

BEIT RAFQA

**FINANCIAL STATEMENTS
31 DECEMBER 2018**

BEIT RAFQA

- 1) Independent Auditor's Report;
- 2) Statement of financial position at 31 December 2018;
- 3) Statement of income and expenses for the year ended 31 December 2018;
- 4) Statement of financial activities for the year ended 31 December 2018;;
- 5) Statement of cash flows for the year ended 31 December 2018;;
- 6) Notes to the financial statements for the year ended 31 December 2018.

*
* *

■ Gholam Building
Sioufi Street, Achrafieh
Beirut, Lebanon

■ P.O.Box: 11-0558
Riad El Solh - Beirut 1107 2050
Beirut, Lebanon

■ Phone: (01) 323676
Fax : (01) 204142
siman@inco.com.lb

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Beit Rafqa
Jrebta, Lebanon.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Beit Rafqa (Association), which comprise the statement of financial position as at 31 December 2018 and the statement of income and expenses, the statement of financial activities and statement of cash flows 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 Association as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Lebanese Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Lebanese Accounting Policy. 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 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 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 Lebanese Accounting Policy, 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.

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

INDEPENDENT AUDITOR'S REPORT (continued)

To the Board of Trustees
Beit Rafqa

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

To the Board of Trustees
Beit Rafqa

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Semaan, Gholam & Co.

Beirut, Lebanon

4 February 2019

BEIT RAFQA

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<u>Note</u>	<u>31.12.2018</u> LBP.	Restated <u>31.12.2017</u> LBP.
<u>ASSETS</u>			
<u>NON-CURRENT ASSETS</u>			
Property and equipment	3	346,103,739	87,750,245
<u>CURRENT ASSETS</u>			
Accounts receivable	4	73,928,885	12,370,304
Other receivables and prepayments	5	418,610,023	189,007,434
Cash and banks	10	1,192,569,408	876,837,715
Total current assets		<u>1,685,108,316</u>	<u>1,078,215,453</u>
TOTAL ASSETS		<u>2,031,212,055</u>	<u>1,165,965,698</u>
<u>EQUITY AND LIABILITIES</u>			
Excess of revenues over expenses		1,096,735,701	250,744,286
Replacement reserves		115,618,789	27,599,784
Property and equipment fund		49,896,313	-
Total equity		<u>1,262,250,803</u>	<u>278,344,070</u>
<u>NON-CURRENT LIABILITIES</u>			
Provisions	6	19,125,117	11,579,945
<u>CURRENT LIABILITIES</u>			
Accounts payable		68,243,240	19,604,146
Other payables and accruals	7	681,592,895	852,494,309
Due to banks	10	-	3,943,228
Total current liabilities		<u>749,836,135</u>	<u>876,041,683</u>
Total liabilities		<u>768,961,252</u>	<u>887,621,628</u>
TOTAL EQUITY AND LIABILITIES		<u>2,031,212,055</u>	<u>1,165,965,698</u>

The accompanying notes from 1 to 10 form an integral part of these financial statements.

BEIT RAFQA

STATEMENT OF INCOME AND EXPENSES

For the year ended 31 December 2018

	<u>Note</u>	<u>2018</u> LBP.	From 1.4.2017 <u>till 31.12.2017</u> LBP.
Donations and other sources of funds	8	2,197,023,926	919,992,806
General expenses	9	(1,267,370,072)	(628,793,843)
Provisions	6	(7,545,172)	(11,579,945)
Depreciation	3	(21,606,586)	(7,350,964)
Interest and similar income		33,512,094	6,534,441
Loss on exchange		(3,770)	(458,424)
		<hr/>	<hr/>
Excess of revenue over expenses for the year/period		934,010,420	278,344,070
<u>Less/-</u>			
- Appropriation to replacement reserves		(88,019,005)	(27,599,784)
- Appropriation of depreciation expenses to property, plant and equipment fund		3,451,187	-
		<hr/>	<hr/>
Net excess of revenue over expenses for the year/period		849,442,602	250,744,286
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes from 1 to 10 form an integral part of these financial statements.

BEIT RAFQA
 STATEMENT OF FINANCIAL ACTIVITIES
 For the year ended 31 December 2018

	Restated Excess of revenue over expenses LBP.	Property and equipment fund LBP.	Replacement reserve LBP.	Total LBP.
Excess of revenue for the year 2017	278,344,070	-	-	278,344,070
Appropriation to replacement reserve	(27,599,784)	-	27,599,784	-
Balance as at 31 December 2017	250,744,286	-	27,599,784	278,344,070
Donation in kind - property and equipment	-	53,347,500	-	53,347,500
Transfer property, plant and equipment depreciation equity fund	-	(3,451,187)	-	(3,451,187)
Excess of revenue for the year 2018	934,010,420	-	-	934,010,420
Appropriation to replacement reserve	(88,019,005)	-	88,019,005	-
Balance as at 31 December 2018	1,096,735,701	49,896,313	115,618,789	1,262,250,803

The accompanying notes from 1 to 10 form an integral part of these financial statements.

