SELAM CHILDREN'S VILLAGE

AUDITOR'S REPORT AND ACCOUNT'S
FOR THE YEAR ENDED 31 DECEMBER 2023

SOLOMON ESHETE

Chartered Certified Accountants-UK

Authorized Auditors in Ethiopia

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ADDIS ABABA, ETHIOPIA

SELAM CHILDREN'S VILLAGE

FOR THE YEAR ENDED 31 DECEMBER 2023

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SELAM CHILDREN'S VILLAGE

STATEMENT OF MANAGEMENT RESPONSIBILITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023.

The Management accepts the responsibility for the organization's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments' 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, 2023, 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 ----, 2024 and signed on its behalf by:

Managing Director

Manager, Finance & Accounting Dep't

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INDEPENDENTAUDITOR'SREPORT
SELAM CHILDREN'S VILLAGE

Opinion

We have audited the financial statements of **Selam Children's Village** , which comprise the statement of financial position as at 31 December 2023and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 **Selam Children's Village at31** December 2023 and (of) its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standard (IPSAS).

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 Financial Statements 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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 **IPSASs**, 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Solomon Eshete Negash, FCCA
Chartered Certified Accountants-UK
and Authorized Auditors in Ethiopia

08 March 2024
Addis Ababa,
Ethiopia

SELAM CHILDREN'S VILLAGE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	Notes	31-Dec-23 ETB	31-Dec-22 ETB
ASSETS			
Non - Current Assets			
Plant, Property and Equipment	5	1,400,395,020	130,154,309
Construction in progress	6	-	-
Investment from Rofam	7	19,420,000	19,420,000
		1,419,815,020	149,574,309
Current Assets			
Inventory	8	6,710,374	6,420,292
Account receivables	9	6,620,174	160,993,765
Advance and prepayments	10	1,598,780	228,274
Cash and cash equivalents	11	41,794,101	35,440,349
		56,723,430	203,082,681
Total Assets		**1,476,538,450**	**352,656,990**
LIABILITIES			
Non - Current Liabilities			
Non-current employee benefit - Severance	13 b	15,583,906	12,700,993
		15,583,906	12,700,993
Current Liabilities			
Account payables	12	4,293,148	154,831,871
Employees benefit obligation - Annual Leave	13 a	3,122,698	2,438,076
		7,415,846	**157,269,947**
Total Liabilities		**22,999,752**	**169,970,940**
NET ASSETS		**1,453,538,698**	**182,686,050**
NET ASSETS			
Represented by;-			
Reserve for fixed asset	14	1,406,726,263	136,485,552
Fund balance	15	46,812,435	46,200,498
Total Net Assets		**1,453,538,698**	**182,686,050**

The notes on pages 9 to 28 are an integral part of these financial statements.

Managing Director

Manager, Finance & Accounting Dep't

SELAM CHILDREN'S VILLAGE

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	31-Dec-23 ETB	31-Dec-22 ETB
REVENUE			
Revenue from non - exchange transaction			
Grant contribution in cash	**16**	102,214,761	137,198,695
Grant contribution in kind	**17**	592,009	1,198,018
Revenue from exchange transaction	**18**	20,795,368	14,561,273
Other income		-	-
Revaluation surplus		-	-
Income released from fixed asset reserve	**20**		6,082,612
Total Revenue		**123,602,138**	**159,040,598**
EXPENDITURES;-			
Program expenditure	**21**	102,471,304	110,589,221
Administrative expenditure	**22**	22,155,789	24,390,256
Total Expenditure		**124,627,093**	**134,979,477**
Net Surplus (Deficit) for the year		**(1,024,955)**	**24,061,121**

The notes on pages 9 to 28 are an integral part of these financial statements.

