



SIDDARTHA DEVELOPMENT ETHIOPIA
AUDIT REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023



NBBN Audit Service LLP - Chartered Certified Accountants and Authorized Auditors
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**SIDDARTHA DEVELOPMENT ETHIOPIA
REPORT AND FINANCIAL STATEMENTS
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FOR THE YEAR ENDED 31 DECEMBER 2023**

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**SIDDARTHA DEVELOPMENT ETHIOPIA
REPORT AND FINANCIAL STATEMENTS
KEY ORGANIZATION INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023**

Organization TIN

0001594063

Executive management (as of 31 December 2023)

Name	Position
Firehun Gebreyohannes	Country Representative
Kifle Sebgaze	Program Manager
Beneber Teshome	Finance Manager

Office address

Siddartha Development Ethiopia (SDE)

On the road from St. Mary Church of 5 killo to Afincho Ber, 220 Mtr from Armenian Association around Nazareth School.

Telephone +251-111-26 66 56

P.O. Box 25676/1000

Addis Ababa

Ethiopia

Principal bankers

Commercial Bank of Ethiopia

P.O. Box: 255 Addis Ababa, Ethiopia

Nib International Bank S.C

P.O. Box: 2439 Addis Ababa, Ethiopia

Awash Bank S.C

P.O. Box: 12638 Addis Ababa, Ethiopia

Zemen Bank S.C

P.O. Box: 1212 Addis Ababa, Ethiopia

Independent auditor

NBBN Audit Service LLP

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Tel: +251-930-661 133/55

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SIDDARTHA DEVELOPMENT ETHIOPIA
REPORT AND FINANCIAL STATEMENTS
REPORT OF THE MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

Currency: ETB

Management has pleasure of presenting their report on the affairs of Siddhartha Development Ethiopia (SDE) (the Organization) together with the financial statements for the year ended 31 December 2023. This report discloses the financial performance and state of affairs of the Organization.

Background information

Siddhartha Development Ethiopia (SDE) (the Organization) is a foreign Civil Society Organization, non-religious, not for profit and has been in operation in Ethiopia since 2001 focusing on improving the lives of the marginalized section of the community. Since its establishment in 2001, the Organization envisages to provide the best of itself for unprivileged members of the society in a passion that they can be self dependent. To realize its vision, the organization implements various projects through a fund mobilized by Siddhartha Belgium from a great circle of people, professionals and Volunteers. The Organization is actively working towards improving the socio-economic condition of street children; homeless people; women headed poor families or with no income; Orphaned Children Living with HIV/AIDS; Vulnerable Children, Adolescents and Youths.

Principal activities

The principal activity of the organization are to:

1. Support program for women headed families (Edget fana Project),
2. Support program for vulnerable children, adolescents and youths (Siddhartha Youth Project),
3. Support program for children living with HIV/AIDS (Little Heaven Project),
4. Support Program for street children and homeless people,
 - a) homeless people (Glorieux Project), and
 - b) Street Children (Andinet Project)
5. Urban destitute support program
6. Support sick and/ or elderly people

Results

The results of the Organization for the year ended 31 December 2023 are set out on page 10. The summarized results of the Organization are presented below:

	2023	2022
Revenue	31,916,318	35,430,699
Expenses	<u>35,957,692</u>	<u>37,101,213</u>
Deficit for the year	<u>(4,041,374)</u>	<u>(1,670,513)</u>

Management

The management team who serve during the year are set out on page 3.



Firehun Gebreyohannes
Country Representative
Addis Ababa, Ethiopia



SIDDARTHA DEVELOPMENT ETHIOPIA
REPORT AND FINANCIAL STATEMENTS
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2023

The Financial Reporting Proclamation No. 847/2014 require civil society organizations to prepare and present their financial statements in accordance with International Public Sector Accounting Standards (IPSASs).

The Management is required to prepare financial statements in respect of the Organization, which give a true and fair view of the state of affairs of the Organization at the end of the financial year and the operating results of the Organization for that year. 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 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 (IPSASs). The Management is also responsible to ensure that the Organization's financial statements give a true and fair view of the state of Organization's transactions during the year ended 31 December 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.

Moreover, the Management is also responsible in maintaining program and administrative expenses threshold set under the Organizations of Civil Societies Proclamation No. 1113/2019 when preparing and presenting their annual financial statements.


