

**Financial Statements and
Independent Auditor's Report**

Union for Human Dignity
As of 31 December 2021



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Independent auditor's report

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To the Management of
Union for Human Dignity

Opinion

We have audited the financial statements of Union for Human Dignity (the "Association"), which comprise the statement of financial position as of 31 December 2021, and the statement of activities, the statement of changes in net assets and the 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 give a true and fair view of the financial position of the Association as of 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with those ethical 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 Matters

We draw attention to Note 1 to the financial statements, which describes the business environment of Lebanon accompanied by COVID-19 and the application of IAS 29 – Financial Reporting in Hyperinflationary Economies.

We also draw attention to Note 2 to the financial statements which describes that the Association's assets and liabilities denominated in currencies other than USD are translated to USD as per the accounting policy on foreign currency transactions, at the official exchange rate prevailing at the end of the reporting period and that the actual realization these assets and settlement of these liabilities could be materially different due to the high volatility of the exchange rate of the USD in relation to the Lebanese Pound in the parallel market.

Our opinion is not modified in respect of these matters.

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 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, disclosing, as applicable, matters related to 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.

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 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 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.



8 February 2022

Beirut, Lebanon

Statement of financial position

In USD	Note	As of 31 December 2021	As of 31 December 2020
Assets			
Non-current assets			
Equipment	4	1,294	-
		<u>1,294</u>	<u>-</u>
Current assets			
Cash and cash equivalents	5	5,852	-
		<u>5,852</u>	<u>-</u>
Total assets		<u>7,146</u>	<u>-</u>
Net assets			
Accumulated results		(820)	-
		<u>(820)</u>	<u>-</u>
Liabilities			
Bank overdraft		1,960	-
Trade and other payables	6	6,006	-
		<u>7,966</u>	<u>-</u>
Total net assets and liabilities		<u>7,146</u>	<u>-</u>

The financial statements were approved on 8 February 2022 by:

UNION
For Human Dignity

Joseph Maalouf

President

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 14.

Statement of activities

In USD	Note	Year ended 31 December 2021	Year ended 31 December 2020
Income			
Contributions received	7	58,929	776
Total Income		58,929	776
General and administrative expenses	8	(40,249)	(776)
Personnel expenses	9	(19,193)	-
Net finance cost		(330)	-
Net difference of exchange		23	-
Total expenses		(59,749)	(776)
Net change in net assets for the year		(820)	-

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 14.

Statement of changes in net assets

In USD	Accumulated results	Total
as of 1 January 2020	-	-
Result for the year	-	-
as of 31 December 2020	-	-
as of 1 January 2021	-	-
Result for the year	(820)	-
as of 31 December 2021	(820)	-

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 14.

Statement of cash flows

In USD	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities		
Loss for the year	(820)	-
<i>Adjustments for:</i>		
Depreciation	49	-
Net finance cost	330	-
<i>Operating loss before working capital changes</i>	(441)	-
Change in trade and other payables	6,006	-
Change in bank overdraft	1,960	-
<i>Cash generated from operating activities</i>	7,525	-
Interest paid	(330)	-
<i>Net cash used in operating activities</i>	7,195	-
Cash flows from investing activities		
Acquisition of equipment	(1,343)	-
<i>Net cash used in investing activities</i>	(1,343)	-
Net increase in cash and bank balances	5,852	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	5,852	-

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 14.

Notes to the financial statements

1 Nature of operations and general information

Union for Human Dignity (the “Association”) was incorporated in Beirut Lebanon on 12 November 2019 under attestation no. 2057 and its amendment no. 2346 of 24 December 2019 and was registered at the Directorate General of Political and Refugees’ Affairs under no. 4319/4 on 30 January 2020.

The Association’s headquarters is located in Bsalm, Hay El Shmeis, real estate no. 470 plot number 4, block B, greet Building, fourth floor, district of Metn.

The Association’s operations began in the financial year 2021.