SELAM CHILDREN'S VILLAGE
STATEMENT OF CHANGE IN NET ASSET/EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Fund balance ETB	PPE reserve ETB	Total ETB
As at January 01, 2022	**28,109,643**	**140,908,653**	**169,018,296**
Assets purchased	(1,659,510)	-	(1,659,510)
Capitalized asset - PPE	-	1,659,510	1,659,510
Depreciation for the period	-	(6,082,612)	(6,082,612)
Adjustment of unreconciled interunit receivable & Payable	(4,270,491)		(4,270,491)
Prior period adjustment	(40,265)		(40,265)
Surplus/ (Deficit) for the period	24,061,121	-	24,061,121
As at December 31, 2022	**46,200,498**	**136,485,551**	**182,686,049**
As at January 01, 2023	46,200,498	136,485,552	182,686,050
Assets Revalued		1,276,832,106	1,276,832,106
Adjustment of unreconciled interunit receivable & Payable	3,777		3,777
Opening difference	1,633,115		1,633,115
Surplus/ (Deficit) for the period	(1,024,955)		(1,024,955)
As at December 31, 2023	**46,812,435**	**1,413,317,658**	**1,460,130,093**

The notes on pages 9 to 28 are an integral part of these financial statements.

SELAM CHILDREN'S VILLAGE

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2023

	31-Dec-23 ETB	31-Dec-22 ETB
Cash flow from Operating activities		
Surplus for the year	(1,024,955)	24,061,121
Depreciation	6,591,395	6,082,612
Depreciation balance included in current year operation	(6,591,395)	(6,082,612)
Opening difference	1,633,115	
(Increase)/Decrease in Biological assets	-	8,543,368
(Increase)/Decrease in Inventory	(290,081)	303,934
(Increase)/Decrease in Account receivable	154,373,591	(37,936,515)
(Increase)/Decrease in Advance & prepayments	(1,370,506)	18,348
Increase/ (Decrease) in Non-current employee benefit - Severance	2,882,913	1,003,089
Increase/ (Decrease) in Account payables	(150,538,723)	31,931,619
Increase/ (Decrease) in Current employee benefit - Annual leave	684,622	1,169,733
Adjustment made to Fund balance	3,777	(4,310,756)
Net cash flow from operating activities	**6,353,752**	**24,783,942**
Cash flow from Investing activities		
Construction in progress	-	-
Investment	-	(19,420,000)
Proceed fromtransfer of asset	-	6,331,239
Purchase of plant, property & equipments	-	(1,659,511)
Net cash flow from investing activities	-	(14,748,272)
Cash flow from Financing activities		
Net Increase (Decrease) in cash and cash equivalent	6,353,752	10,035,670
Cash and cash equivalent at the beginning of the year	35,440,349	25,404,678
Cash and cash equivalent at the end of the year	**41,794,101**	**35,440,348**
Component of cash and cash equivalent		
Cash and bank balances	**41,794,101**	**35,440,349**

The notes on pages 9 to 28 are an integral part of these financial statements.

SELAM CHILDREN'S VILLAGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 Registration Number 1043, on December 12, 2019. These financial statements, for the year ended 31 December 2022, 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 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 the period of revision and future periods.

Authorized Auditor
SOLOMON ESHETE
CHARTERED CERTIFIED ACCOUNTANT

Accounting and auditing Board of Ethiopia
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Original Copy Submitted to the Board

SELAM CHILDREN'S VILLAGE
HEAD OFFICE NO.1

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.

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 recognized 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.

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

The assets have been valued to "Fair Value" in accordance with IPSAS 17 of the International Public Sector Accounting Standards (IPSAS) published by the International Public Sector Accounting Standards Board (IPSASB), which is defined as:
"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

"Fair Value", for the purpose of financial reporting under International Public Sector Accounting Standards is effectively the same as "Market Value", which is defined as: -
" Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion."

