Embrace

Report and financial statements
for the year ended 31 December 2018

Embrace

Report and financial statements
for the year ended 31 December 2018

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 2018, 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 2018 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.

Responsibility of Management and those charged with governance for the financial statements

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
27 June 2019

Embrace

Statement of financial position
at 31 December 2018

	Notes	**2018**	2017
		USD	USD
Assets			
Non-current assets			
Intangible assets	4	**2,200**	-
Equipment	5	**16,193**	13,797
Total non-current assets		**18,393**	13,797
Current assets			
Cash and cash equivalents	6	**117,581**	109,245
Total current assets		**117,581**	109,245
Total assets		**135,974**	123,042
Liabilities and net assets			
Liabilities			
Due to a related party	7	**2,153**	-
Accrued charges		**1,500**	1,500
Accounts and other payables	8	**4,966**	1,022
Total liabilities		**8,619**	2,522
Net assets			
Net assets at beginning of year		**120,520**	-
Surplus for the year/period		**6,835**	120,520
Total net assets		**127,355**	120,520
Total liabilities and net assets		**135,974**	123,042

Embrace

Statement of income and expenses
for the year ended 31 December 2018

	Notes	2018 USD	From 7 Aug. till 31 Dec. 2017 USD
Donations	9	**141,326**	189,238
Grants received	9	**44,989**	-
Total income		**186,315**	189,238
General and administrative expenses	10	**(126,207)**	(52,444)
Salaries and related charges	11	**(50,408)**	(14,500)
Taxes and similar expenses	12	**(892)**	(906)
Depreciation expense	5	**(1,378)**	(186)
Interest expense, net	13	**(192)**	(333)
Net foreign currency exchange gain/(loss)	14	**177**	(349)
Other non-operating expenses, net		**(580)**	-
Total expenses		**(179,480)**	(68,718)
Surplus for the year/period		**6,835**	120,520

Embrace

Statement of changes in net assets for the year ended 31 December 2018

	Net assets
	USD
Balance at 9 August 2017	-
Surplus for the period	120,520
Balance at 31 December 2017	**120,520**
Surplus for the year	6,835
Balance at 31 December 2018	**127,355**

Embrace

Statement of cash flows
for the year ended 31 December 2018

	Notes	2018 USD	2017 USD
Cash flows from operating activities			
Surplus for the year/period		**6,835**	120,520
Adjustment for:			
Depreciation expense	5	**1,378**	186
Changes in working capital:			
Increase in accrued charges		**-**	1,500
Increase in accounts and other payables	8	**3,944**	1,022
Net cash generated from operating activities		**12,157**	123,228
Cash flows from investing activities			
Acquisition of intangible assets	4	**(2,200)**	-
Purchase of equipment	5	**(3,774)**	(13,983)
Net cash used in investing activities		**(5,974)**	(13,983)
Cash flows from financing activities			
Increase in due to a related party	7	**2,153**	-
Net cash provided by financing activities		**2,153**	-
Net change in cash and cash equivalents		**8,336**	109,245
Cash and cash equivalents – beginning of year/period	6	**109,245**	-
Cash and cash equivalents – end of year/period	6	**117,581**	109,245

Embrace

Notes to the financial statements
for the year ended 31 December 2018

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 2017.

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.

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

In the current year, the Association has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to the Association's operations and effective for annual reporting years beginning on 1 January 2018.

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 Summary of significant accounting policies (continued)

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.

2.4 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:

Office equipment	8%

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.

2.5 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 Summary of significant accounting policies (continued)

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.

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 Income

Donations
Income comprises the fair value of the consideration received in form of donation to the Association.

2.9 Comparatives

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

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

	Website
	USD
Balance on 1 January 2018	-
Additions	2,200
Balance on 31 December 2018	**2,200**

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

5 Equipment

	Office equipment
	USD
Cost:	
Balance on 9 August 2017	-
Additions	13,983
Balance on 31 December 2017	**13,983**
Additions	3,774
Balance on 31 December 2018	**17,757**
Accumulated depreciation:	
Balance on 9 August 2017	-
Additions	(186)
Balance on 31 December 2017	**(186)**
Additions	(1,378)
Balance on 31 December 2018	**(1,564)**
Net book value:	
Balance on 31 December 2018	**16,193**
Balance on 31 December 2017	13,797

6 Cash and cash equivalents

	2018	2017
	USD	USD
Cash at banks	**117,419**	108,954
Cash on hand	**162**	291
	117,581	109,245

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

For the purpose of the statement of cash flows, cash and cash equivalents include cash in banks and on hand.

7 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:

	2018	2017
	USD	USD
Due to a related party	**2,153**	-

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

8 Accounts and other payables

	2018	2017
	USD	USD
Due to employees	**1,800**	-
Taxes payable	**1,281**	498
Social security contributions payable	**1,152**	-
Accounts payable	**733**	524
	4,966	1,022

9 Donations and grants received

	2018	2017
	USD	USD
Donations:		
Fundraising events	**48,785**	180,544
Sponsorship	**37,000**	-
Other	**55,541**	8,694
	141,326	189,238
Grants:		
Grant received from Kamynu Trust	**35,000**	-
Grant received from Act for Lebanon	**9,989**	-
	44,989	-

10 General and administrative expenses

	2018	2017
	USD	USD
Marketing expenses	**29,754**	2,321
Cost of fundraising events	**26,514**	31,236
Postage and telecommunication	**22,824**	7,396
Rent and related charges	**17,535**	1,646
Professional fees	**10,831**	2,050
Office supplies	**5,128**	5,093
Travel and hotel expenses	**2,764**	-
Parking and transportation	**1,360**	-
Maintenance and repairs	**1,171**	578
Cleaning expenses	**1,073**	-
Subscriptions and donations	**-**	2,093
Other expenses	**7,253**	31
	126,207	52,444

11 Salaries and related charges

	2018	2017
	USD	USD
Director’s compensation and allowances	**30,000**	10,000
Employees’ compensation and allowances	**16,800**	4,500
Social security contributions	**3,608**	-
	50,408	14,500

In the year 2018, the Association had 2 full-time employees and 1 remunerated board member (1 employee for year 2017).

12 Taxes and similar expenses

	2018	2017
	USD	USD
Tax on salaries	**372**	574
Non-resident tax	**350**	-
Notary fees	**153**	33
Formalities	**-**	212
Other taxes	**17**	87
	892	906

13 Interest expense, net

	2018	2017
	USD	USD
Bank charges	**390**	333
Interest income	**(198)**	-
	192	333

14 Net foreign currency exchange gain/(loss)

	2018	2017
	USD	USD
Foreign currency exchange gain	**270**	10
Foreign currency exchange loss	**(93)**	(359)
	177	(349)

15 Approval of financial statements

The financial statements were approved for issuance by the President of the Association, Dr. Ziad Nahas, on behalf of the members.