

**Embrace**

**Report and financial statements  
for the year ended 31 December 2020**

# **Embrace**

## **Report and financial statements for the year ended 31 December 2020**

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## **Independent Auditor's Report to the members of Embrace**

### **Opinion**

We have audited the accompanying financial statements of Embrace ("the Association") which comprise the statement of financial position as at 31 December 2020, and the statement of income and expenses, the statement of changes in net assets, and the statement of cash flows for the year then ended, and the 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 Association as at 31 December 2020 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

### **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 Financial Statements section of our report. We are independent of the Association 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 Lebanon and we have fulfilled our other 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.

### **Emphasis of a matter**

Without qualifying our opinion, we draw attention to note 1.1 of the financial statements which describes the current economic situation in Lebanon. Our opinion is not modified in respect to this matter.

### **Responsibility of Management and those charged with governance**

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), 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 Association's ability to continue as a going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Association's financial reporting process.

## **Independent Auditor's Report to the members of Embrace (continued)**

### **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 misstatements, 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 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 Association's internal control.
- 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 Association'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 Association 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.

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.

*Sarkis Sakr & Partners*

Sarkis Sakr & Partners

An independent member of Geneva Group International

Beirut, Lebanon

10 March 2021

# Embrace

## Statement of financial position at 31 December 2020

		<u>2020</u>	<u>2019</u>
	Notes	USD	USD
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	4	2,200	2,200
Equipment	5	<u>49,881</u>	<u>17,940</u>
<b>Total non-current assets</b>		<u>52,081</u>	<u>20,140</u>
<b>Current assets</b>			
Due from a related party	6	726	182
Accounts and other receivables	7	318,015	2,771
Cash and cash equivalents	8	<u>349,610</u>	<u>101,144</u>
<b>Total current assets</b>		<u>668,351</u>	<u>104,097</u>
<b>Total assets</b>		<u>720,432</u>	<u>124,237</u>
<b>Liabilities and net assets</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for end of service indemnity	9	<u>872</u>	-
<b>Total non-current liabilities</b>		<u>872</u>	-
<b>Current liabilities</b>			
Deferred income	10	376,843	-
Accrued charges		4,434	2,400
Accounts and other payables	11	<u>19,896</u>	<u>7,167</u>
<b>Total current liabilities</b>		<u>401,173</u>	<u>9,567</u>
<b>Total liabilities</b>		<u>402,045</u>	<u>9,567</u>
<b>Net assets</b>			
Net assets at beginning of year		114,670	127,355
Surplus (deficit) for the year		<u>203,717</u>	<u>(12,685)</u>
<b>Total net assets</b>		<u>318,387</u>	<u>114,670</u>
<b>Total liabilities and net assets</b>		<u>720,432</u>	<u>124,237</u>

# Embrace

## Statement of income and expenses for the year ended 31 December 2020

		<u>2020</u>	<u>2019</u>
	Notes	USD	USD
Grants and donations	12	<b>501,929</b>	141,561
General and administrative expenses	13	<b>(189,603)</b>	(86,509)
Salaries and related charges	14	<b>(110,090)</b>	(66,072)
Taxes and similar expenses	15	<b>(3,650)</b>	(1,541)
Depreciation expense	5	<b>(2,844)</b>	(2,036)
Interest (expense) income, net	16	<b>(799)</b>	2,092
Net foreign currency exchange gain (loss)	17	<b>12,881</b>	(180)
Other non-operating expenses, net		<b>(4,107)</b>	-
<b>Total expenses</b>		<b><u>(298,212)</u></b>	<b><u>(154,246)</u></b>
<b>Surplus (deficit) for the year</b>		<b><u>203,717</u></b>	<b><u>(12,685)</u></b>

# Embrace

## Statement of changes in net assets for the year ended 31 December 2020

	<u>Net assets</u>
	USD
Balance at 1 January 2019	127,355
Deficit for the year	<u>(12,685)</u>
<b>Balance at 31 December 2019</b>	<b>114,670</b>
Surplus for the year	<u>203,717</u>
<b>Balance at 31 December 2020</b>	<b><u>318,387</u></b>

