



The Management  
NURU International Ethiopia  
Arba Minch

Dear Sirs/ Madam;

**MANAGEMENT LETTER**

In accordance with our appointment we have audited the financial statements of your Organization for the year ended December 31, 2021.

It must be appreciated that the matters dealt with in this report came to our attention during the conduct of our reasonable assurance engagement procedures which are designed primarily with a view to the expression of our opinion on the accounts of the Organization and therefore our examination cannot be expected to disclose all possible weaknesses in internal control and all other findings which a more extensive special examination might reveal.

**1. FINDING**

The actual utilization of the fund on administration was 23.1% which is not in line with the 20:80 ratio prescribed by the Organization of Civil Societies Proclamation Number 1113/2019.

**RECOMMENDATION**

We recommend that management should maintain the expenditure level to the limit prescribed by the aforementioned Proclamation with a view to ensuring compliance to the same.

**MANAGEMENT COMMENT**

*The IRDP agreement was made with SNNPR during the period of 70/30 proclamation. The old project agreement now ended on December 31/2021. Nuru International Ethiopia will maintain the 80/20 rules according to the new Directives.*

**CONCLUSION**

Finally, we would like to express our appreciation to the management and staff members of Nuru International Ethiopia for the assistance and cooperation accorded to us during the course of the audit.

Yours faithfully,

ADDIS ABABA  
MARCH 29, 2022



**GIRMA AND FASIL AUDIT SERVICE PARTNERSHIP  
CERTIFIED AUDIT FIRM (ETH)**



INDEPENDENT AUDITORS REPORT ON THE FINANCIAL STATEMENT OF  
NURU INTERNATIONAL ETHIOPIA  
DECEMBER 31, 2021



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**Nuru International Ethiopia**  
**For the year ended 31 December 2021**

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**Nuru International Ethiopia**  
**Statement of Management Responsibilities**  
**For the year ended 31 December 2021**

The Financial Reporting Proclamation No. 847/2014 requires the entity to prepare its financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on December 31, 2021.

The Management is required to prepare financial statements in respect of the entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Management is also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Management are also responsible for safeguarding the assets of the entity.

The Management accept responsibility for the entity'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 (IPSAS). The Management assure that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended December 31, 2021, and of the entity's financial position as at that date. The Management further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of Nuru International Ethiopia and of its surplus or deficit.

Nothing has come to the attention of the Management to indicate that Nuru International Ethiopia will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The organization's financial statements were approved by the Management on March ----, 2022 and signed on its behalf by:

Country Director



Finance Manager



**INDEPENDENT AUDITORS REPORT**  
**NURU INTERNATIONAL ETHIOPIA**

**1. Unqualified Opinion**

We have audited the financial statements of Nuru International Ethiopia which comprise the Statement of Financial Position as at 31 December 2021 and the Statement of Financial Performance, Statement of Cash Flows and Statements of Changes in Equity for the year then ended and note 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 2021 and the Statement of Financial Performance, Statement of Cash Flows and Statements of Changes in Equity for the year then ended in accordance with the International Public Sector Accounting Standards (IPSASs).

**2. Basis for Unqualified 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 Statement 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**3. Responsibilities of Management and Those Charged with Governance for the Financial Statements.**

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

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

**4. 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.



**INDEPENDENT AUDITORS REPORT (continued)**  
**NURU INTERNATIONAL ETHIOPIA**

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 statement of expenses, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance 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.

**5. Report on other Legal and Regulatory Requirements**

Based on our verification procedures, Nuru International Ethiopia has complied, in all material respect, with the requirements of the Organization of Civil Societies Proclamation No. 1113/2019 issued on March 9, 2019.



