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AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

OF

SELAM CHILDREN'S VILLAGE

AS AT AND FOR YEAR ENDED 31 DECEMBER 2017

TAY & Co.

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF SELAM CHILDREN'S VILLAGE

Section One: Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of Selam Children's Village, which comprise the balance sheet as at 31 December 2017, and the related statement of income and expenditures, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Selam Children's Village, as at 31 December 2017 and its statement income and expenditure for the year then ended in accordance with the accounting policy of the organization.

Basis for Qualified Opinion

Receivables with total amounts of Birr 2,313,795.50 have been long outstanding.

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 International Ethics Standards Board for Accountants' code of Ethics for Professional Accounts (IESBA Code) together with the ethical requirmets that are relevant to our audit of the financial statments in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management for the Organization Report

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the organization, and for such internal control as management determines is necessary to enable the preparation financial statements that are free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the organization report as a whole is 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.

Section Two: Report on Other Legal and Regulatory Requirements

The opinion in this section is given based on the audit procedures we applied in accordance with guideline 8/2004 issued by the Ethiopian Charities and Societies Agency to review compliance with Charities and Societies proclamation number 621/2009;

1) **Income:-**
   a. Income is collected by raising cash receipt vouchers and states the source and the amounts of income correctly.
   b. Income obtained from local and foreign sources are properly classified.
   c. Income is collected through legal means and by the person delegated for the purpose.

2) **Expenditures:-**
   a. Expenditures are accounted for when evidenced by legal and original invoices, relevant, reliable and sufficient for the purposes.
   b. Expenditures and purchases of goods and services are incurred as per the relevant regulations and authenticated by the officials of the organization.
   c. Operational and administrative costs are properly separated. As is separated in the reported statement of income and expenditures, the operational costs represent 75.21% of the total expenditures and administrative cost is 24.79% of the total expenditures.

3) **Property administration:-**
   a) Purchase of Properties are received by raising Goods receiving note (GRN) and used by raising issue vouchers but expensed upon purchases.
   b) Fixed Assets Register is maintained but it is not complete with the necessary details.
   c) Fixed asset identification number are given to each asset and cross-referenced with the register book.

4) **Cash and bank Balances:-**
   a) Separate ledger accounts are maintained for cash on hand in the name of each cashier and counted at certain intervals and at the end of the fiscal year to strengthen internal control over it and to ascertain its physical existence.

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b) Separate ledger accounts are also maintained for each bank accounts of the organization.

5) **Debtors:-**
   a) Subsidiary accounts are maintained for each debtor and are collectable in one year time.

6) **Creditors:-**
   a) Taxes are deducted and paid over to the tax authority within the time set of settlements.
   b) All creditors are amount payable within a year.

7) **Compliance with the project agreements:-**
   a) The project agreement has been adhered to and the related project funds have been used exclusively for the purpose of the projects in accordance with the project agreements.

8) No public Fund raising activity did take place during the year.

In our opinion, except for the matters stated on 3 (b) above, the attached financial statements of Selam Children's Village as at 31 December 2017 complies, in all material respect, with Charities and Societies Proclamation number 621/2009 issued by the Ethiopian Charities and societies Agency.

The engagement partner on the audit resulting in this independent auditor's report is Tesfa Tadesse.

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Authorized Auditors

Addis Ababa
26 February 2018

SELAM CHILDREN'S VILLAGE
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	Birr	Birr	2016 Birr
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	3		18,645.00	6,239,318.31
CURRENT ASSETS				
Receivables and Prepayments	4	6,582,936.40		4,177,314.30
Cash at Bank	5	13,786,143.66		8,102,397.06
			20,369,080.06	12,279,711.36
CURRENT LIABILITIES				
Payables and Accruals	6	640,405.98		4,346,544.78
Taxes Payable	7	1,518,890.60		530,986.70
			2,159,296.58	4,877,531.48
NET CURRENT ASSETS			18,209,783.48	7,402,180
NET TOTAL ASSETS			18,228,428.48	13,641,498.19
FINANCED BY:				
Fund Balance			18,228,428.48	13,641,498.19

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SELAM CHILDREN'S VILLAGE
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Birr	Birr	2016 Birr
INCOME				
Grant Contribution- in Cash	**8.1**	47,479,314.62		32,547,791.37
Grant Contribution- in Kind	**8.2**	863,221.28		1,210,399.60
Operating Income	**8.3**	19,519,773.44		17,686,235.72
TOTAL INCOME			**67,862,309.34**	**51,444,426.69**
EXPENSES				
Programme Expenditure (75.21%)	**9.1**	47,682,148.44		37,702,731.47
Administrative Expenditure (24.79%)	**9.2**	15,719,158.59		9,671,140.51
TOTAL EXPENDITURE			**63,401,307.03**	**47,373,871.98**
EXCESS OF INCOME OVER EXPENDITURE			**4,461,002.31**	**4,070,554.71**
FUND BALANCE BROUGHT FORWARD			13,641,498.19	9,657,188.06
Adjustment to opening balance			121,692.70	(32,258.76)
Prior period adjustment			4,235.28	(53,985.82)
FUND BALANCE CARRIED FORWARD			**18,228,428.48**	**13,641,498.19**

