

**BUKRA LA'ILKOM**  
**Comparative Financial Statements**  
**As at December 31, 2020**

**Financial Statements**  
**From inception date (April 1, 2020) to December 31, 2020**

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**BALANCE SHEET**

From inception date (April 1, 2020) to December 31, 2020

(in USD)

ASSETS	Notes	31-Dec-20	Exh
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment, net		1,131	
		<b>1,131</b>	
<b>CURRENT ASSETS</b>			
Banks and cash on hand	10	2,182	
		<b>2,182</b>	
<b>TOTAL ASSETS</b>		<b>3,313</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Profit and Loss account</b>		1,105	<b>Exh B</b>
		<b>1,105</b>	
<b>CURRENT LIABILITIES</b>			
Other payables		2,208	
		<b>2,208</b>	
<b>Total liabilities</b>		<b>3,313</b>	

General Manager: -----

Financial Manager: -----

**PROFIT & LOSS STATEMENT**

From inception date (April 1, 2020) to December 31, 2020

(in USD)

	Notes	31-Dec-20	Exh
Donations		29,275	
<b>Gross Margin</b>		<b>29,275</b>	
DIRECT OPERATING EXPENSES			
External Charges	11	(28,170)	
<b>Total Direct Operating Expenses</b>		<b>(28,170)</b>	
INCOME/(LOSS) FROM OPERATIONS BEFORE FINANCIAL REVENUES/ (EXPENSES)			
		<b>1,105</b>	
<b>NET INCOME (Profit)</b>		<b>1,105</b>	<b>Exh A</b>

General Manager: -----

Financial Manager: -----

**STATEMENT OF CASH FLOWS**  
**From inception date (April 1, 2020) to December 31, 2020**  
**(in USD)**

	<b>31-Dec-20</b>	
<i>Income / (Loss) from operating activities:</i>		
Net income (Profit)	1,105	<b>EXHIBIT B</b>
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
(Increase) /Decrease in other payables	2,208	
<b>Net cash used in operating activities</b>	<b>3,313</b>	
<i>Cash flow from investing activities:</i>		
Fixed assets acquisition	(1,131)	
<b>Net cash provided by investing activities</b>	<b>(1,131)</b>	
<i>Net decrease in cash and cash equivalents</i>	2,182	
Cash and cash equivalents at beginning of year	-	
<b>Cash and cash equivalents at end of year</b>	<b>2,182</b>	<b>EXHIBIT A</b>

General Manager: -----

Financial Manager: -----

**Notes to the financial statements**

**For the period ended December 31, 2021**

**(in USD)**

**1. Organization**

“Bukra La’Ilkom” (the Association) is a not-for-profit association registered with the Lebanese Ministry of Interior under number 1088 dated September 11, 2020.

The Association targets the disadvantaged children who have dropped out of school by providing them with basic education.

**2. Economic and financial situation at the macro level**

The Association operations are in Lebanon. The country has been recently witnessing dramatic events that have set out an interrelated fiscal, monetary and economic crises as well as recession that have reached unprecedented levels.

Sovereign credit ratings have witnessed downgrades by international rating agencies and reached the default level when the government declared that it will withhold payment on the bonds due on March 9, 2020, which was followed by another announcement on March 23, 2020 for the suspension of payments on its US Dollar denominated Eurobonds.

Furthermore, Lebanese banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Lebanon, significantly reduced credit lines to companies and withdrawal of cash to private depositors which accelerated the disruption of the country’s economic activity.

The difficulty in assessing foreign currencies led to the emergence of a market exchange rate covering all major currencies whereby the price to access such currencies has significantly deviated from the peg of 1507.5 US/LL. This has triggered an uncontrolled rise in prices, continuous depreciation of the Lebanese Lira, decreasing purchasing power, high inflation and rise in the consumer price index.

In an effort to control the hyperinflation, the Central Bank of Lebanon introduced the following measures throughout the financial years 2020 and 2021:

- i. Subsidized imports of some essential goods by providing foreign currencies for such imports at the official exchange rate;
- ii. Implemented the Platform Rate to be used in specific circumstances;
- iii. Introduced exceptional measures for bank depositors to withdraw amounts of cash in LL from their “local dollar” bank accounts up to limits set by the bank.