**GIRMA AND FASIL AUDIT SERVICE PARTNERSHIP**  
**CHARTERED CERTIFIED ACCOUNTANTS (UK) AND**  
**AUTHORIZED AUDITOR (ETH.)**



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**Nuru International Ethiopia**  
**Statement of Financial Performance**  
**For the year ended 31 December 2021**

		31 December 2021	31 December 2020
	<u>Notes</u>	<u>Birr</u>	<u>Birr</u>
<b>Revenue from non-exchange transaction</b>			
Transfer from Head office	5	39,043,389	30,950,086
		39,043,389	30,950,086
<b>Revenue from exchange transaction</b>			
Other income		-	-
Income released from Fixed asset Reserve	6	488,168	495,175
		488,168	495,175
<b>Total revenue</b>		<b>39,531,557</b>	<b>31,445,261</b>
<b>Expenses</b>			
Program expenses	7	28,357,338	24,782,204
Administrative expenditure	8	9,019,914	8,387,960
<b>Total expenses</b>		<b>37,377,252</b>	<b>33,170,164</b>
<b>Surplus for the period</b>		<b>2,154,305</b>	<b>(1,724,903)</b>

The notes on pages 9 to 24 are an integral part of these financial statements.



**Nuru International Ethiopia**  
**Statement of Financial Position**  
**As at 31 December 2021**

	Notes	31 December 2021 Birr	31 December 2020 Birr
<b>ASSETS</b>			
Property, Plant and Equipment	9	4,861,453	5,274,522
<b>Non-current assets</b>		<b>4,861,453</b>	<b>5,274,522</b>
Advances and prepayments	10	777,829	820,205
Cash and cash equivalents	11	347,851	296,800
<b>Current assets</b>		<b>1,125,680</b>	<b>1,117,005</b>
<b>Total assets</b>		<b>5,987,133</b>	<b>6,391,527</b>
<b>LIABILITIES</b>			
Non-current employee benefits obligation - Severance	13	-	1,387,126
<b>Non current liabilities</b>		<b>-</b>	<b>1,387,126</b>
Trade and other payables from exchange transaction	12	79,480	725,437
Employee benefits obligation - Leave	13	-	21,457
<b>Total current liabilities</b>		<b>79,480</b>	<b>746,894</b>
<b>Total liabilities</b>		<b>79,480</b>	<b>2,134,020</b>
<b>Net Assets (Total assets less total liabilities)</b>		<b>5,907,654</b>	<b>4,257,507</b>
<b>NET ASSETS</b>			
Fixed assets reserve fund	15	4,861,453	5,274,522
General fund	16	1,046,201	(1,017,015)
<b>Total net assets</b>		<b>5,907,654</b>	<b>4,257,507</b>

The notes on pages 9 to 24 are an integral part of these financial statements.

Country Director

Finance Manager





**Nuru International Ethiopia**  
**Statement of Change in Net Assets / Equity**  
**For the year ended 31 December 2021**

	Fund balance	PPE reserve	Total
	Birr	Birr	Birr
<b>Balance as at 1 January 2020</b>	256,529	5,769,697	6,026,226
Surplus/(deficit) for the period	(1,724,904)	-	(1,724,904)
Adjustment	451,358	-	451,358
Depreciation for the period	-	(495,175)	(495,175)
<b>As at 31 December 2020</b>	<b>(1,017,015)</b>	<b>5,274,522</b>	<b>4,257,507</b>
<b>Balance as at 1 January 2021</b>	(1,017,015)	5,274,522	4,257,507.00
Surplus/(deficit) for the period	2,154,305	-	2,154,305
Adjustment	(15,990)		(15,990)
Capitalization of PPE	(83,500)	83,500	-
Disposed assets	8,401	(8,401)	-
Depreciation for the period	-	(488,168)	(488,168)
<b>As at 31 December 2021</b>	<b>1,046,201</b>	<b>4,861,453</b>	<b>5,907,654</b>

The notes on pages 9 to 24 are an integral part of these financial statements.