BEIT RAFQA

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	<u>Note</u>	<u>2018</u> LBP.	Restated From 1.4.2017 till 31.12.2017 LBP.
<u>OPERATING ACTIVITIES</u>			
Excess of revenues over expenses for the year/period		934,010,420	278,344,070
Adjustments:			
- Depreciation		21,606,586	7,350,964
- Provisions		7,545,172	11,579,945
(Decrease) in receivables		(291,161,170)	(201,377,738)
(Decrease) increase in payables		(122,262,320)	872,098,454
Cash from operating activities		<u>549,738,688</u>	<u>967,995,696</u>
<u>INVESTING ACTIVITIES</u>			
Acquisition of property and equipment		(230,063,767)	(95,101,209)
Net cash (used in) investing activities		<u>(230,063,767)</u>	<u>(95,101,209)</u>
<u>INCREASE IN CASH AND CASH EQUIVALENTS</u>		319,674,921	872,894,487
<u>CASH AND CASH EQUIVALENTS</u>	16		
- at beginning of year/period		872,894,487	-
- at end of year/period		<u><u>1,192,569,408</u></u>	<u><u>872,894,487</u></u>

The accompanying notes from 1 to 10 form an integral part of these financial statements.

1- THE ASSOCIATION

Beit Rafqa (previously known as Saint Joseph Jrebta - Retirement House) is a non for profit organization registered with The Ministry of Public Health by virtue of a legislative decree Number 87/1 dated 6 February 2002.

The Association aims to ensure the maximum possible care and attention for elders resident in the house.

Effective 1 April 2017, the activities of the Organization have been transferred to a new location under the Management of the "Association of Beit Al- Kedissa Rafqa Jrebta". Consequently these financial statements are for the period from 1 April 2017 till 31 December 2017.

2- ACCOUNTING POLICIES

Basis of preparation

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

These financial statements have been prepared in accordance with Lebanese Accounting Standards.

The financial statements have been prepared under the historical cost convention, unless otherwise stated.

The financial statements are presented in Lebanese Pounds.

Foreign currency translation

Transactions in foreign currencies are translated into lebanese pound at the rate of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into lebanese pound at the year-end market rates of exchange. The resulting difference on exchange is accounted for in the statement of income and expenses.

Property and equipment

The cost of property, plant and equipment is their purchase price at the date of acquisition.

Depreciation is calculated so as to write off the cost of these assets, at the following annual rates:

	%
Equipment	8
Decoration	6
Linen	50
Computer equipment	20
Vehicles	6

Revenue recognition

Revenues consist mostly of donations received and are recognized when granted.

Revenue from services rendered is recognized when the service is rendered and when the outcome of the transaction can be estimated reliably.

Financial revenue is recognized as the interest accrues.

2- ACCOUNTING POLICIES (continued)**Taxes**

The Association is a not for profit organization and is exempted from income tax in accordance with Lebanese tax laws.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and highly liquid investments with insignificant risk of changes in value and original maturities of three months or less at the date of acquisition.

Restatement

The financial statements for the period ended 31 December 2017 have been restated in order to adjust the accounting of donation received in hand.

	<u>Before restatement</u>	<u>After restatement</u>
	LBP.	LBP.
Property and equipment	6,108,820,569	87,750,245
Property and equipment fund	6,021,070,324	-

3- PROPERTY AND EQUIPMENT

The movement of property and equipment accounts and related depreciation for the year 2018, is summarized as follows:

	<u>Restated</u>		<u>Balance at</u>
	<u>Balance at</u>	<u>Additions</u>	<u>31.12.2018</u>
	<u>1.1.2018</u>	<u>LBP.</u>	<u>LBP.</u>
	LBP.	LBP.	LBP.
<u>COST</u>			
Equipment	62,277,598	158,364,383	220,641,981
Decoration and improvement	5,916,938	7,008,368	12,925,306
Linen	16,492,864	12,297,943	28,790,807
Computer equipment and software	10,413,809	-	10,413,809
Vehicles	-	46,732,500	46,732,500
Advances on acquisition of property and equipment	-	59,008,073	59,008,073
	<u>95,101,209</u>	<u>283,411,267</u>	<u>378,512,476</u>
<u>DEPRECIATION</u>			
Equipment	1,644,398	9,804,692	11,449,090
Decoration and improvement	34,613	710,688	745,301
Linen	4,946,857	11,490,527	16,437,384
Computer equipment and software	725,096	2,114,655	2,839,751
Vehicles	-	937,211	937,211
	<u>7,350,964</u>	<u>25,057,773</u>	<u>32,408,737</u>
	<u>Net book value at 31.12.2018</u>		<u>346,103,739</u>
	<u>Net book value at 31.12.2017</u>		<u>87,750,245</u>

4- ACCOUNTS RECEIVABLE

	<u>2018</u> LBP.	<u>31.12.2017</u> LBP.
Accounts receivable	73,928,885	12,370,304
Uncollected room rentals.		