All property, plant and equipment are stated at fair market value cost less depreciation. Cost includes expenditure that is directly attributable to the replacement of the items. Where an asset (other than land) is acquired for nil or nominal consideration the asset is initially recognized at fair value, where fair value can be reliably determined, and a credit recognized 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	60	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%

4.8. Property, plant and equipment (continued)

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 External licensed consultant composing of different relevant skills. The revalued amount became effective from December 31, 2023.

Assets are reviewed annually to determine if there is any indication that assets may be impaired in their value. As at 31 December 2023 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.

4.8.1 Ethiopia uses IPSAS for financial reporting requirements pertaining to governments and non-governmental organizations, and International Financial Reporting requirements (IFRS) for financial reporting in business.

A non-governmental organization in the area called Selam Children Village generated financial statements using IPSAS for the first time in 2019. When this standard is being applied, Selam's fixed assets are revalued by independent consultants, or valuers.

As per IPSAS 17 No. 39, an item of property, plant, and equipment that has been initially recognized as an asset should be carried at a revalued amount after a while. This revaluation date's fair value is subtracted from any accumulated depreciation and accumulated impairment losses that have occurred over time. Revaluations must occur frequently enough to ensure that the carrying amount at the reporting date does not significantly deviate from the amount that would be calculated using fair value.

The frequency of revaluations is contingent upon modifications to the fair values of the asset's constituent parts, as per standard IPSAS 45 no. 30. Every three to five years, an additional revaluation is required when the fair value of an asset that has been revalued differs significantly from its carrying value.

As per no. 41, an entity is encouraged, but not required to determine the fair value of investment property on the basis of valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The land, plant, and equipment of Selam Children Village would therefore be revalued by an outside consultant with recognized and expert abilities after fulfilling the selection criteria. Because of the substantial difference between these properties' carrying value and fair market value. By keeping these typical initiations in mind, this was accomplished.

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.

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 recognized 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 recognized 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 recognized 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 recognizes 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

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 recognized 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.

Authorized Auditors
SOLOMON ESHETE
Accounting and auditing Board of Ethiopia
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SELAM CHILDREN'S VILLAGE
HEAD OFFICE NO.1

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.

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.

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.

4.19 Elminiation of interoffice payable & receivables

In order to assist the subsidiary in funding its activities, the corporate parent transfers cash to it. Interoffice transactions are when one unit of an organization takes part in a transaction with another division, department, or unit within the same organization. It is very common in multinational and big firms having subsidiaries.

The policy for the interoffice receivable and payable developed from the operational budget transfer from the centered bank to other units banks to reconsile but not truly payable and receivable was established by Selam Children Village and approved by the executive board.

Based on the policy, during the year 2023 adjustment was made on the inter office receivable and payables.