**Nuru International Ethiopia**  
**Statement of Cash Flow**  
**For the year ended 31 December 2021**

	30 December 2021 Birr	30 December 2020 Birr
Surplus for the year	2,154,305	(1,724,903)
Depreciation	488,168	495,175
Adjustments	(7,591)	451,358
Current period movement in PPE	(488,168)	(495,175)
Decrease (Increase) in advance & prepayment transaction	42,376	1,084,370
(Decrease) Increase in non-current employee benefits obligation - Severance	(1,387,126)	(275,583)
(Decrease) Increase in trade and other payables from exchange transaction	(645,957)	185,752
(Decrease) Increase in employee benefits obligation - Leave	(21,457)	(614,171)
<b>Net Cash flow from operating activities</b>	<b>134,550</b>	<b>(893,176)</b>
Cash flow from Investing activities		
Purchase of property, plant and equipment	(83,500)	-
<b>Net Cash flow from investing activities</b>	<b>(83,500)</b>	<b>-</b>
Cash flow from Financing activities		
Finance income		
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
<b>Net Cash flow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalent</b>	<b>51,050</b>	<b>(893,176)</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>296,800</b>	<b>1,189,975</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>347,851</b>	<b>296,798</b>
<b><u>Components of cash and cash equivalent</u></b>		
Cash and bank balances	347,851	296,800

The notes on pages 9 to 24 are an integral part of these financial statements.



**NURU INTERNATIONAL ETHIOPIA  
INTEGRATED COMMUNITY DEVELOPMENT PROGRAM (ICDP)  
STATEMENT OF BUDGET VERSUS ACTUAL  
FOR THE YEAR ENDING 31 DECEMBER 2021**

	<u>Annual Budget</u>	<u>Actual Expenses</u>	<u>Variance</u>	<u>Utilization %</u>	<u>Program to Admin %</u>
					<u>Budget</u> <u>Actual</u>
Agriculture program	3,991,945	4,400,315	(408,370)	110%	
Cooperative program	11,574,379	11,699,019	(124,640)	101%	
Education program	3,048,540	2,801,717	246,823	92%	
Health program	4,496,644	3,882,891	613,753	86%	
Leadership Department	799,785	601,662	198,123	75%	
Monitoring and Evaluation	2,898,986	3,248,761	(349,774)	112%	
Partnership Relationship dept.	2,755,572	1,722,973	1,032,599	63%	
Administration Department	8,853,333	9,019,914	(166,580)	102%	
	<b>38,419,185</b>	<b>37,377,252</b>	<b>1,041,934</b>	<b>97%</b>	
Program Cost	29,565,852	28,357,338	1,208,514	96%	77%
Adminstration	8,853,333	9,019,914	(166,580)	102%	23%
	<b>38,419,185</b>	<b>37,377,252</b>	<b>1,041,934</b>	<b>97%</b>	<b>100%</b>



**Nuru International Ethiopia**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**1 Reporting entity**

Nuru International Ethiopia (NIE) is a US-based international NGO working to end extreme poverty in remote rural communities in Ethiopia. NIE is registered in Ethiopia as an International NGO with Charities and Societies Agency with Registration Number 2832.

NIE's head office is in Arbaminch, Ethiopia.

**2 Statement of Compliance and Basis of Preparation**

The Financial Statements of Nuru International Ethiopia have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Ethiopian Birr, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

**3 Key Judgements and Sources of Estimation Uncertainty**

The preparation of financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The key judgements management made in preparing the financial statements are as follows:

- a) Inventories are reported at the lower of cost or their replacement costs.
- b) The lives of property, plant and equipment are set out in notes number 4.7 below.

Key estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the period of revision and future periods.



**Nuru International Ethiopia**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**4 Summary of Significant Accounting Policies**

**4.1 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

**4.2 Receivables from exchange transaction and non-exchange transactions**

Receivables from exchange transactions are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that Nuru International Ethiopia will not be able to collect all amounts due according to the original terms of the receivables.

Receivables from non-exchange transactions comprises grants confirmed by donors for which Nuru International Ethiopia has signed grant agreement. These receivables are initially assessed at nominal amount or face value; that is, the receivable reflects the amount of grant as shown in grant agreement. These receivables are subsequently tested for impairment.

**4.3 Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition shall be taken as initial cost.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.