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SELAM CHILDREN'S VILLAGE
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. INTRODUCTION

1.1 Background and organization objectives

Selam Children's Village was founded in January 1986 by Tsehay Roschili as an orphanage and has over the years grown to expand its activities to scholls, clinic, small farms, girl's vocational training center in addis Ababa. Selam Children's Village receives financial and material supports mainly from selam Charity founded and registered in Switzerland. Selam charity head office formerly known as Selam Technical and Vocational Center is founded in addis Ababa.

Persuant to proclamation 621/ 2009 to provide for the registration and regulation of charities and societies, selam Children's village was re-registered byEthiopian Ministry of Justice, Charities and Societies Agency as an Ethiopian Resident Charity. The license has been renewed for three years on 18 April 2016.

Selam Children's Village has also aquired the license in July 22, 2012 to operate in Income genetating activities (IGA) through its varies income generating units. The financial statements and its operating result of the IGA unit are not incorporated in this financial statements.

1.2 Organization objective

The objectives of Selam Children's Village are:-

a) Assist orphans and destitute and community children to become responsible citizens by equipping them with physical, social, spiritual and psychological competencies.

b) Provide quality training and education, health services and agricultural services.

c) Use and distribute appropriate technology via research and development.

2. Basis of preparation and accounting policies

2.1 BASIS OF PREPARATION

The financial statements have been prepared by management based on the accounting policies of the organization and the financial reporting provisions of the Charities and Socities Proclamation 621/2009, council of ministers regulation Number 168/2009 and various implementation directives, issued by Charities and Socities Agency. The following are significant accounting policies adopted by selam Children's village in preparing its financial statements.

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2.2 ACCOUNTING POLICIES

FIXED ASSETS
Goods of fixed assets nature are directly expensed up on purchase and are included in the accounts at a nominal value of Birr 1 each.

STOCKS
All stocks purchased are expensed upon receipt.

RECEIPT AND EXPENDITURE
a) Donations in kind are valued at invoice value plus local costs.
b) Income from donations is recognised as income when cash is received.
c) Income from contracts lasting a period of one year or more is recognized on the percentage of work completed method.
d) Expenses are recognized when they are incurred.

TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currency

Items included in the selam Children's Village financial statements are measured using the currency of the primary economic environment in which the organization operates ("the functional currency"). The financial statements are presented in Ethiopian Birr (ETB), which is the Selam Children's Village functional currency

Foreign currency transactions

Foreign currency transactions are converted to ETB at the rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to ETB using the exchange rate prevailing at the balance sheet date. Any gain/loss arising on translation of financial assets at the year end and transactions during the year are recognized in the statements of income and expenditure.

RETIREMENT BENEFIT OBLIGATIONS
staff retirement benefits are covered by a statutory pension scheme to which the organization and the employees contribute 9% and 7% until July 2014 and thereafter the percentage increased to 11% and 7%, of the individual monthly salary respectively.

CURRENCY OF REPORTING
This financial statement has been prepared in Ethiopian Birr.

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SELAM CHILDREN'S VILLAGE
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. PROPERTY, PLANT AND EQUIPMENT

NOMINAL VALUE	Balance as at 31 Dec 2016	Addition	Disposal	Balance as at 31 Dec 2017
Building	188.00	1.00	-	189.00
Plant and Machineries	1,084.00	2.00	-	1,086.00
Furniture and Fixtures	12,523.00	5.00	-	12,528.00
Equipment	1,293.00	10.00	-	1,303.00
Motor Vehicles	48.00	-	-	48.00
Computers	374.00	30.00	-	404.00
Other Fixed Assets	3,087.00	-	-	3,087.00
	18,597.00	**48.00**	**-**	**18,645.00**
COST				
Construction In Progress	6,220,721.31	-	(6,220,721.31)	-
	6,220,721.31	**-**	**(6,220,721.31)**	**-**
TOTAL	**6,239,318.31**	**48.00**	**(6,220,721.31)**	**18,645.00**

4. RECEIVABLES AND PREPAYMENTS

		2016 Birr
Trade Receivables	1,081,951.98	967,227.57
Sundry Receivables	262,206.32	385,937.72
Purchase Receivables	11,046.73	-
TRIAE (IGA) Receivables	3,110,033.71	-
SABG Receivables	121,692.70	-
Inter Units Receivables	365,698.58	736,811.91
Staff Receivables	31,559.69	88,211.94
WHT Receivables	579,166.14	579,166.14
VAT Receivables	1,019,580.55	1,419,959.02
	6,582,936.40	**4,177,314.30**

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SELAM CHILDREN'S VILLAGE
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5. CASH AT BANK

