the straight-line method.

4.7. Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

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Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over the life estimated by management.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

4.8. Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Where an asset (other than land) is acquired for nil or nominal consideration the asset is initially recognised at fair value, where fair value can be reliably determined, and a credit recognised as income in the statement of financial performance.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to Selam Children's Village and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized. All repair and maintenance is charged to the statement of financial performance during the financial period in which it is incurred.

Depreciation on assets is charged on a straight-line basis at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

S. No.	Item	Useful life in years	Depreciation rate	Residual value
1	Building	50	2%	5%
2	Motor Vehicle	10	10%	5%
3	Computer and accessories	7	14.29%	0%
4	Office equipment	7	14.29%	1%
5	Office furniture	10	10%	5%
6	Generator	10	10%	1%
7	Machinery	12	8%	5%

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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The entity assesses annually whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount or recoverable service amount if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

While implementing IPSAS, Selam Children's Village has revalued its items of property, plant and equipment and includes in its financial records. The revalued amount is taken as deemed cost and depreciation is calculated using the organization depreciation rate. PPEs are capitalized if their cost is greater or equal to the threshold limit set at ETB 5,000.00. They are depreciated over the asset's estimated useful life using the straight line method. The threshold level is reviewed periodically. The revaluation was made by management of the Organization using technical team composing of different relevant skills. The revalued amount became effective from December 31, 2017.

Assets are reviewed annually to determine if there is any indication that assets may be impaired in their value. As at 31 December 2019 Selam Children's Village did not have any impairment on property, plant and equipment.

None of the Properties, Plant and Equipments owned by the organization has been secured as a collateral for loans.

4.9. Financial liabilities

4.9.1 Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

4.9.2 Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

4.10 Other operating revenue

Other operating revenue arises from exchange transactions in the ordinary course of the entity's activities. It comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the entity's activities. It is shown net of tax, returns, rebates and discounts.

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4.11 Employee benefits

4.11.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.11.2 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

4.11.3 Defined benefit plans

The severance payment due to employees are considered by the entity to be defined benefit plan. The entity's obligation is calculated by multiplying the basic salary of employees by the number of years served by each employee where an employee earn one month salary for the first year of service and one third salary for each additional year of service.

Re-measurements of the obligation is done each year at the reporting date and additional obligation shall be recognised as an expense.

4.11.4 Other long-term employee benefits

The Entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

Re-measurements are recognised in profit or loss in the period in which they arise.

4.11.5 Termination benefits

Termination benefits are expensed when the Company incurs cost in relation to termination and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

4.12 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

4.12.1 Selam Children's Village as a lessee

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Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if it is not reasonably certain that the entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

4.12.2 Selam Children's Village as a lessor

Selam Children's Village has entered into property leases of certain of its properties. The entity has determined, based on an evaluation of the terms and conditions of the arrangements, (such as the lease term not constituting a substantial portion of the economic life of the commercial property) that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

4.13 Foreign currencies

Foreign currency transactions 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 financial performance.

4.14 Revenue recognition

4.14.1 Revenue from non-exchange transactions – IPSAS 23
Grants

Revenues from non-exchange transactions are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

4.14.2 Revenue from exchange transactions – IPSAS 9
Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

4.15 Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

4.16 Interest expense

Interest expense is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

4.17 Provisions – IPSAS 19

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

4.18 Changes in accounting policies and estimates – IPSAS 3

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. The effect of change in accounting estimates are recognized in the current and future period prospectively.