**Nuru International Ethiopia**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

4.4 Financial assets

4.4.1 Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

4.4.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

4.4.3 Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

4.4.4 Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include the following indicators:



## Nuru International Ethiopia

### Notes to the financial statements

#### For the year ended 31 December 2021

##### 4.4.5 Impairment of financial assets (continued)

- The debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

##### 4.5 Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Amortization is provided over the estimated useful life using the straight-line method.

##### 4.6 Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over the life estimated by management.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.



## Nuru International Ethiopia

### Notes to the financial statements

#### For the year ended 31 December 2021

#### 4.7 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to Nuru International Ethiopia and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized. All repair and maintenance is charged to the statement of financial performance during the financial period in which it is incurred.

Depreciation on assets is charged on a straight-line basis at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

S.No.	Items	Useful life in years	Depreciation rate	Residual Value
1	Office Furniture	10	10%	0
2	Office Equipments (Photo copy machines, printers, scanners, Ventilators, Water distillation machine etc.	7	14.29%	0
3	Motor Vehicle	20	5%	0
4	Motor Cycle	10	10%	0
5	Computers	8	12.5%	0
6	Generator	10	10%	0
7	Building	50	2%	0

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The entity assesses annually whether there is any indication that an asset may be impaired. An asset's carrying





## **Nuru International Ethiopia**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

amount is written down immediately to its recoverable amount or recoverable service amount if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

#### **4.8 Financial liabilities**

##### **4.8.1 Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

##### **4.8.2 Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### **4.9 Other operating revenue**

Other operating revenue arises from exchange transactions in the ordinary course of the entity's activities. It comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the entity's activities. It is shown net of tax, returns, rebates and discounts. [1]  
[SEP]

#### **4.10 Employee benefits**

##### **4.10.1 Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.



**Nuru International Ethiopia**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**4.10.2 Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

**4.10.3 Defined benefit plans**

The severance payment due to employees are considered by the entity to be defined benefit plan. The entity's obligation is calculated by multiplying the basic salary of employees by the number of years served by each employee where an employee earn one month salary for the first year of service and one third salary for each additional year of service.

Re-measurements of the obligation is done each year at the reporting date and additional obligation shall be recognized as an expense.

**4.10.4 Other long-term employee benefits**

The Entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

Re-measurements are recognized in profit or loss in the period in which they arise.

**4.10.5 Termination benefits**

Termination benefits are expensed when the Company incurs cost in relation to termination and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

**4.11 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.



## **Nuru International Ethiopia**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

##### 4.11.1 Nuru International Ethiopia as a lessee

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if it is not reasonably certain that the entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

##### 4.11.2 Nuru International Ethiopia as a lessor

Nuru International Ethiopia has entered into property leases of certain of its properties. The entity has determined, based on an evaluation of the terms and conditions of the arrangements, (such as the lease term not constituting a substantial portion of the economic life of the commercial property) that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

##### 4.12 Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance.



**Nuru International Ethiopia**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

4.13 Revenue recognition

4.13.1 Revenue from non-exchange transactions – IPSAS 23

**Grants**

Revenues from non-exchange transactions are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

4.13.2 Revenue from exchange transactions – IPSAS 9

**Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

**Interest income**

Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.



## **Nuru International Ethiopia**

### **Notes to the financial statements**

#### **For the year ended 31 December 2021**

##### **Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

##### **Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

#### **4.14 Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

#### **4.15 Interest expense**

Interest expense is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

#### **4.16 Provisions – IPSAS 19**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset



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only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**Contingent liabilities**

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**Contingent assets**

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**4.17 Changes in accounting policies and estimates – IPSAS 3**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. The effect of change in accounting estimates are recognized in the current and future period prospectively.