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 21 February 2024 and signed on its behalf by:


Firehun Gebreyohannes
Country Representative




Beneber Teshome
Finance Manager



Independent Auditor's Report
On the Financial Statements of Siddhartha Development Ethiopia
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Siddhartha Development Ethiopia (the Organization), set out on pages 9 to 12, which comprise the balance sheet as at 31 December 2023, the statement of financial performance, statement of cash flows and statement of changes in net assets/equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies specified on pages 13 to 23.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

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 in Ethiopia, 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.

Other Matter

The financial statements of the Organization for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (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 have no realistic alternative but to do so. Management is also 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.

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**Independent Auditor's Report
On the Financial Statements of Siddhartha Development Ethiopia (Continued)**

Report on the Audit of the Financial Statements (Continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation and in compliance with local regulatory requirements.

We communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

We have audited whether the Organization complies with the requirements of Directive No. 972/2023, Directive on to determine the presentation of audit and performance reporting of civil society organizations, issued by the Authority for Civil Societies Organizations (ACSO) under proclamation № 1113/2019 on the following areas:

We have audited whether;

1) Regarding income

- Each revenue is collected by valid receipt;
- The source of income has been properly identified and verified;
- The income is timely recorded;
- The collection of the revenue by the entity to which it is to be collected; and
- The organization collected the income collected from outside sources in accordance with the law.

2) Regarding cost

- Evidence is satisfied before any account is expensed;
- The organization uses a valid invoice;
- The rules and regulations were followed when expenses were incurred;
- Expenditure is incurred and approved by the concerned officer;
- The originality of the evidence filed at the expense;
- The Organization followed the directives and regulations when making purchases; and
- The expenses incurred for the implementation of the objective are not less than 80%.

3) Regarding property management

- When any property is purchased or spent, whether a legal receipt is prepared for it;
- An inventory of fixed assets is taken and audited annually;
- A stock card is prepared for any fixed goods and that fixed goods are recorded in a separate register; and
- Identification numbers are assigned to fixed assets and keeping them in a convenient place in a manner that does not expose them to wastage.

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Independent Auditor's Report
On the Financial Statements of Siddhartha Development Ethiopia (Continued)
Report on the Audit of the Financial Statements (Continued)
Report on Other Legal and Regulatory Requirements (continued)

4) Regarding cash

- a) The Organization makes registration of the cash account and its closing every month; and
- b) The amount of cash received by the treasury is consistent with the company's operating rules or guidelines.

5) Regarding receivables

- a) The timely collection of accounts receivable; and
- b) The Organization is clearly identifying and listing receivables.

6) Regarding debt

- a) Timely payment of tax obligations is made; and
- b) Short-term and long-term liabilities are separated in detail.

7) Regarding bank account

- a) The bank account with different banks is known in detail;
- b) Providing a bank statement for each bank account number;
- c) The bank reconciliation of the bank statement provided;
- d) The bank accounts are operated by the respective business leaders; and
- e) Bank accounts are opened and operated with the approval of the authority.

8) Regarding fund raising

- a) The amount of money and assets collected and their source are identified in detail;
- b) The manner in which the money or property was raised is properly identified;
- c) The Organization has details of the costs incurred in carrying out the public contribution;
- d) The Organization has details of the activities carried out with the funds collected;
- e) The funds collected through contributions are kept in proper records;
- f) The public contribution is consistent with the consent granted;
- g) The completion of the collection of public contributions in accordance with the approved schedule; and
- h) The collection of the money and property collected through the legal receipt.

In our opinion, the Organization complies with the requirements of Directive No. 972/2023 issued by the Authority for Civil Societies Organizations (ACSO) and the financial statements comply with the requirement of the Organizations of Civil Societies Proclamation No. 1113/2019 Article 63 Sub-Article (2) that requires the administrative cost of an organization may not exceed 20% of its total income.

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

Nardos Worku

NBBN Audit Service LLP

Chartered Certified Accountants and Authorized Auditors

Addis Ababa, Ethiopia

21 February 2024



SIDDARTHA DEVELOPMENT ETHIOPIA
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023
(In ETB)