5- OTHER RECEIVABLES AND PREPAYMENTS

	<u>31.12.2018</u> LBP.	<u>31.12.2017</u> LBP.
Prepayments	2,892,772	565,313
Medical assistance - Ministry of Public Health	320,573,050	137,829,100
Receivables from Ministry of Social Affairs	86,560,870	31,385,870
Donation receivables	-	19,227,151
Deposits	1,485,000	-
Other receivables	7,098,331	-
	<u>418,610,023</u>	<u>189,007,434</u>

6- PROVISIONS

	<u>31.12.2018</u> LBP.	<u>31.12.2017</u> LBP.
Provision for staff termination indemnity	1,210,891	122,945
Provision for lay-off indemnity	17,914,226	11,457,000
	<u>19,125,117</u>	<u>11,579,945</u>

Provision for staff termination indemnity

	<u>2018</u> LBP.	<u>2017</u> LBP.
Balance as at 1 January	122,945	-
Add/- Allowance for the year	1,087,946	122,945
Balance as at 31 December	<u>1,210,891</u>	<u>122,945</u>

Provision for lay off indemnity

	<u>2018</u> LBP.	<u>2017</u> LBP.
Balance as at 1 January	11,457,000	-
Add/- Allowance for the year	6,457,226	11,457,000
Balance as at 31 December	<u>17,914,226</u>	<u>11,457,000</u>

7- OTHER PAYABLES AND ACCRUALS

	<u>31.12.2018</u>	<u>31.12.2017</u>
	LBP.	LBP.
Residents advances	8,913,860	13,704,672
Deposits	79,576,498	32,072,972
Social dues	7,002,533	3,478,518
Tax on salaries	635,968	200,417
Deferred income	465,697,372	782,199,882
Audit fees	12,549,938	12,436,875
Payable to St Joseph monastery	92,997,500	-
Other payables	14,219,226	8,400,973
	<u>681,592,895</u>	<u>852,494,309</u>

Deferred income LBP.465,697,372

Amounts received as sponsoring donations for services to be rendered in future years.

8- DONATIONS AND OTHER SOURCES OF FUNDS

	<u>2018</u>	<u>From 1.4.2017</u>
	LBP.	till 31.12.2017
		LBP.
Room revenues	479,129,553	159,964,414
Cash contributions	1,123,568,142	427,628,254
Donations	98,016,153	67,073,588
Ministry of Health support	313,974,000	137,829,100
Ministry of Social Affairs Support	71,330,500	31,385,870
Other income	111,005,578	96,111,580
	<u>2,197,023,926</u>	<u>919,992,806</u>

9- GENERAL EXPENSES

	<u>2018</u> LBP.	<u>From 1.4.2017</u> <u>till 31.12.2017</u> LBP.
Food and beverage	139,711,763	47,381,721
Consumables	119,609,467	14,915,032
Medical supplies	14,121,553	3,468,729
Other supplies	85,097,538	54,462,816
P.T.T.	7,362,899	5,739,695
Maintenance	38,477,996	22,593,034
Advertising	47,707,781	80,217,806
Electricity	21,649,000	14,594,000
Services rendered	329,193,603	279,532,069
Audit fees	13,078,000	12,436,875
Insurance	16,544,692	14,906,160
Other expenses	46,152,316	27,332,312
Staff cost	388,663,464	51,213,594
	<u>1,267,370,072</u>	<u>628,793,843</u>

Staff cost

	<u>2018</u> LBP.	<u>From 1.4.2017</u> <u>till 31.12.2017</u> LBP.
Salaries and wages	286,356,165	36,384,565
Social dues	63,355,299	8,209,029
Other benefits	38,952,000	6,620,000
	<u>388,663,464</u>	<u>51,213,594</u>

10- CASH AND CASH EQUIVALENTS

	<u>31.12.2018</u> LBP.	<u>31.12.2017</u> LBP.
Cash	10,976,891	19,561,633
Banks - debit balances	1,181,592,517	857,276,082
Due to banks	-	(3,943,228)
	<u>1,192,569,408</u>	<u>872,894,487</u>

*
* *