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AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

OF

NURU INTERNATIONAL ETHIOPIA

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF NURU INTERNATIONAL ETHIOPIA

Section One: Reports on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nuru International Ethiopia, which comprise the Balance Sheet as at 31 December 2017, the related statement of income and expenditure 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 the Organization as at 31 December 2017 and its statement of income and expenditure for the year then ended in accordance with the accounting policy of the Organization.

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 International Ethics Standards Board for Accountants' code of Ethics for Professional Accountants (IESBA Code) together 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 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 and those Charged with Governance for the Financial Statements

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 of a project report that is 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 company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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.



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

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 legitimate means and by the person delegated for the purposes.

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 costs and administrative costs are properly separated except the following benefits of operational staffs which should have been administrative expenditure included in operational expenditures:

Transport Allowance	Water Allowance	Air time Allowance	Total
451,352.34	164,269.35	180,736.86	796,358.55

As is reported in the attached statement of income and expenditure, the operational costs represent **70.48%** of the total expenditures and administrative costs are **29.52%** of the total expenditures.

3) Property administration

- a. Purchases of properties are received by raising Goods Receiving Note (GRN) and issued by raising issue vouchers but expensed up on purchases recording nominal value of Birr 1 for each asset acquired.
- b. Fixed assets register is maintained and includes all the necessary details.
- c. Fixed assets 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 the end of the fiscal year to strengthen internal control over it and to ascertain its physical existence.
- b. Separate ledger accounts are also maintained for each bank accounts of the organization and reconciled with the respective bank statements monthly.

5) Debtors

- a. Subsidiary accounts are maintained for each debtor and are collectable within one-year time.

6) Creditors

- a. Proper taxes are deducted and paid over to the tax authority within the time set for settlements.
- b. Creditors are reclassified into short and long term properly.



7) Compliances with the project agreements

- a. The budget and actual expenditure comparison report has shown that the organization expended 79% of approved budget during the year under review.
- b. In all material respect, 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 Agreement.

Except for the matter stated under 2(c) and 3(a), in our opinion the attached financial statements of the Nuru International Ethiopia 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.



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Addis Ababa
May 11, 2018

**NURU INTERNATIONAL ETHIOPIA
 INTEGRATED COMMUNITY DEVELOPMENT PROGRAM (ICDP)
 BALANCE SHEET
 AS AT 31 DECEMBER 2017**

ASSETS EMPLOYED	<u>Notes</u>	<u>Birr</u>	<u>2016 Birr</u>
Fixed asset		<u>296.00</u>	<u>196.00</u>
CURRENT ASSETS			
Debtors and prepayments	4	404,249.64	1,308,668.27
Cash and bank	6	<u>24,858.16</u>	<u>1,026,301.05</u>
		<u>429,107.80</u>	<u>2,334,969.32</u>
CURRENT LIABILITIES			
Creditors and accruals	5	<u>2,384,559.69</u>	<u>1,557,050.08</u>
NET CURRENT ASSETS		<u>(1,955,451.89)</u>	<u>777,919.24</u>
NET TOTAL ASSETS		<u>(1,955,155.89)</u>	<u>778,115.24</u>
REPRESENTED BY			
Fund Balance		<u>(1,955,155.89)</u>	<u>778,115.24</u>



**NURU INTERNATIONAL ETHIOPIA
INTEGRATED COMMUNITY DEVELOPMENT PROGRAM (ICDP)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDING 31 DECEMBER 2017**