However, despite the above measures, inflation increased at an accelerating pace which eroded the value of the Lebanese Lira and threw the country in hyperinflation and critical economic collapse.

As an outcome of the unofficial capital controls, multitude of exchange rates and hyperinflation, the local market witnessed a distinction between foreign currency bank accounts that are subject to unofficial capital controls and those that are free from capital controls. Hence, new terms have emerged in the market, such as “local dollars” or “lollar” to designate local US Dollars bank accounts that are subject to unofficial capital controls and “fresh funds” to designate foreign currency cash and foreign currency bank accounts which are not subject to capital controls.

**Notes to the financial statements**

**For the period ended December 31, 2021**

**(in USD)**

**3. Beirut Port Explosion**

On August 4, 2020, an enormous explosion occurred at the port of Beirut, causing casualties and material damages across the capital. The blast affected several Associations in the area and contributed to additional deterioration of the economic environment and increase of poverty leading to a higher reliance on the non-profit sector.

**4. COVID-19**

The COVID-19 pandemic has had, and continues to have, a substantial impact on Associations and the economic environments in which they operate. It caused disruption to economic activities and increased the level of uncertainty in domestic and international markets. Regulators and governments across the globe have introduced schemes to provide financial support to parts of the economy most impacted by the COVID-19 pandemic.

In the case of the Association, similar to many entities for which the operating environment is mostly in Lebanon, the impact of COVID-19 cannot be isolated and assessed independently from the economic downturn from a non-lucrative, regulatory and risk perspective.

**5. Going concern**

The current deteriorated economic and monetary situation as well as the Covid-19 pandemic have risen substantial concerns for the on-going operations of the Association where some income is being received at a lower exchange rate than the actual one which might trigger a decreasing purchasing power to cover the salaries and expenses. However, the Association's management is continuously assessing and updating its risk matrix and is currently satisfied that the association possesses the necessary resources to continue operating for the foreseeable future.

**6. Particular situation of the Association**

Assets and liabilities in foreign currency and transactions in foreign currency were reflected in the financial statements at the official exchange rate of 1507.5 US/LL in line with IAS 21 due to the lack of alternative legal exchange mechanism.

However, several exchange rates have emerged since the last quarter of 2019 that vary significantly among each other and from the official one: actual exchange markets that are highly volatile, the platform rate, estimation exchange rate detailed in the government's financial recovery plan, in addition to different exchange rates adopted for commercial transactions purposes in Lebanon.

Accordingly, translation of all assets and liabilities and foreign currency transactions at the official exchange rate does not always represent a reasonable estimate of expected cash flows in Lebanese Liras that would have to be generated/ used from the realization of such assets or the payment of such liabilities at the date of the transaction or at the date of the financial statements.

**Notes to the financial statements**

**For the period ended December 31, 2021**

**(in USD)**

In the absence of an alternative legal exchange mechanism, we are unable to estimate the effects on these financial statements and such financial statements do not include adjustments from any future change in the official exchange rate and /or alternative legal exchange mechanism.

The financial position of the Association, as reported in these financial statements, does not reflect the adjustments that would be required by IFRS as a result of the future government reform program, the deep recession, the currency crisis and the hyperinflation. Due to the high levels of uncertainties, the lack of observable indicators, the high gap between the actual rates, the Platform Rate and the official exchange rate and the lack of visibility on the government's plans, management is unable to estimate, in a reasonable manner, the impact of these matters on its financial position.

**7. Impact of IAS 29 on the Association**

The financial statements are presented in Lebanese Lira (LL), which is the Association's functional currency, and converted to USD at the official rate of 1507.5 US/LL.

As of September 30, 2021, all conditions have been met for the Association's financial statements to incorporate the inflation adjustments provided under IAS 29 "Financial reporting in hyperinflationary economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain quantitative parameters such as a cumulative three-year inflation rate exceeding 100% and qualitative factors such as the analysis of the behavior of population, prices, interest rates and wages.