The Association’s purpose is listed below:

- Enhancing and protecting women’s rights and defending minors, juveniles and the disabled.
- Spreading awareness about psychological and mental health, and psychosocial support, especially through all means of communication and media, and in schools and universities.
- Developing the human resources and training the staff in Lebanon and abroad for the purpose of enhancing and increasing the service quality and the performance competence and keeping up with the requirements of the sustainable human development to serve the marginalized categories, notably women and children.
- Holding seminars and conferences and inviting non-governmental bodies and NGOs present inside and outside the Lebanese territory.
- Entering the prisons for the development of the prisoner on the psychological and mental aspects.
- Supporting and devoting the freedom of expression in the press, the media and the opinion.
- Carrying out the legal reform and enhancing the rule of law for protecting women and marginalized categories from all forms of discrimination and violence and controlling the extent of applying the laws related to the required draft laws in this regard.
- Enhancing the equity that relies on gender and balance in the power and control mechanisms, as well as the participation of men in the matter.
- Developing the capacities of women and men and working on changing the conduct for the prevention from violence that relies on gender and reducing its frequency.
- Conducting research and studies, in compliance with the gender analysis approach, setting and executing designs of projects and work plans or supervision and control of their execution, preparing and executing training and rehabilitation programs related to the object of the establishment.
- Supporting and coordinating with the civil society organizations and the public and private establishments existing on the basis of gender, networking and cooperating with the foundation of local, regional and international institutions operating in the frame of the establishment’s purposes.
- Organizing and executing awareness campaigns and advocacy, issuing information and advertising materials, developing educational materials and organizing conferences.
- Carrying out all works related directly or indirectly to the Association’s object and similar objects, and all relevant activities and any activity that might result therefrom, such as services and reports, etc., for both private and public sectors, local associations and non-governmental organizations present inside or outside the Lebanese territory.

Business environment

Lebanon has been witnessing since October 2019 a severe interconnected fiscal, monetary and economic crisis as well as a deep recession. Sovereign credit ratings have witnessed a series of downgrades to reach the default category. As a result, banks operating in Lebanon have imposed unofficial capital controls, restricted access to foreign currency, capital flows and free outflow of movement of funds. This have led to the emergence of a parallel market to the peg whereby the price to access foreign currencies has been increasing regularly. The economy has been contracting at an accelerating pace since October 2019, alongside with the COVID-19 pandemic leading to further deterioration of the economic environment.

COVID-19

In March 2020 the World Health Organization has classified the coronavirus, which had exploded in China in December 2019, as a pandemic. The developing situation with the virus may have some impact on the continuity or the volume of the operations of the Association. However, Management has not been aware of any cases of COVID-19 infection among its people and the outbreak has not had a significant impact to the Association's operations to date. Management will continue to monitor and assess the ongoing development and respond accordingly.

Application of IAS 29: Financial Reporting in Hyperinflationary Economies

Inflation in Lebanon stood at less than 10% per annum until the end of 2019, with a surge taking place as the annual inflation rate exceeded 66% in the first 9 months of 2020. The significant increase in the inflation rate persisted as it reached 144% by September 2021. Qualitative indicators following the deteriorating economic condition and currency controls support the conclusion that Lebanon should be listed as a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2021.

IAS 29 requires financial statements of an entity whose functional currency is the currency of a hyperinflationary economy to be restated into the current purchasing power at the end of the reporting period. IAS 29 is applicable for entities with the functional currency of the Lebanese pound for periods ending on or after 31 December 2021, and it should be applied as if the economy had always been hyperinflationary. As explained in Note 2.3 to the financial statement the Association's functional currency is the USD. Therefore, IAS 29 is not applicable on the Association's financial statements.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Currently, IFRSs do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRSs do not give guidance on how to treat transactions specific to not-for-profit sector, accounting policies have been based on the general principles of IFRSs, as detailed in the International Accounting Standards Board ("IASB") *The Conceptual Framework for Financial Reporting*.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

These financial statements are presented in United States Dollar, which is the Association's functional currency. All financial information presented in USD have been rounded to the nearest dollar.