Assets	Note	31 Dec 2023	31 Dec 2022
Current assets			
Cash and bank balances	5	14,801,745	9,115,804
Investment	6	-	7,000,000
Receivables from exchange transactions	7	-	1,072,444
Prepayments	8	960,494	1,194,234
Inventories	9	1,070,654	3,477,660
		<u>16,832,893</u>	<u>21,860,142</u>
Non-current assets			
Property, plant and equipment	10	13,216,118	11,560,997
Right-of-use assets	11	205,834	923,906
		<u>13,421,952</u>	<u>12,484,903</u>
Total assets		<u>30,254,845</u>	<u>34,345,045</u>
Liabilities and net assets/equity			
Liabilities			
Current liabilities			
Payables under exchange transactions	12	32,500	17,840
Lease obligations	13(a)	23,227	16,577
Tax and pension payables	14	390,258	278,243
		<u>445,986</u>	<u>312,660</u>
Non current liabilities			
Lease obligations	13(a)	184,652	828,827
Employee benefits - severance pay	15	2,112,667	1,554,574
		<u>2,297,320</u>	<u>2,383,401</u>
Total liabilities		<u>2,743,305</u>	<u>2,696,061</u>
Net assets/equity			
Fund balance		31,552,914	33,319,497
Deficit for the year		(4,041,374)	(1,670,513)
Total net assets/equity		<u>27,511,540</u>	<u>31,648,984</u>
Total liabilities and net assets/equity		<u>30,254,845</u>	<u>34,345,045</u>

The notes on pages 13 to 23 are an integral part of these financial statements.

The financial statements on pages 9 to 23 were approved and authorised for issue by the Organization Management on 21 February 2024 and were signed on its behalf by:

Firehun Gebreyohannes
Country Representative

Beneber Teshome
Finance Manager



SIDDARTHA DEVELOPMENT ETHIOPIA
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2023
(In ETB)

	Note	2023	2022
Revenue			
Revenue from non-exchange transactions			
Income from foreign source	16.1	20,146,875	11,971,120
Income from local source	16.2	<u>11,696,585</u>	<u>22,674,588</u>
		31,843,460	34,645,707
Revenue from exchange transactions			
Income from local sources	16.3	<u>72,858</u>	<u>784,992</u>
		<u>31,916,318</u>	<u>35,430,699</u>
Expenses			
Program expenses	17.1	30,119,013	31,617,769
Administrative expenses	17.2	<u>5,838,680</u>	<u>5,483,444</u>
		<u>35,957,692</u>	<u>37,101,213</u>
Deficit for the year		<u>(4,041,374)</u>	<u>(1,670,513)</u>

The notes on pages 13 to 23 are an integral part of these financial statements.



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SIDDARTHA DEVELOPMENT ETHIOPIA
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(In ETB)

	<u>Fund balance</u>	<u>Deficit for the year</u>	<u>Total net assets/equity</u>
Balance as at 1 January 2023	33,319,497	(1,670,513)	31,648,984
Prior year adjustment	(96,070)	-	(96,070)
Transfer to fund balance	(1,670,513)	1,670,513	-
Deficit for the year	-	(4,041,374)	(4,041,374)
Balance as at 31 December 2023	<u>31,552,914</u>	<u>(4,041,374)</u>	<u>27,511,540</u>
Balance as at 1 January 2022	21,918,061	11,401,436	33,319,497
Transfer to fund balance	11,401,436	(11,401,436)	-
Deficit for the year	-	(1,670,513)	(1,670,513)
Balance as at 31 December 2022	<u>33,319,497</u>	<u>(1,670,513)</u>	<u>31,648,984</u>

The notes on pages 13 to 23 are an integral part of these financial statements.



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SIDDARTHA DEVELOPMENT ETHIOPIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In ETB)

	Note	2023	2022
Cash flows from operating activities			
Deficit for the year		(4,041,374)	(1,670,513)
Non-cash movements			
Depreciation - property, plant and equipment	10	951,710	762,698
Depreciation - right-of-use assets	11	2,313	10,223
Adjustment on property, plant and equipment	10	6,067	-
Adjustment on right-of use assets	11	715,759	-
Adjustment on lease liability		(614,297)	-
Donation in-kind		(2,409,623)	-
Prior year adjustments		(96,070)	-
Changes in:			
Receivables from exchange transactions		1,072,444	(842,812)
Prepayments		233,740	280,680
Inventories		2,407,006	(888,109)
Payables under exchange transactions		14,660	1,634
Tax and pension payables		112,015	(139,680)
Employee benefits		558,094	490,470
Net cash generated from/ (used in) operating activities		(1,087,556)	(1,995,409)
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(203,276)	(911,102)
Net cash (used in) investing activities		(203,276)	(911,102)
Cash flows from financing activities			
Short-term investment	6	7,000,000	(7,000,000)
Payment of lease obligations	13	(23,227)	(16,577)
Net cash generated from/ (used in) financing activities		6,976,773	(7,016,577)
Movement in cash and bank balances		5,685,941	(9,923,088)
Cash and bank balances at the beginning of year		9,115,804	19,038,893
Cash and bank balances at the end of year	5	14,801,745	9,115,804

The notes on pages 13 to 23 are an integral part of these financial statements.