The Lebanese National Statistics office reported a cumulative three-year inflation rate exceeding 100% as of September 30, 2021. Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after September 30, 2021.

Therefore, entities whose functional currency is the Lebanese Lira, should restate their financial statements to reflect the effects of inflation in conformity with IAS.

As of the date of the accompanying financial statements, management is temporarily unable to apply the above mentioned standard nor is it able to quantify the effect that the application of IAS 29 would have on the presented financial statements. However, management estimates such effects to be significant.



**Notes to the financial statements****For the period ended December 31, 2021****(in USD)**

The Association uses the official exchange rate of 1507.5 US/LL to translate balance and transactions in foreign currencies. Since the emergence of the actual market and introduction of the “Platform Rate” by the Central Bank of Lebanon, the Lebanese market has witnessed multiple pricing and valuations of balances receivable and payable and operations in foreign currencies, depending on the settlement method which is based on unofficial markets. Accordingly, since there is no official exchange or payment mechanism for transactions and balances denominated in foreign currencies, the Association is translating balances (assets and liabilities) and transactions in foreign currencies at the official exchange rate, which does not represent a reasonable estimate of expected cash flows in Lebanese Liras that would have to be generated from the realization of such assets or the payment of such liabilities at the date of the transaction.

Furthermore, the application of IAS 29 is very complex and requires the Association to develop new accounting software and processes, internal controls and governance framework.

Accordingly, the Association has postponed the application of IAS 29 and incurring costs for developing accounting processes and a governance framework until the Association is comfortable that such application would provide the users with more relevant information.

**8. Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They are presented in Lebanese Pounds. The principal accounting policies applied in the preparation of these financial statements are set out below.

**9. Accounting policies****a) Net assets**

Net assets and changes in net assets are classified as follows:

**Unrestricted**

Net assets that are not subject to donor-imposed stipulations and available for general operations of the Association. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees, including to function as endowment.

**Temporarily restricted**

Net assets subject to donor-imposed stipulations as to the timing of their availability or use for a particular purpose. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets and are generally available for appropriation to support operational needs in accordance with the Association’s endowment spending guideline and any restrictions on use imposed by donors.

**Permanently restricted**

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. The Association classifies the following portions of donor-restricted endowment funds as permanently restricted net assets:

- i. The original value of assets contributed to permanently restricted net assets;
- ii. Subsequent contributions to such funds valued at the date of contribution; and
- iii. Reinvested earnings on permanent endowment when specified by the donor.

**Notes to the financial statements**  
**For the period ended December 31, 2021**  
**(in USD)**

**b) Contributions and donor restrictions**

Contributions received are recorded as restricted support. Restricted support represents contributions that are restricted by the donor for specific projects. Net assets restricted for projects are released from restricted net assets when costs are paid.

**c) Foreign currency translation**

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 income.

**d) Property and equipment**

Property and equipment are tangible items that:

- i. Are held for use in the production or supply of goods and services, for rental to others or for administrative purposes; and
- ii. Are expected to be used during more than one period.

Items of property and equipment are initially recognized at cost.

Costs include all costs incurred to bring the asset to the condition necessary for it to be capable of operating in the manner intended by Association's management.

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

**e) Cash and cash equivalents**

For purposes of the statement of cash flows, the Association considers all banks and cash balances with a maturity of less than three months to be cash equivalents.

**f) Critical accounting judgments and keys sources of estimation uncertainty**

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

**Bukra la'ilkom**

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**Notes to financial statements****From inception date (April 1, 2020) to December 31, 2020****(in USD)****10- Banks and cash on hand.**

Cash USD		2,182
<b>Total</b>	<b>\$</b>	<b>2,182</b>

**11- External services**

Transportation and communication		100
Maintenance and repairs		65
Office supplies		880
Subscriptions		609
Other charges		1,228
Experts, Mentors, Consultants		25,288
<b>Total</b>	<b>\$</b>	<b>28,170</b>