SELAM CHILDREN'S VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

5. PLANT, PROPERTY & EQUIPMENT

	Building ETB	Plant & Machinary ETB	Furniture & Fixture ETB	Office Equipment ETB	Motor Vehicle ETB	Computer & Accessories ETB	Other Asset ETB	Total ETB
COST								
As at January 01, 2019	99,287,406	12,466,722	13,848,086	4,750,546	7,098,689	1,907,537	22,837	139,381,823
Addition	424,994	180,350	202,029	1,305,922	-	35,172	124,285	2,272,752
Disposal	-	-	-	-	-	-	-	-
As at December 31, 2019	**99,712,400**	**12,647,072**	**14,050,115**	**6,056,468**	**7,098,689**	**1,942,709**	**147,122**	**141,654,575**
As at January 01, 2020	99,712,400	12,647,072	14,050,115	6,056,468	7,098,689	1,942,709	147,122	141,654,575
Addition	15,291,919	107,674	436,962	171,457	1,246,048	469,749	362,870	18,086,679
Disposal	-	-	-	-	-	-	-	-
As at December 31, 2020	**115,004,319**	**12,754,746**	**14,487,078**	**6,227,925**	**8,344,737**	**2,412,458**	**509,992**	**159,741,255**
ACCUMULATED DEPRICIATION								
As at January 01, 2019	1,886,461	986,949	1,315,568	671,863	674,470	272,505	1,636	5,809,452
Charge for the year	1,886,461	986,949	1,315,568	671,863	674,470	272,505	1,636	5,809,452
Disposal	-	-	-	-	-	-	-	-
As at December 31, 2019	**3,772,922**	**1,973,898**	**2,631,136**	**1,343,726**	**1,348,940**	**545,010**	**3,272**	**11,618,904**
As at January 01, 2020	3,772,922	1,973,898	2,631,136	1,343,726	1,348,940	545,010	3,272	11,618,904
Charge for the year	1,894,536	1,005,177	1,349,153	872,412	723,698	299,241	19,470	6,163,686
Disposal	-	-	-	-	-	-	-	-
As at December 31, 2020	**5,667,457**	**2,979,075**	**3,980,289**	**2,216,138**	**2,072,638**	**844,251**	**22,742**	**17,782,591**
NET BOOK VALUE								
As at December 31, 2019	**95,939,479**	**10,673,174**	**11,418,979**	**4,712,742**	**5,749,749**	**1,397,699**	**143,850**	**130,035,671**
As at December 31, 2020	**109,336,862**	**9,775,671**	**10,506,789**	**4,011,787**	**6,272,099**	**1,568,207**	**487,250**	**141,958,664**

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FOR THE YEAR ENDED DECEMBER 31, 2020

6. Construction in Progress	31-Dec-20 ETB	31-Dec-19 ETB
Construction of seedling tent	-	139,601
	-	**139,601**

7. Biological Assets

A. Reconcilation of carrying amount	Plants ETB	Livestocks ETB	Total ETB
Balance as at January 01, 2019	424,975	3,287,600	3,712,575
Purchases	-	530,000	530,000
Value of livestock sold/consumed	-	(86,200)	(86,200)
Harvestd plants sold/consumed	(313,250)	-	(313,250)
Change in fair value less cost to sell:			-
- Due to price change	-	-	-
- Due to physical change	-	-	-
Balance as at December 31, 2019	**111,725**	**3,731,400**	**3,843,125**
Non - current	-	3,358,800	3,358,800
Current	111,725	372,600	484,325
	111,725	**3,731,400**	**3,843,125**
Balance as at January 01, 2020	111,725	3,731,400	3,843,125
Purchases	-		-
Value of livestock sold/consumed			-
Harvestd plants sold/consumed			-
Change in fair value less cost to sell:			-
- Due to price change			-
- Due to physical change	-	-	-
Balance as at December 31, 2020	**111,725**	**3,731,400**	**3,843,125**
Non - current	-	3,358,800	3,358,800
Current	111,725	372,600	484,325
	111,725	**3,731,400**	**3,843,125**

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B. Measurement of fair values

The fair value measurements for the plants and livestocks have been categorised as Level 3 fair values where the valuation techniques is not based on observable market data. It is based on management best estimates.

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NOTES TO THE FINANCIAL STATEMENTS
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8. Inventory

	31-Dec-20 ETB	31-Dec-19 ETB
Consumables and building materials	4,388,559	3,551,892
	4,388,559	**3,551,892**

9. Account receivables

	31-Dec-20 ETB	31-Dec-19 ETB
Receivable from customers	794,566	363,523
Receivable from employees	71,228	113,925
TRIEA receivable	3,854,784	3,502,493
Vat receivable	0	-
Sundary receivable	7,406	-
Accrued income	-	20,149
Inter unit receivables	36,934,585	234,037
	41,662,570	**4,234,126**

10. Advance and prepayments

	31-Dec-20 ETB	31-Dec-19 ETB
Advance pay't for building construction	-	2,009,125
Purchase receivable	389,786	-
Prepaid insurance	295,046	98,559
	684,832	**2,107,684**