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SIDDARTHA DEVELOPMENT ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 REPORTING ENTITY

Siddartha Development Ethiopia (SDE) (the Organization) is a foreign Civil Society Organization, non-religious, not for profit and has been in operation in Ethiopia since 2001 focusing on improving the lives of the marginalized section of the community. Since its establishment in 2001, the Organization envisages to provide the best of itself for unprivileged members of the society in a passion that they can be self dependent. To realize its vision, the organization implements various projects through a fund mobilized by Siddartha Belgium from a great circle of people, professionals and Volunteers. The Organization is actively working towards improving the socio-economic condition of street children; homeless people; women headed poor families or with no income; Orphaned Children Living with HIV/AIDS; Vulnerable Children, Adolescents and Youths.

The Organization has been re-registered and licensed by Federal Democratic Republic of Ethiopia Authority for Civil Societies Organization (ACSO) as local organization in accordance with Proclamation No.1113/2019 with certificate No. 1343.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with and comply with the accrual basis of International Public Sector Accounting Standards (IPSASs), Organizations of Civil Societies Proclamation No. 1113/2019 and the Organization's accounting policies.

2.2 Basis of preparation

The financial statements have been prepared on an accrual basis of International Public Sector Accounting Standards (IPSASs), using the historical cost convention. The cashflow statement is prepared using the indirect method. The accounting policies have been consistently applied to all the years presented.

The financial statements are presented in Ethiopian Birr (ETB).

2.3 Use of estimates and judgement

The preparation of financial statements in conformity with IPSAS requires Management to make judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses.

Estimates and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Key estimates Management has made in preparing the financial statements concerned the lives of property, plant and equipment are further disclosed in Note 4.4 and Note 10 and post employment benefits disclosed in Note 4.6 and Note 15.

2.4 Change in accounting policies and estimates

The Organization recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. Changes in estimates are applied prospectively.

2.5 Going concern

The financial statements were prepared on a going concern basis which assumes the Organization will continue in operation and will meet its mandate for the foreseeable future. The Management of the Organization have not communicated any intention to terminate the Organization or to cease its operations.

2.6 Authorization for issue

These financial statements are certified and approved by Management on 21 February 2024.

3 FINANCIAL RISK MANAGEMENT

The Organization's operations expose it to a variety of financial risks and compliance/regulatory-risks.

3.1 Market risk

3.1.1 Foreign exchange risk

Foreign currency risk arises primarily when the foreign currency exchange rate falls against the local currency (ETB).



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (continued)

3.1.2 Interest rate risk

There is no significant short-term exposure to changes in interest rates as cash and cash equivalents are held on hand or on demand deposits and earn minimal interest.

3.2 Credit risk

There is no significant concentration of credit risk.

3.3 Liquidity risk

The Organization does not exposed to liquidity risk as there is no reported significant payable balances except for employee benefits.

3.4 Compliance or regulatory risk

Compliance or regulatory risk arises when the regulatory body such as Authority for Civil Society Organizations (ACSO) issued new regulation like threshold for program and administrative expenses, limit the scope of operation affects the operation of the Organization. The Organization has close follow up on those risks and set proper safeguard mechanism to avoid the risk related with compliance and regulation.

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

Cash comprises cash on hand, 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 and prepayments

Receivables represent receivables from exchange transactions and receivables from non-exchange transactions. Current receivables are for amounts to be collected within 12 months of the reporting date, while non-current receivables are those that are collected after 12 months from the reporting date of the financial statements.

4.2.1 Receivables from non-exchange transactions

Receivables from non-exchange transactions comprises contributions receivable which represent uncollected revenue committed to the Organization by donors based on enforceable commitments which are recognized as revenue.

4.2.2 Receivables from exchange transactions

Receivables from exchange transactions represent amounts owed to the Organization for services provided by it to others. In exchange, the Organization directly receives approximately equal value in the form of cash.

Receivables are recorded at their estimated realizable value after providing for doubtful and uncollectable amount.

4.2.3 Other receivables and prepayments

Prepayment and deposits are stated at cost and transferred to the appropriate expenditure account on a monthly basis with the equivalent value services rendered by the vendor.

Work advance and travel advance provided to the staff are also recorded and presented at cost and transferred to the appropriate expenditure account at the time of settlement after completion of the assignment.