**Nuru International Ethiopia**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

	31 December 2021 Birr	31 December 2020 Birr
<b>5 Transfer from Head office</b>		
<b>For projects</b>	39,043,389	30,950,086
	<b>39,043,389</b>	<b>30,950,086</b>
<b>6 Income Released from PPE Reserve</b>	<b>488,168</b>	<b>495,175</b>
<b>7 Program cost</b>		
Agricultural Program	4,400,315	5,612,578
Cooperative program	11,699,019	10,332,975
Education program	2,801,717	2,225,423
Health program	3,882,891	2,975,837
Monitoring & Evaluation	3,248,761	2,920,877
Leadership	601,662	714,514
Partner ship	1,722,973	-
	<b>28,357,338</b>	<b>24,782,204</b>
<b>8 Administrative expenditure</b>		
Staff salary and benefit	6,203,877	4,523,289
Fixed Asset Purchase	-	50,190
Office supplies stationaries and books	136,872	457,412
Vehicle Running cost and transport	379,830	712,315
Insurance	39,826	24,937
Repair and maintenance	462,433	93,904
Other costs and services	1,251,105	376,932
Communication	126,456	251,660
Legal fee	110,081	758,161
Utility	19,052	23,278
Rental and Lease	192,749	620,708
Depreciation expense	97,634	495,175
	<b>9,019,914</b>	<b>8,387,960</b>



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**Notes to the financial statements**  
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**9 Property, plant and equipment**

	Computer and accessories		Generator		Motor Vehicle & Motor Cycle		Office Furniture & Equipment		Total	
	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr
<b>Cost:</b>										
As at 1 January 2020	519,090	304,500	304,500	6,466,498	308,331					7,598,419
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-	-
<b>As at 31 December 2020</b>	<b>519,090</b>	<b>304,500</b>	<b>304,500</b>	<b>6,466,498</b>	<b>308,331</b>					<b>7,598,419</b>
Additions	-	-	-	-	83,500	-	-	-	-	83,500
Disposals	(21,660)	-	-	-	(5,500)	-	-	-	-	(27,160)
Reclassification	-	-	-	-	-	-	-	-	-	-
<b>As at 31 December 2021</b>	<b>497,430</b>	<b>304,500</b>	<b>304,500</b>	<b>6,466,498</b>	<b>386,331</b>					<b>7,654,759</b>
<b>Accumulated depreciation and impairment losses</b>										
As at 1 January 2020	211,291	135,249	135,249	1,348,113	134,069					1,828,722
Charge for the year	64,826	30,450	30,450	366,910	32,989					495,175
Impairment Loss	-	-	-	-	-					-
Disposals	-	-	-	-	-					-
<b>As at 31 December 2020</b>	<b>276,117</b>	<b>165,699</b>	<b>165,699</b>	<b>1,715,023</b>	<b>167,058</b>					<b>2,323,897</b>
Charge for the year	61,766	30,450	30,450	356,650	39,302					488,168
Adjustment				(10,260)	10,260					
Disposals	(16,787)	-	-	-	(1,972)					(18,759)
<b>As at 31 December 2021</b>	<b>321,097</b>	<b>196,149</b>	<b>196,149</b>	<b>2,061,413</b>	<b>214,647</b>					<b>2,793,306</b>
<b>Net book value</b>										
As at 31 December 2020	242,973	138,801	138,801	4,751,475	141,273					5,274,522
As at 31 December 2021	176,333	108,351	108,351	4,405,085	171,684					4,861,453





**Statement of Financial Position**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

		31 December 2021	31 December 2020
		Birr	Birr
<b>10</b>	<b>Advance and Prepayment</b>		
	Staff loan	6,190	8,265
	Work advance	243,876	222,677
	Prepaid expense	-	61,500
	Construction advance	527,763	527,763
		<b>777,829</b>	<b>820,205</b>
<b>11</b>	<b>Cash and Cash Equivalents</b>		
	Cash at bank-Zefine A/c no-100032	7,682	7,682.41
	Cash at bank-A/minch -An 1000032081413	93,255	173,633.84
	Cash at bank Abay bank	230,557	69,262.63
	Cash at bank Kucha	12,003	12,002.72
	Cash at bank Zala	4,354	34,218
		<b>347,851</b>	<b>296,800</b>
<b>12</b>	<b>Trade and other payables from exchange transaction</b>		
	Retention payable	64,268	153,379
	Other Liabilities	-	-
	Provident fund payable	-	-
	Income tax payable	6,927	435,857
	Salary payable	8,285	10,061
	Withholding tax payable	-	41,072
	Pension payable	-	85,067
	Vendor payable	-	-
		<b>79,480</b>	<b>725,437</b>