5. PLANT, PROPERTY & EQUIPMENT

	Building ETB	Plant & Machinery ETB	Furniture & Fixture ETB	Office Equipment ETB	Motor Vehicle ETB	Computer & Accessories ETB	Other Asset ETB	Total ETB
COST								
As at January 01, 2022	116,012,392	14,328,447	15,717,896	6,412,146	8,344,737	3,600,331	1,138,409	165,554,358
Addition	-	15,928	1,183,863	221,920	-	14,320	223,480	1,659,511
Disposal	-	-	-	-	-	-	-	-
Adjustmet	-	(1,039,371)	(5,757,748)	(1,637,745)	-	(1,617,375)	-	(10,052,239)
As at December 31, 2022	**116,012,392**	**13,305,004**	**11,144,011**	**4,996,321**	**8,344,737**	**1,997,276**	**1,361,888**	**157,161,630**
As at January 01, 2023	116,012,392	13,305,004	11,144,011	4,996,321	8,344,737	1,997,276	1,361,888	157,161,630
Addition by Revaluation	1,019,000,826	164,054,262	21,537,578		42,984,319	14,016,789	15,238,332	1,276,832,106
Disposal	-	-	-	-	-	-	-	-
Adjustmet	-	-	-	-	-	-	-	-
As at December 31, 2023	**1,135,013,219**	**177,359,266**	**32,681,589**	**4,996,321**	**51,329,056**	**16,014,065**	**16,600,220**	**1,433,993,736**
ACCUMULATED DEPRICIATION								
As at January 01, 2022	7,852,539	4,048,459	5,395,709	3,105,872	2,865,388	1,308,416	69,324	24,645,709
Charge for the year	2,204,236	1,052,577	977,597	691,475	792,750	284,821	79,156	6,082,612
Disposal /Transfer to Rofam	-	(319,397)	(2,119,042)	(799,681)	-	(482,881)	-	(3,721,000)
As at December 31, 2022	**10,056,775**	**4,781,639**	**4,254,264**	**2,997,667**	**3,658,138**	**1,110,357**	**148,480**	**27,007,321**
As at January 01, 2023	10,056,775	4,781,639	4,254,264	2,997,667	3,658,138	1,110,357	148,480	27,007,321
Charge for the year	2,204,235	1,053,313	1,522,348	711,355	725,718	288,398	86,027	6,591,395
Disposal /Transfer to Rofam	-	-	-	-	-	-	-	-
As at December 31, 2023	**12,261,011**	**5,834,952**	**5,776,613**	**3,709,022**	**4,383,856**	**1,398,755**	**234,507**	**33,598,716**
NET BOOK VALUE								
As at December 31, 2023	**105,955,617**	**8,523,365**	**6,889,747**	**1,998,654**	**4,686,599**	**886,919**	**1,213,409**	**130,154,309**
As at December 31, 2023	**1,122,752,208**	**171,524,314**	**26,904,976**	**1,287,299**	**46,945,200**	**14,615,310**	**16,365,713**	**1,400,395,020**
As at December 31, 2023	**103,751,382**	**7,470,052**	**5,367,398**	**1,287,299**	**3,960,881**	**598,521**	**1,127,381**	

6. Construction in Progress

	31-Dec-23 ETB	31-Dec-22 ETB
Construction of G+2 Children house	-	-
	-	-

For construction in progress assets, no depreciation is recorded until the asset is placed in service. When construction is completed, the asset should be reclassified as building, building improvement, infrastructure or land improvement and should be capitalized and depreciated.

7. Investment in Rofam

Under the resource mobilization and administration 1/b section of Organizations of Civil Societies Proclamation No. 1113/2019 sub-article 63, any organization has the right to raise funds for the accomplishment of its goals by engaging in any legal business or investment activity in compliance with applicable trade and investment laws. The earnings from these kinds of endeavors, however, are not permitted to be distributed to members.

Furthermore, sub-article 64 of the income-generating activities listed in Nos. 1 through No. 7 outlines the legal steps that must be done as well as the development and implementation of the income-generating activity.

Selam Children Village invested birr 19.4 million in ROFAM Manufacturing and Service PLC as an income-generating venture in compliance with this regulation. The investment aims to support the establishment and profitability of RoFam, which, in turn, will contribute to the financial sustainability of SCV. It needs to be incorporated as a plc, thus there should be more than one shareholder. Therefore, W/ro Tsehay Roshili, the founder of Selam Children Village, and SCV established ROFAM. W/ro Tsehay contributed 80 shares and SCV contributed 19420 shares, with one share valued at birr 1000.

The following information outlines the key details and rationale behind this investment for audit purposes.

SCV has invested in kind worth of 19.4 million Birr as an initial capital investment for RoFam. The funds provided by SCV will be utilized to establish and operationalize RoFam, enabling it to generate income and contribute to the financial stability of SCV. It is important to note that this investment aligns with the objectives of SCV as a non-governmental organization, which seeks to create sustainable income streams to support its activities and programs.

Rationale for Investment:

1. Financial Sustainability: SCV recognizes the need to diversify its revenue sources beyond donor funding to ensure long-term financial sustainability. By establishing an Income Generating Activity like RoFam, SCV aims to generate profits that can be reinvested into its programs and initiatives, reducing its reliance on external funding.