4.3 Payables

Payables arising from the purchase of goods and services are recognized when goods are received and a goods received notes (GRN) is issued at reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the Organization in accordance with the delivery principles. Account payables are classified as current liabilities if payment is due within a year or less. If not, they are presented as non-current liabilities.



4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the Organization holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognized as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the Organization, and the cost of the item can be measured reliably.

Property, plant and equipment are capitalized when their cost is more than ETB 10,000.

Initial measurement

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalization of borrowing costs on qualifying assets.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Organization and the subsequent costs can be measured reliably.

Depreciation

Depreciation is recognized for property, plant and equipment over their estimated useful life using the straight-line method. The estimated useful life for property, plant and equipment classes is as shown below.

<u>Class</u>	<u>Estimated useful life (in years)</u>
Building	50
Motor vehicles	20
Machineries	10
Office equipment	5
Office furniture	5

Given the expected pattern of usage of property, plant and equipment, there are no residual values following full depreciation.

Impairment reviews are undertaken for property, plant and equipment at least annually and any impairment losses are recognized in the statement of financial performance. The useful lives of assets are reviewed at least annually and adjusted, if applicable.

A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance.

4.5 Foreign currency

Functional and presentation currency

The financial statements are presented in Ethiopian Birr (ETB), which is the functional and presentation currency of the Organization. The financial statements are expressed in the nearest ETB.

Foreign currency transactions are translated into the functional currency (ETB) 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 surplus or deficit.

4.6 Employee benefits

The Organization recognizes the following employee benefits:

4.6.1 Short-term employee benefits

Short-term employee benefits comprise regular monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave and paternity leave) and other short-term benefits. Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. All short-term employee benefits that are earned but not taken as at the reporting date are treated as current liabilities.



4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Employee benefits (continued)

4.6.2 Post-employment benefits

Post-employment benefits comprise pension scheme, severance pay and paid annual leave.

Pension scheme

Pension scheme contributions are set at 7 percent of earnings from employees and 11 percent from the Organization. The pension contribution is paid to Private Organization Employees Pension Fund monthly.

The Organization's contributions to this scheme are charged as employee benefit expense to statement of financial performance in the period in which it relates.

Paid annual leave

Annual leave benefits are calculated at nominal value based on the number of outstanding leave days as at the financial year end. The payment is based on an employees basic salary prorated to the average number of working days (22 days) in the last financial year end month.

Severance pay

In accordance with the Labor Proclamation No. 1156/2019 and the Organization's policy, the Organization operates an unfunded severance pay plan for its employees who have served the Organization for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent years in employment to a maximum of 12 months final monthly salary.

4.6.3 Termination benefits

Termination benefits are recognized as an expense only when the Organization is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted.

4.7 Leases

4.7.1 Finance leases - the Organization as lessee

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 in statement of financial performance.

An asset held under a finance lease is depreciated over the useful life of the asset.

4.7.2 Operating leases - the Organization as lessee

Payments made under operating leases are recognized in the statement of financial performance on the straight-line basis over the period of the lease.

4.8 Provisions and contingencies

4.8.1 Provisions

Provisions are recognized for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of past event and it is probable that the Organization will be required to settle the obligation, and the value can be reliably measured. The amount of the provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.



4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency: ETB

4.8 Provisions and contingencies (continued)

4.8.2 Contingent liabilities and contingent assets

Contingent liabilities

Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Organization or where value cannot be reliably estimated, are disclosed as contingent liabilities. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of resources embodying economic benefits or service potential will be required, a provision is recognized in the financial statements of the year in which change of probability occurs.

Contingent assets

Any possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organization are disclosed as contingent assets.

4.9 Revenue recognition

The Organization's revenue consist of both revenue from non-exchange and exchange transactions. Revenue is recognized when the amount of revenue can be reliably measured; it is probable that the economic benefits associated with the transaction will flow to the Organization. Revenue is measured at the fair value of consideration received or receivable. Revenue is recognized on accrual basis in the period in which it occurs.

4.9.1 Revenue from non-exchange transactions

Revenue from non-exchange transactions comprise donations in cash or in kind by organizations and individuals (donors).

Cash donations are recognized when received through the Organization's designated bank account while in kind donations are recognized as revenue and assets when it is probable that future economic benefits or service potential associated with the donation will flow to the Organization and the fair value can be measured reliably.

4.9.2 Revenue from exchange transactions

Revenue from the sale of goods, if any, 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 Organization.

4.10 Expense recognition

Expenses are decreases in economic benefits or service potential during the financial year in the form of outflows, consumptions of assets, or increases of liabilities that result in decreases in net assets.