# Embrace

## Statement of cash flows for the year ended 31 December 2020

		<u>2020</u>	<u>2019</u>
	Notes	USD	USD
<b>Cash flows from operating activities</b>			
Surplus (deficit) for the year		203,717	(12,685)
<b>Adjustments for:</b>			
Depreciation expense	5	2,844	2,036
Provision for end of service indemnity	9	872	-
<b>Changes in working capital:</b>			
Increase in due from a related party	6	(544)	(182)
Increase in accounts and other receivables	7	(315,244)	(2,771)
Increase in accrued charges		2,034	900
Increase in deferred income	10	376,843	-
Increase in accounts and other payables	11	12,729	2,201
<b>Net cash generated from (used in) operating activities</b>		<u>283,251</u>	<u>(10,501)</u>
<b>Cash flows from investing activities</b>			
Purchase of equipment	5	<u>(34,785)</u>	<u>(3,783)</u>
<b>Net cash used in investing activities</b>		<u>(34,785)</u>	<u>(3,783)</u>
<b>Cash flows from financing activities</b>			
Decrease in due to a related party		<u>-</u>	<u>(2,153)</u>
<b>Net cash used in financing activities</b>		<u>-</u>	<u>(2,153)</u>
<b>Net change in cash and cash equivalents</b>		<b>248,466</b>	<b>(16,437)</b>
Cash and cash equivalents – beginning of year	8	<u>101,144</u>	<u>117,581</u>
<b>Cash and cash equivalents – end of year</b>	8	<u>349,610</u>	<u>101,144</u>



# **Embrace**

## **Notes to the financial statements for the year ended 31 December 2020**

### **1 General information**

Embrace ("the Association") is an organization registered at the Ministry of Finance under number 3363482. It operates in Lebanon under license number 1676 issued by the Ministry of Interior and Municipalities on 9 August 2018.

The principal activity of the Association is raising awareness about mental health issues, reducing the suffering of psychiatric patients and their families and preventing dangerous consequences, as well as providing mental health and psychosocial support services to every person living in Lebanon.

Embrace does this through its national emotional support and suicide prevention helpline which it has been operating in collaboration with the National Mental Health Program since 2017. It also delivers on-ground support, providing awareness and support sessions in the community through direct outreach work. Complementing these services, in 2020, Embrace launched a mental health center offering direct psychological and psychiatric services.

#### **1.1 Operating environment of the Association**

##### **General event**

The Association's operations are in Lebanon which is in a severe interconnected fiscal, monetary, and economic crisis. Lebanon has long relied on steady flow of dollars from overseas to help fund its financial system. This has been choked off following the loss of confidence in economic and political system and the credit rating downgrade of the Lebanese Republic. On 7 March 2020, the Lebanese Republic announced that it will withhold payment on the bonds due on 9 March 2020 to safeguard the country's foreign currency reserves. On 23 March 2020, the Lebanese Republic announced that it will discontinue payments on all of its US Dollars denominated Eurobonds due to further pressure on Lebanon's access to foreign currency and that it will take all measure it deems necessary to prudently manage its limited foreign currency reserves. At the date of the authorization of these financial statements, banks are unable to borrow from international markets, have imposed unofficial capital controls, restricted transfers of foreign currencies outside Lebanon and significantly reduced credit lines to associations, which resulted in the disruption of the economic activity and had a negative impact on obtaining sources of liquidity.

##### **Possible risks**

The persisting economic crisis in Lebanon, the unavailability of financing, the imposition of unofficial capital controls together with current instability, might lead to significant deterioration in the Association's future financial performance. The management is closely monitoring the environment in which the Association operates, including key indicators within its business, to minimize risks facing the Association and its future performance.