2. Social Impact: The investment in RoFam is driven by the objective of creating social impact. By establishing a profitable venture, SCV can generate employment opportunities, contribute to local economic growth, and support the community it serves. The profits generated by RoFam can be channeled back to SCV's core activities, benefiting vulnerable children and families.

3. Self-sufficiency: Through the investment in RoFam, SCV aims to become self-sufficient in funding its operations and programs. By generating income internally, SCV can reduce its dependence on external funding sources, enabling greater flexibility and autonomy in implementing its initiatives and responding to community needs.

4. Skill Development: RoFam provides an opportunity for SCV beneficiaries and staff to develop and enhance their entrepreneurial and vocational skills. By engaging in income-generating activities, individuals associated with SCV can acquire valuable skills and experience that can contribute to their personal and professional growth.

The investment worth of 19.4 million Birr by SCV into RoFam represents a strategic step towards achieving financial sustainability and supporting the organization's mission. By generating profits through this Income Generating Activity, SCV aims to reduce its dependence on external funding and create social impact by empowering vulnerable children and families. The investment will be closely monitored and audited to ensure transparency, accountability, and efficient management of resources.

8. Raw Materials Inventory	**31-Dec-23**	**31-Dec-22**
	ETB	**ETB**
Raw materials Inventory	173,867	174,857
Training Materials Inventory	52,373	66,752
STOCK-Spare Parts	518,387	519,640
STOCK- B.LD Elce & Plumbing Ma	3,629,251	3,213,895
STOCK- Stationary & Supplies	636,715	675,332
Electric Materials	10,546	11,254
Uniform and outfits	88,376	93,465
STOCK- Sanitary & Others	546,679	556,745
STOCK- Food Items	912,252	1,024,566
Other Consumable Items	16,118	17,243
STOCK- Fuel & Lubricant	125,810	66,543
	6,710,374	6,420,292
Allowance for doubtful accounts	-	-
	6,710,374	**6,420,292**

9. Account receivables

	31-Dec-23 ETB	31-Dec-22 ETB
Receivable from customers	5,641,618	1,493,740
Receivable from employees	206,319	1,348,856
TRIEA receivable	804,784	804,784
ROFAM Receivable	-	1,976,093
Sundry receivable	-	8,231
Inter unit receivables	-	155,394,609
	6,652,722	161,026,313
Allowance for doubtful accounts	(32,547)	(32,547)
	6,620,174	**160,993,765**

10. Advance and prepayments

	31-Dec-22 ETB	31-Dec-21 ETB
Purchase receivable	1,153,514	-
Prepaid insurance	445,267	228,274
	1,598,780	**228,274**

11. Cash and cash equivalents

	31-Dec-23 ETB	31-Dec-22 ETB
Cash on hand	**(4,229)**	**(6,000)**
Cash at bank		
Awash Bank S.C	4,069,672	1,157,033
Abyssinia Bank - saving ...28	1,693,483	1,222,599
Berhan Bank ...330	2,704,230	5,755,749
Berhan Bank ...260100013871 wosen	1,388	581,961
Commercial bank of Ethiopia 558	176,653	4,466,605
Commercial Bank of Ethiopia ...654	2,119,188	14,289
Commercial bank of Ethiopia - IBD ...5621	-	150,004
Commercial bank of Ethiopia - Blocked	-	794
Cooperative Bank of Oromia - current ... 638	321,608	358,091
Cooperative Bank of Oromia - current ... 639	140,266	-
Cooperative Bank of Oromia - saving ...431	27,328,970	19,315,459
Dashen Bank S.C - 0037521254004 - Misale	1,354,703	1,178,571
Dashen Bank S.C - 0037513419008 - EYE	475,157	123,209
Dashen Bank S.C - 0037658862011 - Night	429,141	352,430
OROMIA BANK 1644636400002	513,000	-
Dashen Bank S.C - Saving HO	169,475	755,353
Dashen Bank S.C - 037508006007 Jap	301,325	14,956
Dashen COOP 1000072470177 - PASEWAY	58	-
CBE 1000324561122 - PASEWAY	13	40
	41,798,330	35,447,143
	41,794,101	**35,441,143**