INCOME	Note	Birr	2016 Birr
Transfer from head office		28,433,281.01	24,815,380.03
Other Income	8	-	18,085.85
Uncategorized income		-	5,392.00
		<u>28,433,281.01</u>	<u>24,838,857.88</u>
EXPENDITURES			
ADMINISTRATION EXPENDITURE(29.52%)			
Staff salary and Benefit		5,245,473.24	3,601,529.29
Other staff benefit		-	-
Perdiem and other		486,605.27	450,167.84
Training and development		565,245.73	333,697.75
Fixed asset purchase		297,467.32	9,375.84
Office supplies, stationaries and books		119,623.26	63,262.77
Vehicle running cost and transport		736,164.27	531,168.25
Repair and maintenance		24,961.02	9,020.89
Other cost and services		1,024,659.98	407,245.16
Monitoring and evaluation		68,242.56	101,069.68
Impact program support		535,882.57	843,627.54
		<u>9,104,525.25</u>	<u>6,350,165.01</u>
PROGRAM EXPENDITURE (70.48%)			
Agriculture program	7.1	9,031,627.49	6,650,574.74
Cooperative program	7.2	8,986,801.69	8,309,268.70
Education program	7.3	1,458,111.12	1,235,589.92
Health program	7.4	2,264,452.36	1,612,352.47
		<u>21,740,992.66</u>	<u>17,807,785.83</u>
TOTAL EXPENDITURE		<u>30,845,317.89</u>	<u>24,157,950.84</u>
EXCESS OF INCOME OVER EXPENDITURE		(2,412,036.88)	680,907.04
PRIOR YEAR ADJUSTMENT		(321,234.25)	5,910.00
FUND BALANCE BROUGHT FORWARD		778,115.24	91,298.20
FUND BALANCE CARRIED FORWARD		<u>(1,955,155.89)</u>	<u>778,115.24</u>



**NURU INTERNATIONAL ETHIOPIA
 INTEGRATED COMMUNITY DEVELOPMENT PROGRAM (ICDP)
 STATEMENT OF BUDGET VERSUS ACTUAL
 FOR THE YEAR ENDING 31 DECEMBER 2017**

	<u>Annual Budget</u>	<u>Actual Expenses</u>	<u>Variance</u>	<u>Utilization %</u>
Agriculture program	12,394,499.08	9,258,591.03	3,135,908.05	75%
Cooperative program	10,341,819.30	8,482,014.01	1,859,805.29	82%
Education program	2,429,271.75	2,418,906.16	10,365.59	100%
Health program	2,806,559.44	2,524,454.64	282,104.80	90%
Leadership Department	1,277,300.01	714,668.01	562,632.00	56%
Monitoring and Evaluation	2,328,099.05	1,511,557.99	816,541.06	65%
Administration Department	7,423,730.06	5,935,126.05	1,488,604.01	80%
	<u>39,001,278.70</u>	<u>30,845,317.89</u>	<u>8,155,960.81</u>	<u>79%</u>



**NURU INTERNATIONAL ETHIOPIA
INTEGRATED COMMUNITY DEVELOPMENT PROGRAM (ICDP)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDING 31 DECEMBER 2017**

1. ESTABLISHMENT

Nuru International has been registered and licensed in the Agency as a foreign Charity in accordance with the charities and societies proclamation No. 621/2009. This certificate bearing the number 2832 has been issued on August 20,2012.

2. ABOUT THE PROJECT

Nuru International has two objectives

2.1. SHORT TERM OBJECTIVES

To improve the livelihoods health and education of 4,750 house holds by enhancing productivity and creating economic opportunities in Boreda Woreda in sustainable and scalable way by the end of 2016

2.2. LONG TERM OBJECTIVES

The overall objectives of this project is to contribute its share on poverty reduction of the disadvantage community of Boreda Woreda through the access of sustainable and integrated community development in sectors of agriculture health, education land economy development. In doing so, the project ensure the wellbeing and the livelihood of the community so that the community will be healthier and productive citizen.

3. ACCOUNTING POLICY

The principal accounting policies adopted by the Nuru International Ethiopia Integrated Community Development Program are stated below.

3.1. FIXED ASSETS

Acquisition and construction costs of fixed assets are directly charged to the statement of Income and expenditure when incurred maintain Birr one for control purposes for each assets items .

3.2. STOCKS

Stocks are stated in the records of the purchasing cost

3.3. RECOGNITION OF INCOME AND EXPENDITURE

Income and Expenditure are recognized when cash is received and payments are effected respectively. Cash contribution received for specific purposes are credited to separate fund account until they are paid out.

3.4. Cash contribution received for specific programmed are credited to specific fund accounts until expended on the programmed.