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NOTES TO THE FINANCIAL STATEMENTS
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11. Cash and cash equivalents	31-Dec-20 ETB	31-Dec-19 ETB
Cash on hand	15,295	24,598
Cash at bank		
Awash Bank S.C	1,629,462	125,854
Commercial bank of Ethiopia	635,186	2,351,535
Commercial Bank of Ethiopia	63,162	-
Cooperative Bank of Oromia	281,794	1,552,291
Dashen Bank S.C	5,909	23,177
Dashen Bank S.C	1,122,416	382,385
Dashen Bank S.C	472,564	604,420
Dashen Bank S.C	72,351	9,074
Commercial bank of Ethiopia - IBD	40	70
Dashen Bank S.C	317,154	1,209,976
Commercial bank of Ethiopia - Blocked	150,004	150,004
Berhan Bank	3,584,740	265,211
Abyssinia Bank	888,493	180,376
Cooperative Bank of Oromia	6,032,992	8,032,821
Abyssinia Bank	2,003,009	3,389,107
	17,259,277	18,276,299
	17,274,572	**18,300,897**

12. Account payables	31-Dec-20 ETB	31-Dec-19 ETB
Income tax payable	430,917	39,574
Pension payable	225,409	(58,428)
Provident fund payable	177,750	100,139
Cost sharing payable	5,179	(672)
Withholding tax payable	(41,098)	(5,389)
VAT payable	106,371	60,142
Inter unit payables	33,841,377	390,076
Sundary payable	2,542,052	62,255
Accruals	(49,914)	1,007
	37,238,042	**588,705**

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13. Employment benefit plan

13 a) Accumulated Leave	31-Dec-20 ETB	31-Dec-19 ETB
Opening balance	978,219	473,021
Accrual (Change) for the year	(427,978)	505,198
Paid during the year	-	-
Closing balance	**550,241**	**978,219**

13 b) Severance Payable	31-Dec-20 ETB	31-Dec-19 ETB
Opening balance	7,605,108	6,060,622
Accrual for the year	850,001	1,544,486
Paid during the year	(434,728)	-
Closing balance	**8,020,380**	**7,605,108**

14. Fixed asset reserve

	31-Dec-20 ETB	31-Dec-19 ETB
At the beginning of the year	130,035,671	133,572,371
Asset purchased and capitalized	18,086,682	2,272,752
Depreciation	(6,163,686)	(5,809,452)
	141,958,667	**130,035,671**

15. General Fund

	31-Dec-20 ETB	31-Dec-19 ETB
At the beginning of the year	23,005,292	20,638,394
Asset purchased and capitalized	(18,086,679)	(2,272,752)
Adjustment due to unrecorded livestock's	-	(530,000)
Adjustment of consumables & building material on hand	-	3,551,892
Prior period adjustment	(172,911)	8,742
Surplus / (Deficit) for the year	17,299,290	1,609,015
At the end of the year	**22,044,992**	**23,005,292**

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Revenue from non - exchange transaction	31-Dec-20 ETB	31-Dec-19 ETB
16. Grant contribution in cash		
Foreign Income		
Donation from Swiss	56,867,254	43,577,225
Donation from Selam Germany	7,315,735	-
Donation from Leeway	-	1,857,905
Donation from TESFA ILG	293,278	-
PASEWAY Project	14,069,122	-
ARC project finance	7,481,284	8,385,136
Other foreign donations	-	1,971,415
	86,026,673	**55,791,680**
Local Income		
Local donations	170,326	504,039
	170,326	**504,039**
	86,196,999	**56,295,719**

Revenue from non-exchange transactions are recognised in the financial records when Selam Children's Village receives value from another entity (e.g. cash or other assets) without giving approximately equal value in exchange to the donor or fund provider.