Assets and liabilities dominated in currencies other than USD are translated to USD as per the accounting policy on foreign currency transactions, at the official exchange rate prevailing at the end of the reporting period. However, the actual realization and settlement of these assets and liabilities could be materially different.

2.4 Adoption of new and revised standards

In the current year the Association has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2021.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are applied for the first time in 2021, they did not have a material impact on the annual separate financial statements of the Association.

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2021

- COVID-19 Rent Related Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)

These amendments do not have a significant impact on the Association's separate Financial Statements

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2021

- COVID-19 Rent Related Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)

These amendments do not have a significant impact on the Association's separate Financial Statements

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Association

At the date of authorization of these separate financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Association.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Association.

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Deferred Tax related to Assets and Liabilities from a Single Transaction

These amendments do not have a significant impact on the Association 's financial statements.

3 Significant accounting policies

3.1 Foreign currencies transactions

In preparing the financial statements, transactions in currencies other than the presentation currency are recorded at the rates of exchange defined by the Central Bank of Lebanon prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Lebanon prevailing on the reporting date. Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date).

Exchange differences arising on the settlement and retranslation of monetary items, are recognized in the statement of activities.

It should be noted that the Ministry of Finance issued on 31 December 2020 the decision number 893 published in the Official Gazette on 7 January 2021. The decision requires the conversion of foreign currency to LBP using the actual exchange rates.

3.2 Equipment

Property and equipment held for use are stated in the separate statement of financial position at their cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the separate statement of profit or loss and other comprehensive income.

Subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the separate statement of profit or loss and other comprehensive income.

Depreciation is charged to the result for the year or is added to the cost of other assets on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful life is as follows:

Computer and office equipment	5 years
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3.3 Cash and cash equivalents

Cash and cash equivalents comprise of on-demand deposits at banks.

For the purpose of the statement of cash flows, cash equivalents are on-demand deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.4 Contributions

Contributions are recognized as income when all conditions of the agreements are met.

4 Equipment

In USD	Computer and Office Equipment	Total
<i>Cost</i>		
As of 1 January 2020	-	-
Additions	-	-
As of 31 December 2020	-	-
Additions	1,343	1,343
As of 31 December 2021	1,343	1,343
<i>Accumulated depreciation</i>		
As of 1 January 2020	-	-
Charged for the year	-	-
As of 31 December 2020	-	-
Charged for the year	(49)	(49)
As of 31 December 2021	(49)	(49)
<i>Carrying amount</i>		
As of 31 December 2020	-	-
As of 31 December 2021	1,294	1,294

5 Cash and cash equivalents

In USD	As of 31 December 2021	As of 31 December 2020
Cash at banks	5,852	-
	<u>5,852</u>	<u>-</u>

Bank balances in local Lebanese banks, as of 31 December 2021, amount to USD 5,852.

6 Trade and other payables

In USD	As of 31 December 2021	As of 31 December 2020
Due to National Social Security Fund	3,530	-
Wages payable	2,230	-
Taxes payable	246	-
	<u>6,006</u>	<u>-</u>

7 Contributions received

In USD	Year ended 31 December 2021	Year ended 31 December 2020
British Council	20,000	-
Joseph Maalouf	14,480	776
Himaya	14,449	-
Lebanon of Tomorrow	10,000	-
	<u>58,929</u>	<u>776</u>

8 General and administrative expenses

In USD	Year ended 31 December 2021	Year ended 31 December 2020
Professional fees	40,200	-
Depreciation	49	-
Establishment expenses	-	776
	<u>40,249</u>	<u>776</u>

9 Personnel expenses

In USD	Year ended 31 December 2021	Year ended 31 December 2020
Salaries and wages	14,440	-
Transportation allowance	1,656	-
Social Security contributions	3,097	-
	<u>19,193</u>	<u>-</u>

10 Comparative figures

Certain comparative figures might have been reclassified in order to comply with the basis of presentation adopted in the current year.