**Statement of Financial Position**  
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**13 Employee benefits obligation**

	31 December 2021	31 December 2020
	Birr	Birr
Accrued leave	-	21,457
Severance	-	1,387,126
	-	<b>1,408,583</b>
<b>Maturity analysis</b>		
Current employee benefits obligation	-	21,457
Non-current employee benefits obligation	-	1,387,126
	-	<b>1,408,583</b>

**14 Compliance to Organization of Civil Societies Proclamation 1113/2019 article 63-1(2)**

Organization of Civil Societies Proclamation 1113/2019 requires administrative expenditures of organizations established for the benefit of the general public or that of third parties may not exceed 20% of the total income. The current period administrative expenditure amounts to 23.10% of the total income.

	31 December 2021	
	Birr	% of total income
Program Expenditures	28,357,338	72.63%
Administrative Expenditure	9,019,914	23.10%
	<b>37,377,252</b>	



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**Notes to the financial statements**  
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	31 December 2021 Birr	31 December 2020 Birr
<b>15 Fixed Asset Reserve Fund</b>		
At the beginning of the year	5,274,522	5,769,697
Capitalization of PPE	83,500	-
Disposed assets	(8,401)	-
Depreciation	(488,168)	(495,175)
<b>At the end of the year</b>	<b>4,861,453</b>	<b>5,274,522</b>
	31 December 2021 Birr	31 December 2020 Birr
<b>16 General Fund</b>		
At the beginning of the year	(1,017,015)	256,529
Adjustment on beginning balance	(15,990)	-
Surplus /(Deficit) for the year	2,154,305	(1,724,902)
Capitalization of PPE	(83,500)	-
Disposed assets	8,401	-
Adjustment of Leave over expensed last year	-	451,358
<b>At the end of the year</b>	<b>1,046,201</b>	<b>(1,017,015)</b>

**17 Related party transactions**

Nuru's first integrated development project in Ethiopia began in 2013 in Boreda Woreda, Gamo Zone, and SNNPR. Nuru currently works in four integrated intervention areas/programs: Agriculture, Financial Inclusion, Health care and Education. All four programs work through Rural Cooperatives. Currently, Nuru Ethiopia employs approximately 37 staff based both at headquarters and field offices in Gamo and Gofa Zones of SNNPRS.

**17a Key management personnel compensation**

Key management personnel of the organization has been determined to be the Country Director and head of departments. The compensation paid or payable to key management personnel is shown below.

	31 December 2021 Birr	31 December 2020 Birr	31 December 2019 Birr
Salaries and other short-term employee benefits	4,696,678	3,851,778	3,801,479
Post-employment benefits	383,904	244,676	265,409
	<b>5,080,581</b>	<b>4,096,454</b>	<b>4,066,888</b>

**17b Transactions with related parties**

There were no sales or purchase of goods and services between the Organization and key management personnel as at 31 December 2021.

**18 Legal cases**

Nuru International Ethiopia has the following legal cases as a plaintiff against

1- Former contractor who was required to finalize the construction. The Court decided that the contractor should make payment of ETB 754,344.90 plus interest. The lawyer has filed an application for execution of this decision at the Federal High Court. The case is pending.

2- Former employee, Merihun Bachu, who had failed to settle advance that he took for work purpose. The defendant has filed an appeal to the Regional Supreme Court after the Arba Minch High Court decided in favor of Nuru Ethiopia. The case is pending.

**19 Events after reporting period**

In the opinion of the Management, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Organization as at 31 December 2021 and on the surplus/deficit for the period ended on that date, which have not been adequately provided for or disclosed.