**NURU INTERNATIONAL ETHIOPIA
INTEGRATED COMMUNITY DEVELOPMENT PROGRAM (ICDP)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDING 31 DECEMBER 2017**

4. DEBTORS AND PREPAYMENTS

	<u>Birr</u>	<u>2016 Birr</u>
Accounts Receivable: Beza	8,987.45	8,987.45
Account receivable- Hirut	-	1,640.00
Account receivable - Tatek	-	9,858.00
Account receivable -Shimeles	-	4,257.93
Account receivable - Gashaw	35,244.50	35,244.50
Account receivable -Tofik	-	1,676.93
Account receivable -Daniel	-	807,282.30
Account receivable -Getachew	-	439,584.20
Account receivable -HAGBES	-	136.96
Account receivable -Berihanu	36,641.48	-
Other receivables	250,024.21	-
Prepaid Rent	73,352.00	-
	<u>404,249.64</u>	<u>1,308,668.27</u>

5. CREDITORS

	<u>Birr</u>	<u>2016 Birr</u>
Account Payable	-	7,227.42
Retention Payable	98,840.95	28,832.72
Severance Payable	788,270.09	274,123.44
Other Liabilities	-	1,246,866.50
Provident fund Payable	16,832.00	-
Income tax Payable	326,776.86	-
Salary Payable	278,991.07	-
Withholding tax Payable	40,021.87	-
Pension Payable	115,767.54	-
Vendor Payable	719,059.31	-
	<u>2,384,559.69</u>	<u>1,557,050.08</u>



**NURU INTERNATIONAL ETHIOPIA
INTEGRATED COMMUNITY DEVELOPMENT PROGRAM (ICDP)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDING 31 DECEMBER 2017**

6. CASH AND BANK

	<u>Birr</u>	<u>2016 Birr</u>
Cash at bank - Zefine Ac NO. 100032	456.29	807,308.21
Cash at bank - Arba Minch Ac. No 1000032081413	6,323.66	218,992.84
Cash At Bank-Abay Bank	8,371.70	-
Petty Cash	9,706.51	-
	<u>24,858.16</u>	<u>1,026,301.05</u>

7. PROGRAM EXPENDITURE

7.1 AGRICULTURAL PROGRAM

	<u>Birr</u>	<u>2016 Birr</u>
Establish and Maintain Cooperatives and Union	51,464.44	119,260.99
Capacity building	472,077.61	229,102.69
Access to Financial Services	4,913,762.55	3,554,660.71
Increase & diversify income	-	105,917.11
Salary & Benefit/Direct Program Costs	3,594,322.89	2,641,633.24
	<u>9,031,627.49</u>	<u>6,650,574.74</u>

7.2 COOPERATIVE PROGRAM

	<u>Birr</u>	<u>2016 Birr</u>
Establish and Maintain Cooperatives	15,283.00	154,423.34
Cooperatives Capacity Building/Capital injection & construction	6,705,431.61	6,608,502.38
Training and Development for cooperatives	243,961.64	293,118.62
Enhancing the performance of Existing Cooperative	98,806.41	42,164.00
Salary & Benefit/Direct Program Costs	1,816,009.80	1,211,060.36
Other Direct Program Costs	107,309.23	-
	<u>8,986,801.69</u>	<u>8,309,268.70</u>



**NURU INTERNATIONAL ETHIOPIA
 INTEGRATED COMMUNITY DEVELOPMENT PROGRAM (ICDP)
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDING 31 DECEMBER 2017**

7.3 EDUCATION PROGRAM

	<u>Birr</u>	<u>2016 Birr</u>
Teachers Training	379,879.06	440,219.74
Strengthening follow-up and support of education system	66,358.63	9,688.30
Community mobilization and involvement on literacy initiatives	40,960.01	72,034.82
Preparation and provision of educational materials and enhancement of learning environment	970,913.42	713,647.06
	<u>1,458,111.12</u>	<u>1,235,589.92</u>

7.4 HEALTH PROGRAM

	<u>Birr</u>	<u>2016 Birr</u>
Healthcare Salaries and Related Benefits	1,262,528.32	714,664.36
Capacity building for prevention focused health workers	431,844.10	263,526.41
Strengthening existing health systems in partnership with government and community and facilitating linkages	203,842.42	187,271.54
Increase knowledge, Attitude and practice to the community	252,614.33	203,877.86
Addressing access to safe water with participation of the community and local government on existing water sources.	113,623.19	243,012.30
	<u>2,264,452.36</u>	<u>1,612,352.47</u>

8 OTHER INCOME

	<u>Birr</u>	<u>2016 Birr</u>
Penalty collected from contractors	-	10,485.85
Sales of bid documents	-	3,800.00
Refund of lost laptop computers	-	3,800.00
	<u>-</u>	<u>18,085.85</u>