# **Embrace**

## **2 Summary of significant accounting policies**

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

### **2.1 Basis of preparation**

The Association has prepared these financial statements in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

### **2.2 New and amended standards adopted by the Association**

The Association has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Annual Improvements to IFRS Standards

The adoption of these new and revised Standards and Interpretations did not result in any significant impact on the Association's financial statements or changes to the Association's accounting policies.

In addition, and as at the date of authorization of these financial statements, certain Standards and Interpretations were in issue but not yet effective. Management anticipates that the adoption of these Standards and Interpretations in the related future years will have no material financial impact on the financial statements of the Association.

### **2.3 Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the financial statements of the Association are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in "US Dollars", which is the Association's functional and presentation currency.

#### **(b) Transactions and balances**

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 comprehensive income.

# Embrace

## 2 Summary of significant accounting policies (continued)

### 2.4 Intangible assets

Intangible assets are initially measured at cost and subsequently measured either under the cost model or the revaluation model under IAS 38 “Intangible Assets”. The Association follows the cost model under which the benchmark treatment is that intangible assets should be carried at cost less any amortization and impairment losses. The Association’s intangible assets, which consist of website, are considered to have an indefinite useful life, and, therefore, no amortization is taken.

In accordance with IAS 36 “Impairment of Assets”, if, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

### 2.5 Equipment

Equipment is shown at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in assets or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Association and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Computer equipment	20%
Office equipment	8%
Furniture	<u>8%</u>

The asset’s useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

### 2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

The Association’s management recognizes the difficulties involved in predicting all developments in the Lebanese economy and consequently, what impact, if any, these development could have on the future financial performance, cash flows, and financial position of the Association. The Association’s management will closely monitor all future development in the economic and political scene and take appropriate mitigating measures.

# **Embrace**

## **2 Summary of significant accounting policies (continued)**

### **2.7 Accounts and other payables**

Accounts and other payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Liabilities are recognized for amounts expected to be paid in the future for goods purchased or services received, whether billed by the supplier or not. Accounts and other payables are classified as current liabilities if payment is due within one year or less (or in normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

### **2.8 Grants and donations**

- Donations (unrestricted) are recognized as revenue upon receipt of funds.
- Grants are recognized as revenue upon use of funds. Grants received after the reporting date, but designated for use in the reporting period, are recognized as revenue in the reporting period.
- Grants awarded in 2020 but designated for use after the reporting date are reported as deferred income in the statement of financial position and recognized as revenue in the year designated by the donor.
- Donations restricted to no other purpose than general field operations are considered non-earmarked.
- Donations restricted to a given region, country or programme (worldwide) are considered loosely earmarked.
- Donations restricted to a country are considered country-earmarked.
- Donations restricted to a project or sub-programme are considered tightly earmarked.

### **2.9 Deferred income**

Revenue relating to future years is recorded as deferred income. Revenue deferred for more than 12 months after the reporting date is recorded as non-current and discounted to its present value at the reporting date.

### **2.10 Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

# Embrace

## 3 Critical accounting estimates and judgments

In the application of the accounting policies described in note 2, the Association is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 4 Intangible assets

	<u>Website</u> USD
Balance on 1 January 2019	2,200
Additions	-
<b>Balance on 31 December 2019</b>	<b>2,200</b>
Additions	-
<b>Balance on 31 December 2020</b>	<b>2,200</b>

We have tested it for impairment and the recoverable amount of the asset is higher than its carrying value.