12. Account payables

	31-Dec-23 ETB	31-Dec-22 ETB
Income tax payable	850,619	806,441
Pension payable	425,928	587,724
Provident fund payable	133,662	(44,449)
Cost sharing payable	8,286	8,286
Withholding tax payable	167,555	147,088
VAT payable	27,474	125,041
Labor union payable	2,010	
Credit association payable	2,235	
Inter unit payables	-	150,435,136
Account payable	2,675,379	
Sundry payable	-	2,551,069
Accruals	-	215,536
	4,293,148	**154,831,872**

13. Employment benefit plan

13 a) Accumulated Leave

	31-Dec-23 ETB	31-Dec-22 ETB
Opening balance	2,438,076	1,268,343
Accrual (Change) for the year	441,270	1,316,962
Paid during the year	243,352	(147,229)
Closing balance	**3,122,698**	**2,438,076**

13 b) Severance Payable

	31-Dec-23 ETB	31-Dec-22 ETB
Opening balance	12,339,645	11,697,904
Accrual for the year	3,244,261	1,851,158
Paid during the year		(1,209,417)
Closing balance	**15,583,906**	**12,339,645**

14. Fixed asset reserve

	31-Dec-23 ETB	31-Dec-22 ETB
At the beginning of the year	136,485,552	140,908,653
Asset purchased and capitalized	1,276,832,106	1,659,510
Asset purchased and capitalized	(6,591,395)	(6,082,612)
	1,406,726,263	**136,485,552**

15. General Fund

	31-Dec-23 ETB	31-Dec-22 ETB
At the beginning of the year	46,200,498	28,109,643
Asset purchased and capitalized		(1,659,511)
Adjustment of unreconciled interunit receivable	3,777	(4,270,491)
Prior period adjustment	1,633,115	(40,265)
Surplus / (Deficit) for the year	(1,024,955)	24,061,121
At the end of the year	**46,812,435**	**46,200,498**

Authorized Auditors
SOLOMON
CHARTERED CERTIFIED
Accounting and auditing Board of Ethiopia
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0111541235
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SELAM CHILDREN'S VILLAGE
HEAD OFFICE NO.1

Revenue from non - exchange transaction	31-Dec-23 ETB	31-Dec-22 ETB
16. Grant contribution in cash		
Foreign Income		
Donation from Swiss	90,247,167	102,753,447
Donation from Selam Germany	1,801,536	7,482,376
Donation for life skill	318,709	311,275
Donation from TESFA ILG	-	-
Other Donations	648,000.00	844,650
PASEWAY Project	-	17,266,573
Japan Embassy fund	-	-
ARC project finance	1,324,788	4,217,114
BINA Project	-	800,000
	94,340,200	**133,675,435**
Local Income		
TRIEA contribution	4,324,413	676,602
ROFAM contribution	1,307,838	511,461
Sponsorship income	102,902	152,636
Interoffice transfer income	9,457	80,338
Local donations	2,129,950	2,102,223
	7,874,561	**3,523,260**
	102,214,761	**137,198,695**

The objective of IPSAS 23 is to prescribe requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination.