In accordance with the accrual basis of accounting, expense recognition occurs at the time of delivery of goods or services by the supplier or service provider. Expenses are recorded and recognized in the financial statements of the periods to which they relate.

5 CASH AND BANK BALANCES

	31-Dec-23	31-Dec-22
Cash at bank	14,787,472	9,115,804
Cash on hand	14,273	-
	<u>14,801,745</u>	<u>9,115,804</u>

Cash at bank comprises of current accounts maintained at different banks.

6 INVESTMENT

	31-Dec-23	31-Dec-22
Fixed time deposit	-	7,000,000
	<u>-</u>	<u>7,000,000</u>



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SIDDARTHA DEVELOPMENT ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Currency: ETB

7	RECEIVABLES FROM EXCHANGE TRANSACTIONS	31-Dec-23	31-Dec-22		
	Interest income receivable	-	784,992		
	Staff receivable	-	250,000		
	Account receivables	-	14,000		
	Receivables from insurance	-	14,452		
	Work advance	-	9,000		
		-	1,072,444		
8	PREPAYMENTS	31-Dec-23	31-Dec-22		
	Shelter rent	875,069	1,100,333		
	Insurance	85,425	93,901		
		960,494	1,194,234		
9	INVENTORIES	31-Dec-23	31-Dec-22		
	Food items	694,377	2,284,036		
	Cleaning materials	152,828	266,169		
	Office supplies	122,524	259,323		
	Training materials	70,030	138,700		
	Medical supplies	30,896	108,705		
	Cloth items	-	327,727		
	Fuel coupons	-	93,000		
		1,070,654	3,477,660		
10	PROPERTY, PLANT AND EQUIPMENT				
	Reconciliation of carrying amounts				
	Cost	1-Jan-23	Additions	Adjustment/ disposal	31-Dec-23
	Building	9,000,000	-	-	9,000,000
	Motor vehicles	3,770,000	2,468,684	-	6,238,684
	Machineries	1,218,654	-	40,400	1,259,054
	Office equipment	1,603,004	113,000	(81,000)	1,635,004
	Office furniture	107,338	31,215	-	138,553
		15,698,996	2,612,899	(40,600)	18,271,295
	Accumulated depreciation				
	Building	1,468,110	180,000	-	1,648,111
	Motor vehicles	1,799,541	297,534	-	2,097,075
	Machineries	464,466	125,905	16,008	606,380
	Office equipment	375,624	322,025	(40,397)	657,252
	Office furniture	30,258	26,245	(10,143)	46,360
		4,138,000	951,710	(34,533)	5,055,177
	Net book values	11,560,996			13,216,118



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FOR THE YEAR ENDED 31 DECEMBER 2023

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Currency: ETB

Reconciliation of carrying amounts

Cost	1-Jan-22	Additions	Adjustment/ disposal	31-Dec-22
Building	9,000,000	-	-	9,000,000
Motor vehicles	3,770,000	-	-	3,770,000
Machineries	926,144	292,510	-	1,218,654
Office equipment	1,017,410	585,594	-	1,603,004
Office furniture	74,340	32,998	-	107,338
	<u>14,787,894</u>	<u>911,102</u>	<u>-</u>	<u>15,698,996</u>
Accumulated depreciation				
Building	1,288,110	180,000	-	1,468,110
Motor vehicles	1,611,041	188,500	-	1,799,541
Machineries	358,626	105,840	-	464,466
Office equipment	107,034	268,590	-	375,624
Office furniture	10,490	19,768	-	30,258
	<u>3,375,301</u>	<u>762,698</u>	<u>-</u>	<u>4,138,000</u>
Net book values	<u>11,412,593</u>			<u>11,560,997</u>

11 RIGHT-OF-USE ASSETS

Reconciliation of carrying amounts

Amount

Cost	
Balance at 1 January 2022	1,012,125
Additions	-
Balance at 31 December 2022	1,012,125
Adjustment in right-of-use assets	(803,978)
Balance at 31 December 2023	<u>208,147</u>
Accumulated depreciation	
Balance at 1 January 2022	77,996
Depreciation	10,223
Balance at 31 December 2022	88,219
Adjustment in right-of-use assets	(88,219)
Depreciation	2,313
Balance at 31 December 2023	<u>2,313</u>
Carrying amount	
At 31 December 2022	923,906
At 31 December 2023	<u>205,834</u>

Detail of the lease contract are as follows:

Lessor	Area (m²)	Lease term (year)	Total lease value
Addis Ababa City Administration	875	60	1,012,125