## 5 Equipment

	<u>Computer equipment</u> USD	<u>Office equipment</u> USD	<u>Furniture</u> USD	<u>Total</u> USD
<b><u>Cost:</u></b>				
Balance on 1 January 2019	-	17,757	-	17,757
Additions	2,950	833	-	3,783
<b>Balance on 31 December 2019</b>	<b>2,950</b>	<b>18,590</b>	-	<b>21,540</b>
Additions	2,032	11,938	20,815	34,785
<b>Balance on 31 December 2020</b>	<b>4,982</b>	<b>30,528</b>	<b>20,815</b>	<b>56,325</b>
<b><u>Accumulated depreciation:</u></b>				
Balance on 1 January 2019	-	(1,564)	-	(1,564)
Additions	(561)	(1,475)	-	(2,036)
<b>Balance on 31 December 2019</b>	<b>(561)</b>	<b>(3,039)</b>	-	<b>(3,600)</b>
Additions	(827)	(1,811)	(206)	(2,844)
<b>Balance on 31 December 2020</b>	<b>(1,388)</b>	<b>(4,850)</b>	<b>(206)</b>	<b>(6,444)</b>
<b><u>Net book value:</u></b>				
<b>Balance on 31 December 2020</b>	<b>3,594</b>	<b>25,678</b>	<b>20,609</b>	<b>49,881</b>
Balance on 31 December 2019	2,389	15,551	-	17,940

# Embrace

## 6 Related party balances and transactions

The Association has entered into transactions with members, companies and entities that fall within the definition of a related party as defined by International Accounting Standard No. 24: "Related Party Disclosures". Related parties comprise companies under common ownership and/or common management and control and directors. The Association maintains the following balances with its related parties:

	<u>2020</u>	<u>2019</u>
	USD	USD
Due from a related party	<u>726</u>	<u>182</u>

The above balance has no specific repayment terms and is not subject to interest.

## 7 Accounts and other receivables

	<u>2020</u>	<u>2019</u>
	USD	USD
Grants receivable	279,631	-
Receivables from Areeba	22,110	-
Prepaid expenses	7,810	2,771
Other receivables	8,463	-
	<u>318,015</u>	<u>2,771</u>

Grants receivable represent awarded funds that Embrace expects to receive from donors to cover expenses in 2021, but that were not received as of 31 December 2020.

## 8 Cash and cash equivalents

	<u>2020</u>	<u>2019</u>
	USD	USD
Cash at banks	322,087	77,222
Cash on hand	26,773	23,922
Checks for collection	750	-
	<u>349,610</u>	<u>101,144</u>

The cash and bank balances are denominated in US Dollars and Lebanese Pounds.

At 31 December 2020, the breakdown by currency of cash and cash equivalents is as follows:

	<u>Lebanese Pound</u>	<u>British Pound</u>	<u>Euro</u>	<u>US Dollar</u>	<u>Total</u>
	USD	USD	USD	USD	USD
Cash at banks	7,948	96,152	95,331	122,656	322,087
Cash on hand	2,774	-	-	23,999	26,773
Checks for collection	-	-	-	750	750
	<u>10,722</u>	<u>96,152</u>	<u>95,331</u>	<u>147,405</u>	<u>349,610</u>

## Embrace

### 9 Provision for end of service indemnity

	<u>2020</u>	<u>2019</u>
	USD	USD
Balance at 1 January	-	-
Charge for the year (note 14)	<u>872</u>	-
<b>Balance at 31 December</b>	<b><u>872</u></b>	<b><u>-</u></b>

### 10 Deferred income

	<u>2020</u>	<u>2019</u>
	USD	USD
Deferred income	<b><u>376,843</u></b>	<u>-</u>

The deferred income is, in accrual accounting, money received for services which has not yet been earned. According to the revenue recognition principle, it is recorded as a liability until delivery is made, at which time it is converted into revenue. In the case of Embrace, deferred income represents grants that have been approved and/or received but not used yet and will be deployed in 2021.