17. Grant contribution in kind	31-Dec-20 ETB	31-Dec-19 ETB
Foreign donation in kind	1,287,581	1,063,090
Local donation in kind	768,991	20,857
	2,056,572	**1,083,947**

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18. Revenue from exchange transaction

	31-Dec-20 ETB	31-Dec-19 ETB
School fee	10,915,197	12,821,773
Catering service	2,008,125	4,454,898
Agricultural products	6,041,955	4,170,272
Training income	1,220,261	3,483,698
Clinic income	1,246,964	1,477,059
Garment and handcrafts	549,540	571,722
Day care center	5,473	-
Interest income	827,584	740,368
HDCOVA income	100,160	66,859
Others	1,248,744	423,692
	24,164,003	**28,210,342**

19. Other income

	31-Dec-20 ETB	31-Dec-19 ETB
Change in fair value of biological assets	-	130,550.00
	-	**130,550.00**

20. Income released from Fixed Asset Reserve

	31-Dec-20 ETB	31-Dec-19 ETB
Income released from Fixed Asset Reserve	6,163,686.42	5,809,452.29
	6,163,686.42	**5,809,452.29**

***The balance represents deduction or utilisation of reserve for fixed assets for the amount depriciated during the year.

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21. Program expenditure

	31-Dec-20 ETB	31-Dec-19 ETB
Salaries and benefits	38,732,207	29,770,725
Materials	17,837,989	7,048,405
Training	1,557,564	4,665,828
Repair and maintenance	1,677,865	3,190,091
Children development cost	10,656,736	10,804,242
Community support cost	2,151,976	5,561,050
Utilities	1,064,634	513,369
Advertisement and promotion	18,895	-
Entertaiment and guest meeting	92,352	-
Depriciation expense	4,930,949	1,574,157
Employement benefit	850,001	1,514,512
Other program related expenses	5,456,603	1,768,830
	85,027,772	**66,411,211**

22. Administrative expenditure

	31-Dec-20 ETB	31-Dec-19 ETB
Salaries and benefits	10,548,610	13,541,850
Materials	291,173	271,968
Training	27,980	-
Other expenses	17,562	117,083
Advertisement and promotion	178,082	394,657
Entertaiment and guest meeting	253,080	210,197
Utilities and communication expenses	132,146	-
Repair and maintenance	470,261	-
Project admin expenses	3,530,545	4,203,561
Depriciation expense	1,232,737	4,235,295
Employement benefit	(427,978)	535,172
	16,254,198	**23,509,784**

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23. Related party transaction

Related party transactions represent transactions with key management personnel of Selam Children's Village and related entities in which the entity is a part.

23 a. Key management personnel compensation

Key management personnel are the General Manager, CYC Director, Collage Dean, Schools coordinators, Finance Manager and HR Manager as they have the authority and responsibility for planning, directing and controlling the activities of the entity. Key management personnel are also qualified for post-employment benefits at the same level as other employees.

	31-Dec-20 ETB	31-Dec-19 ETB
Salaries and other short-term employee benefits	1,631,280	1,625,693
Transport Allwance	163,128	27,823
Housing Allowance	120,000	108,800
Mobile allowance	36,000	2,000
Acting allowance	24,000	72,945
PF 12%	195,754	195,083
Total	**2,170,162**	**2,032,344**

23 b. Transactions with related party

Selam Children's Village has a related party relationship and transaction with the following organizations. The amount of transaction and outstanding balance with these related parties are shown below.

Tsehay Rosch Illi Industrial and Agricultural Enterprise (TRIAE)

	31-Dec-20 ETB	31-Dec-19 ETB
Transaction	854,784	768,602
Outstanding balance	3,000,000	3,502,493
Total	**3,854,784**	**4,271,095**

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24. Compliance to Organization of Civil Societies Proclamation 1113/2019 article 63-1(2)

Organization of Civil Societies Proclamation 1113/2019 requires administrative expenditures of organizations established for the benefit of the general public or that of third parties may not exceed 20% of the total income. The current period administrative expenditure amounts to 13.71% of the total income. This shows the organization comply with the requirements of the Organization of Civil Societies Proclamation No. 1113/2019.

	31-Dec-20	*% of total income*
Program expenditure	85,027,772	71.70%
Administrative expenditure	16,254,198	13.71%
	101,281,970	

25. Contingent liabilities - Legal cases

The Organization has no pending legal cases at the reporting date that requires provision to be made in the financial statements.

26. Events after reporting period

In the opinion of the Management, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Organization as at 31 December 2020 and on the surplus/deficit for the period ended on that date, which have not been adequately provided for or disclosed.

27. Comparative information

Certain comparative numbers were reclassified to conform to the current year presentation. Such reclassifications have no effect on previously reported surplus or deficit or the equity of the Organization.

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