12 PAYABLES UNDER EXCHANGE TRANSACTIONS

	31-Dec-23	31-Dec-22
Accruals	32,500	-
Sundry	-	17,840
	<u>32,500</u>	<u>17,840</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

13 LEASE OBLIGATIONS	Currency: ETB	
a) Carrying amounts		
Non-current liabilities	31-Dec-23	31-Dec-22
Finance lease liabilities	184,652	828,827
	<u>184,652</u>	<u>828,827</u>
Current liabilities	31-Dec-23	31-Dec-22
Finance lease liabilities	23,227	16,577
	<u>23,227</u>	<u>16,577</u>
b) Maturity analysis		
Finance lease liabilities are payable as follows:	31-Dec-23	
Less than one year	23,227	
Between one and five years	92,909	
More than five years	91,743	
The Organization has entered into two leasing arrangements with the Government which are used for shelter, office and store purposes.		
14 TAX AND PENSION PAYABLES	31-Dec-23	31-Dec-22
Income tax payable	286,424	165,471
Pension payable	97,037	85,626
Withholding tax payable	6,798	27,146
	<u>390,258</u>	<u>278,243</u>
15 EMPLOYEE BENEFITS		
Non-current liabilities	31-Dec-23	31-Dec-22
Severance pay	2,112,667	1,554,574
	<u>2,112,667</u>	<u>1,554,574</u>
16 REVENUE		
Revenue from non-exchange transactions		
16.1 Income from foreign sources	2023	2022
Cash transfer from Siddhartha Development Belgium	17,727,593	11,955,171
Donation in-kind	2,409,623	-
Service in-kind	9,660	15,949
	<u>20,146,875</u>	<u>11,971,120</u>
The Organization received a donation in-kind in the form of a motor vehicle, specifically a Toyota Land Cruiser Prado, from Siddhartha Development Belgium.		
16.2 Income from local sources	2023	2022
Cash donation from Ethiopian Red Cross Society	11,106,635	15,771,310
Service in-kind	459,000	1,638,000
Individual donation	90,000	359,041
Donation in-kind	38,110	-
Other income	2,840	21,841
Cash donation from Ministry of Labor and Social Affairs	-	4,884,396
	<u>11,696,585</u>	<u>22,674,588</u>

The service in-kind represents volunteer services provided by both foreign and local volunteers.



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FOR THE YEAR ENDED 31 DECEMBER 2023

16 REVENUE		Currency: ETB	
Revenue from exchange transactions			
16.3 Income from local sources		2023	2022
Interest income		72,858	784,992
		72,858	784,992
17 EXPENSES			
17.1 Program expenses		2023	2022
Salaries and related benefits		6,683,185	5,776,587
Beneficiaries reunification and graduation		4,689,233	4,767,902
Food support for beneficiaries		4,583,165	4,421,834
Support for beneficiaries		4,441,318	6,597,147
Rent for beneficiaries		3,251,325	3,028,653
Depreciation		954,022	772,921
Repair and maintenance		886,843	1,381,284
Volunteers transport payment		669,583	1,813,900
Training materials		631,918	496,146
Cleaning materials		579,441	365,978
Educational materials and tuition fees		533,592	479,414
Stationery and printing		405,642	102,992
Fuel and oil		399,974	115,075
Utilities		398,859	418,798
Monitoring and evaluation		354,023	228,930
Training for beneficiaries		224,104	50,434
Recreation		183,695	297,233
Apparent ship		65,100	75,412
Staff uniform		48,665	22,020
Purchase of fixed assets for shelters		43,897	196,966
Insurance		38,508	27,116
Lease interest		22,960	166,164
Miscellaneous		22,201	6,015
Staff training		7,760	8,850
		30,119,013	31,617,769
17.2 Administrative expenses		2023	2022
Salaries and related benefits		5,289,393	4,185,736
Fuel and oil		118,244	67,361
Entertainment		90,405	109,368
Insurance		77,620	27,367
Utilities		59,440	98,380
Repair and maintenance		50,586	143,204
Bank service charges		47,354	49,402
Miscellaneous		28,820	64,558
Cleaning materials		16,961	16,280
Membership fee		12,500	12,500
Professional fee		32,500	55,000
Per diem and accommodation		9,296	474,629
Stationery and printing		5,560	144,794
Staff training		-	34,865
		5,838,680	5,483,444



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SIDDARTHA DEVELOPMENT ETHIOPIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

17 EXPENSES (CONTINUED)

Currency: ETB

Expenses for program and administrative purposes are reported on an accrual basis, recognizing expense when goods and services are received.