Revenue from non-exchange transactions are recognized 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-23 ETB	31-Dec-22 ETB
Foreign donation in kind	-	-
Local donation in kind	592,009	1,198,018
	592,009	**1,198,018**

18. Revenue from exchange transaction

	31-Dec-23 ETB	31-Dec-22 ETB
Training income	7,912,544	7,154,334
Clinic income	4,829,110	2,535,440
Interest income	1,760,382	923,338
Sales of Biography Book	109,800	521,780
Sales of scrap	5,321,871.66	
Others	861,660	3,426,381
	20,795,368	**14,561,273**

19. Other Comprehensive Income (OCI)

	31-Dec-23 ETB	31-Dec-22 ETB
Surplus from fixed asset revaluation	-	-
	-	-

20. Income released from Fixed Asset Reserve

	31-Dec-23 ETB	31-Dec-22 ETB
Income released from Fixed Asset Reserve	-	6,082,612
	-	**6,082,612**

Authorized Auditors
SOLOMON ESHETE
CHARTERED CERTIFIED ACCOUNTANT
Accounting and auditing Board of Ethiopia
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***The balance represents deduction or utilization of reserve for fixed assets for the amount depreciated during the year.

21. Program expenditure	31-Dec-22 ETB	31-Dec-21 ETB
Salaries and benefits	32,668,558	29,264,382
Materials	5,268,621	8,435,406
Training & upgrading of staff	652,788	-
Repair and maintenance	8,637,426	25,853,515
Training Related	4,521,414	10,836,096
Children development cost	21,801,979	14,312,528
Community support cost	7,454,425	8,316,974
Utilities	1,766,285	1,774,209
Clinic & Health	4,333,387	-
Planing, monitoring, evaluation & related	1,210,580	-
Entertainment and guest meeting	-	991,850
Depreciation expense	5,745,990	4,189,765
Employment Other benefit	3,443,126	2,013,802
Other program related expenses	4,966,725	4,600,694
	102,471,304	**110,589,221**

Organization of Civil Societies Administrative Expense Implementation Directive No. 847/2021 requires administrative expenditures of organizations of the head office conducts its business at the project site in an integrated manner, the expense shall be deemed a project related expense. Selam Children Village uses the vehicles fuel, project planning, monitoring & evaluation and communication costs included in program related costs.

22. Administrative expenditure	31-Dec-23 ETB	31-Dec-22 ETB
Salaries and benefits	11,012,585	9,700,430
Materials	457,663	642,995
Other expenses	1,626,751	3,209,427
Advertisement and promotion	-	806,749
Entertainment and guest meeting	923,653	962,663
Utilities and communication expenses	745,424	772,758
Repair and maintenance	4,308,813	1,603,967
Project admin expenses	1,467,465	3,644,102
Depreciation expense	845,405	1,892,847
Employment benefit	768,030	1,154,318
	22,155,789	**24,390,256**

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 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-23 ETB	31-Dec-22 ETB
Salaries and other short-term employee benefits	2,106,192	1,650,493
Transport Allowance	39,259	27,811
Housing Allowance	10,200	10,200
Mobile allowance	6,000	6,000
Acting allowance	249,600	239,089
PF 12%	252,743	153,128
Total	**2,663,994**	**2,086,721**

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-23 ETB	31-Dec-22 ETB
Transaction	-	
Outstanding balance	804,784	804,784
Total	**804,784**	**804,784**

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 17.93% of the total income. This shows the organization comply with the requirements of the Organization of Civil Societies Proclamation No. 1113/2019.

	31-Dec-23	*% of total income*
Program expenditure	102,471,304	82.90%
Administrative expenditure	22,155,789	17.93%
	124,627,093	

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 2023 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.

28. Plant, Property and Equipment Revaluation

IPSAS 17 Standard prescribes the accounting treatment for property, plant, and equipment so that users of financial statements can discern. The principal issues in accounting for property, plant, and equipment are (a) the recognition of the assets, (b) the determination of their carrying amounts, and (c) the depreciation charges and impairment losses to be recognized in relation to them.

IPSAS 31 standard also amended to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. It states that an intangible asset shall be recognised if, and only if: 1. It is probable that future economic benefits or service potential associated with the item will flow to the entity; and 2. The cost or fair value of the item can be measured reliably.