	Birr	2016 Birr
Awash Bank S.C.	1,477,160.61	922,344.28
Commercial Bank of Ethiopia	150.00	200.00
Commercial Bank of Ethiopia	28,119.23	933,413.39
Dashen Bank S.C.	178,479.76	18,239.84
Dashen Bank S.C.	692,999.04	(23,229.69)
Dashen Bank S.C.	334,294.00	333,158.77
Dashen Bank S.C.	466,504.78	465,398.28
Dashen Bank S.C.	10,458,432.38	5,302,868.33
Commercial Bank of Ethiopia- Blocked Account	150,003.86	150,003.86
	13,786,143.66	**8,102,397.06**

6. PAYABLES AND ACCRUALS

	Birr	2016 Birr
Payable to IGA	-	3,858,997.62
Retention Payable	(23,762.32)	(23,762.32)
Accruals	75,058.36	74,827.36
Sundry Payables	569,109.94	274,066.57
Ethiopian Renaissense Dam	20,000.00	-
	640,405.98	**4,184,129.23**

7. TAXES PAYABLES

	Birr	2016 Birr
Provident Fund Payable	128,444.31	102,985.77
Pension Payable	315,204.07	59,424.68
Cost Sharing Payable	(130.20)	5.10
Withholding Tax Payable	112,918.09	89,223.62
Employment Income Tax Payables	962,454.33	441,763.08
	1,518,890.60	**693,402.25**

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SELAM CHILDREN'S VILLAGE
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

8. INCOME

	2017 Birr	2016 Birr
8.1 Grant contribution- In Cash		
Foreign Income		
Donation from Swiss	41,362,027.23	30,113,732.01
Donation from German Society	-	1,169,249.00
Donation from German Society to project E	-	790,528.89
Donation From Tesfa-ILG	184,302.09	-
Earmarked Donations	65,112.58	-
ARC Project Finance	5,531,569.00	-
Other Foreign Donations	6,754.56	147,020.93
	47,149,765.46	**32,220,530.83**
Local Income		
Local Donations	267,735.42	327,260.54
SCV Community Donations	61,813.74	-
	329,549.16	**327,260.54**
Total Grant In Cash	**47,479,314.62**	**32,547,791.37**
8.2 Grant contribution- In Kind		
Foreign Donation In kind	13,946.61	970,935.57
Local Donation in kind	849,274.67	239,464.03
	863,221.28	**1,210,399.60**
8.3 Operating Income		
School Fee	8,932,355.99	8,689,546.44
Catering Service	3,237,634.81	3,244,485.59
Agricultural Products	4,007,665.02	3,683,728.97
Training Income	845,957.93	597,613.07
Clinic Income	1,116,927.08	747,866.00
Garment & Hand Craft	346,164.21	147,164.40
Day Care Center	12,944.20	42,649.05
Rent Income	70,502.91	1,239.13
30th Anniversary Income	32,750.00	255,177.78
Interest Income	346,846.76	153,919.09
HDCOVA- Income	190,856.69	-
Others	379,167.84	122,846.20
	19,519,773.44	**17,686,235.72**

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9. EXPENDITURES

9.1 Programme Expenditure	Birr	2016 Birr
Salaries of Direct Program Saff(Mothers,Nannies, teachers, TVET trainers)	17,014,066.95	17,783,870.29
Materials for Children Education, cleaning, sport and other learning materials	5,893,808.35	8,210,101.91
Training and Upgrading Staff Mothers, nannies, teachers, nurse, TVET trainers	286,504.34	8,315.80
Repair and Maintenance of children's homes, school furniture and machineries	1,165,099.48	2,146,358.16
Books for student's library	-	4,356.82
Demonstration equipment for learning process-	-	601,807.64
Building and renovation children house, classrooms, and TVET workshops	-	91,220.34
Other Fixed Assets	9,194,945.55	589,222.71
Children's Development Cost (food, health and psychosocial)	8,035,950.80	5,569,987.73
Student Cost (clothing, uniform, tutorial fee, stipend, graduation expense)	3,930,605.25	808,822.69
Community Support Cost (education, health and living allowance)	1,191,661.41	417,530.03
Other Program Related Expense	706,731.96	276,359.46
Awareness raising materials for children and communities	46,432.60	51,843.92
Water, Electricity and Telephone program related	196,373.77	733,658.07
Fuel and Lubricants (to transport children's food, and education materials and other)	-	344,352.78
Entertainment and Refreshment for Children socialization	19,967.98	64,923.12
	47,682,148.44	**37,702,731.47**

9.2 Administration Expenditure	Birr	2016 Birr
Salaries and benefits	12,828,918.07	4,928,242.42
Materials	69,681.22	1,249.00
Curriculum review	-	4,558,961.24
Other expenses	2,094,515.84	176,986.94
Advertisment and promotion	14,381.21	620.65
Entertainment and guest meeting	102,457.62	5,080.26
Project administration expenses	609,204.63	-
	15,719,158.59	**9,671,140.51**

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