### 11 Accounts and other payables

	<u>2020</u>	<u>2019</u>
	USD	USD
Accounts payable	<b>5,916</b>	3,207
Social security contributions payable	<b>4,812</b>	1,764
Non-resident tax payable	<b>3,552</b>	770
Fixed assets suppliers payable	<b>3,081</b>	-
Tax on salaries payable	<b>2,504</b>	546
Due to employees	<b><u>31</u></b>	<u>880</u>
	<b><u>19,896</u></b>	<b><u>7,167</u></b>

### 12 Grants and donations

	<u>2020</u>	<u>2019</u>
	USD	USD
Unrestricted donations	<b>238,143</b>	-
Grants or restricted donations	<b>215,987</b>	74,785
Revenue from trainings and workshops	<b>17,252</b>	-
Other	<b>31,626</b>	64,281
Sponsorship	-	2,495
Commission on online donations	<b><u>(1,079)</u></b>	<u>-</u>
	<b><u>501,929</u></b>	<b><u>141,561</u></b>

Grants represent the donations restricted to a particular project or purpose. The Association signed grant agreements with 12 donors during 2020.

# Embrace

## 13 General and administrative expenses

	<u>2020</u>	<u>2019</u>
	USD	USD
Consultancy fees (a)	<b>59,308</b>	-
Postage and telecommunication	<b>37,986</b>	27,154
Rent and related charges	<b>20,599</b>	13,278
Professional fees (b)	<b>19,801</b>	12,597
Marketing expenses	<b>12,264</b>	8,023
Maintenance and repairs	<b>8,610</b>	7,544
Relocation expenses	<b>7,684</b>	-
Office supplies	<b>7,559</b>	5,303
Travel and hotel expenses	<b>5,049</b>	2,160
Reception expenses	<b>3,393</b>	-
Cleaning expenses	<b>2,841</b>	1,589
Parking and transportation	<b>299</b>	1,519
Cost of fundraising events	-	2,615
Other expenses	<b>4,210</b>	4,727
	<b><u>189,603</u></b>	<b><u>86,509</u></b>

(a) Consultancy fees include the following expenses:

Lifeline support service	<b>19,400</b>	-
Mental health workshop	<b>8,908</b>	-
Communication	<b>8,000</b>	-
Psychiatrists	<b>8,000</b>	-
Psychologists	<b>7,500</b>	-
Management consultancy fees	<b>7,500</b>	-
	<b><u>59,308</u></b>	<b><u>-</u></b>

(b) Professional fees include the following expenses:

Freelance expenses	<b>10,340</b>	3,419
Accounting fees	<b>6,765</b>	6,228
Audit fees	<b>2,553</b>	-
Legal expenses	<b>143</b>	-
Training fees	-	2,320
Graphic design fees	-	630
	<b><u>19,801</u></b>	<b><u>12,597</u></b>



## Embrace

### 14 Salaries and related charges

	<u>2020</u>	<u>2019</u>
	USD	USD
Employees' compensation and allowances	50,674	29,629
Directors' compensation and allowances	44,303	30,000
Lumpsum wages	4,325	-
Social security contributions	9,916	6,443
Provision for end of service indemnity expense (note 9)	872	-
	<u>110,090</u>	<u>66,072</u>

As of 31 December 2020, the Association had 7 full-time employees, 6 part-time employees and 2 remunerated board members (2 full-time employees, 3 part-time employees and 1 remunerated board member for year 2019).

### 15 Taxes and similar expenses

	<u>2020</u>	<u>2019</u>
	USD	USD
Non-resident tax	2,175	770
Tax on salaries	775	674
Fiscal stamps	700	-
Other taxes	-	97
	<u>3,650</u>	<u>1,541</u>

### 16 Interest (expense) income, net

	<u>2020</u>	<u>2019</u>
	USD	USD
Bank charges	1,239	940
Interest income	(440)	(3,032)
	<u>799</u>	<u>(2,092)</u>

### 17 Net foreign currency exchange gain (loss)

	<u>2020</u>	<u>2019</u>
	USD	USD
Foreign currency exchange gain	70,795	19
Foreign currency exchange loss	(57,914)	(199)
	<u>12,881</u>	<u>(180)</u>

### 18 Approval of financial statements

The financial statements were approved for issuance by the President of the Association, Ms. Mia Atoui, on behalf of the members.