Program costs include any costs that are required to be incurred to carry out the fulfillment of the Organization's objectives; resulting in direct delivery of goods and services to intended beneficiaries, while administrative costs are those expenses which are not related to the project activities of an organization but are necessary to ensure the continued existence of an organization.

17.3 Regulatory requirements

In accordance with the Organizations of Civil Societies Proclamation No. 1113/2019, civil society organizations are required to present their expenses by classifying as program and administrative expenses.

The Proclamation requires the administrative expenses of an organization may not exceed twenty percent (20%) of its total income.

<u>Allocation of expenses</u>	<u>2023</u>	<u>% from total income</u>
Program expenses	31,777,889	99.6%
Administrative expenses	5,838,680	18.3%

The allocation percentage is based on the requirement of the Organizations of Civil Societies Proclamation No. 1113/2019 article 63 sub-article (2) and Civil Society Organizations' Administrative Expense Implementation Directive № 847/2021 Article 9 sub-article (2).

<u>Expenses for ACSO requirement</u>	<u>2023</u>
Program expenses	30,119,013
Add: Property, plant and equipment addition during the year	2,612,899
Less: Depreciation	(954,022)
	<u>31,777,889</u>
Administrative expenses	5,838,680
	<u>5,838,680</u>

18 RELATED PARTIES

Related parties that have the ability to control, or exercise significant influence over the Organization in making financial and operating decisions, as well as transactions with such parties are disclosed in the notes to the financial statements. In addition, the Organization discloses specific transactions with key management personnel and their family members.

Key management personnel

The key management personnel of the Organization are regarded as related parties and comprises the Director, and Administration and Finance. These persons have the authority and responsibility for planning, directing and controlling the activities of the Organization and influencing its strategic direction.

<u>Details about key management personnel during the year:</u>	<u>2023</u>	<u>2022</u>
Number of individuals	3	3
Short term employee benefits	3,742,923	2,984,649
Post employment benefits	<u>1,110,415</u>	<u>821,234</u>
	<u>4,853,339</u>	<u>3,805,883</u>

The aggregate remuneration paid to key management personnel includes gross salaries and employer contributions to the pension plan. Key management personnel are also qualified for post-employment benefits (severance benefit), which are payable only upon resignation. No non-monetary and indirect benefits were paid to key management personnel.

Transactions with related party entities

Except otherwise noted in these statements for revenue from non-exchange transactions, all transactions made with third parties occur within a normal supplier or client/recipient relationship or at arm's-length terms and conditions.



19 COMMITMENTS

There were no commitment at the reporting date.

20 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Organization's financial statements are disclosed below. The Organization intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IPSAS 43: Leases

In January 2022, the IPSAS Board published IPSAS 43, Leases to replace IPSAS 13, Leases. Issuance of IPSAS 43 completes the Phase One of the IPSAS Board's Leases project, the main purpose of which is the alignment with the IFRS 16 Leases. The IPSAS 43 no longer requires classification of leases as either finance or operational leases, and it requires recognition of assets and liabilities related to rights and obligations created by all lease contracts. The effective date of IPSAS 43 is 1 January 2025. The Organization will adopt the standard on its effective date.

IPSAS 44: Non-current assets held for sale and discontinued operations

In May 2022, the IPSAS Board published IPSAS 44, Non-current assets held for sale and discontinued operations. The purpose of it is to provide the accounting for assets held for sale and the presentations and disclosure requirements of discontinued operations. The key principle of the standard with regard to a classification of assets as held for sale is that the carrying amount of the asset will be recovered through a sale rather than through continuing use. The effective date of IPSAS 44 is 1 January 2025. The Organization will assess the applicability and impact of IPSAS 44 on its operations and adopt the standard on its effective date.

IPSAS 47: Revenue

In March 2023, the IPSAS Board has issued IPSAS 47, Revenue, covering revenue with performance obligations and revenue without performance obligations, to replace IPSAS 9, Revenue from exchange transactions and IPSAS 23, Revenue from non-exchange transactions (taxes and transfers), and IPSAS 11, Construction contracts, and IPSAS 48, Transfer expenses. The standards are expected to affect the core activities of the Organization. The impact assessment by the Organization is in progress.

21 COMPARATIVES

Certain figures and line items for the year ended 31 December 2022 have been classified to facilitate comparison.

22 EVENTS AFTER THE REPORTING PERIOD

There are no subsequent events that have occurred after the reporting period which are either to be disclosed or to be adjusted in the financial statements that could materially affect the financial statements.



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