

*Final & Original Report*

**ABAY NILO AZUL  
INDEPENDENT AUDITOR'S REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Habtamu Tesfaye & Co.**  
Chartered Certified Accountants (UK)  
&  
Authorised Auditors



ሀብታሙ ተስፋዬ እና ጓደኞቹ  
ቢሮተር የተመሰከረላቸው የሊሳን ለሞሮች (ዩኒ)  
እና  
የተፈቀደላቸው አዲተሮች

Tel: (Off) +251 (0) 115 518 739, or +251 (0) 118 493 696 | (Fax) +251 (0) 115 549161 |  
(Mob) +251 (0) 911 227 475, or +251 911 308 552 | E-Mail: [habtamu@gmail.com](mailto:habtamu@gmail.com), or  
[habtco@ethionet.et](mailto:habtco@ethionet.et) | Website: <http://www.habtamutesfaye.com> | P.O.Box: 43033 | Addis Ababa /  
Ethiopia

**ABAY NILO AZUL  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 7 DECEMBER 2017**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>1</b> Audit Report	<b>1-2</b>
<b>2</b> Balance Sheet	<b>3</b>
<b>3</b> Statements of Income and Expenditure	<b>4</b>
<b>4</b> Notes to the Financial Statements	<b>5-7</b>
<b>5</b> Specific opinion on Article 16 of CSA Directive No. 8/2011	<b>Annex I</b>





**INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTS OF  
ABAY NILO AZUL**

**Qualified Opinion**

We have audited the financial statements of Covenant Developmental And Charity Organization (the Organization), which comprise the statement of financial position as at 31 December 2017, and the statement of Income and expenditures for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the financial effect of the matter stated in the basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies adopted by the management of the Organization.

**Basis for Qualified Opinion**

Regardless of the requirements of Charities and Societies Agency, donation income is not collected by raising cash receipt voucher by stating the source of income and related amount appropriately.

There exists a long outstanding debtor balance of Birr 402,280.32 remained unclear for more than one year for which the collectability of the balance is not assessed provision is not recorded in the accounts

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 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Policies and financial reporting provisions of the Charities and Societies Proclamation No. 621/2009, Council of Ministers Regulation Number 128/2009 and various implementation directives, issued by the Charities and Societies Agency (CSA), 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.

Tel: (Off) +251 (0) 115 51 8739, or +251 (0) 118 49 3696 | (Fax) +251 (0) 115 54 9161 |  
(Mob) +251 (0) 911 22 7475, or +251 911 30 8552 | E-Mail: [habtamu@protonmail.com](mailto:habtamu@protonmail.com), or [habtco@ethionet.et](mailto:habtco@ethionet.et)  
| Website: <http://www.habtamutesfaye.com> | P.O Box: 43033 | Addis Ababa / Ethiopia

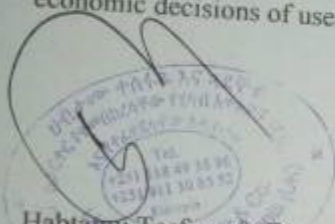
Member firm of Santa Fe Associates International: [www.santafe-associates.com](http://www.santafe-associates.com)

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.

Those charged with governance are responsible for overseeing the Organization'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.



Habtamu Tesfaye & Co.  
Chartered Certified Accountants (UK)  
& Authorized Auditors

Addis Ababa  
22 March 2018



ABAY NILO AZUL  
BALANCE SHEET  
AS AT 31 DECEMBER 2017

Currency: Ethiopian Birr

ASSETS	Notes		2016
<b>Current assets</b>			
Debitors	3	432,160.42	402,280.32
Cash at bank		<u>281,218.58</u>	<u>305,989.69</u>
<b>LIABILITIES</b>		713,379.00	<u>708,270.01</u>
<b>Current liabilities</b>			
Creditors	4	<u>(132,637.28)</u>	<u>(31,577.63)</u>
<b>Net current assets</b>		<u>580,741.72</u>	<u>676,692.38</u>
<b>REPRESENTED BY</b>			
Fund balance		<u>580,741.72</u>	<u>676,692.38</u>

*The notes forms an integral part of these financial statements*



ABAY NILO AZUL  
STATEMENT OF INCOME AND EXPENDITURES  
FOR THE YEAR ENDED 7 DECEMBER 2017

Currency: Ethiopian Birr

	Notes		2016
INCOME	5	4,045,068.89	4,541,202.81
EXPENDITURES			
Program costs	91% 6	3,747,801.14	3,729,515.58
Administrative costs	9% 7	393,218.41	642,235.80
Total expenditure		(4,141,019.55)	(4,371,751.38)
Excess of income over expenditure		(95,950.66)	169,451.43
Fund balance brought forward		676,692.38	578,326.11
Prior year adjustment		0.00	(71,085.16)
		676,692.38	507,240.95
Fund balance carried forward		580,741.72	676,692.38

The notes forms an integral part of these financial statements



**ABAY NILO AZUL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 7 DECEMBER 2017**

Currency: Ethiopian Birr

**1. ESTABLISHMENT**

Abay Nilo Azul is a Non Profit and Non Governmental Organization with its head office in Valencia, Spain and registered and licensed by FDRE Charities and Societies Agency as a foreign charity in accordance with charities proclamation No.621/2009 on November 22, 2012.

The organization operates with the following objectives:

- to improve infrastructure of Gaba Kemisa Medical Center
- to enable child birth assistance in the center
- to provide health and hygiene education
- to start campaign to prevent the spread of sexually transmitted diseases
- to reduce child and maternal death
- to prevent and control transmitted diseases

**2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted by the organization are stated below:-

- a) The financial statements have been prepared under historical cost convention.
- b ) The organization follows the Modified Cash Basis of Accounting. Hence, donation income is recognized when cash is received and expenditures are recorded when incurred.
- c ) The cost of fixed assets and stock items purchased are charged to expenditure accounts at the time of purchase regardless of consumption.
- d ) Foreign remittances are converted to Ethiopian Birr at the exchange rate prevailing on the date of receipt of the remittances.



**3. DEBTORS**

2016



**ABAY NILO AZUL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 7 DECEMBER 2017**

Currency: Ethiopian Birr

Project advance	147,022.62	147,091.64
Receivable from contractors	90,000.00	90,000.00
Staff receivable	195,137.80	165,188.68
	<u>432,160.42</u>	<u>402,280.32</u>

**4. CREDITORS**

		2016
Unpaid salary	49,876.19	0.00
Income tax payable	22,514.74	6,234.50
Pension contribution	29,513.35	11,255.63
Account payable	30,733.00	14,087.50
	<u>132,637.28</u>	<u>31,577.63</u>

**5. INCOME**

		2016
Foreign donation	4,041,068.89	4,541,202.81
Local donation	4,000.00	0.00
	<u>4,045,068.89</u>	<u>4,541,202.81</u>



**6. PROGRAM COSTS**

		2016
Salary for program staffs	498,625.38	531,987.48
Foods, cloths, sanitations and health support for children's in kangaroo project	1,824,907.61	1,749,980.65



**ABAY NILO AZUL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 7 DECEMBER 2017**

Currency: Ethiopian Birr

Cloths and blankets for women's in rehabilitation programmes	30,214.90	110,696.09
Provision of monthly health and nutrition support for family around Welmera Woreda in Gaba Kemisa Kebele	239,687.99	391,500.00
Sponsorship for two children's in autism center	48,249.24	61,200.00
Transportation and perdiem for project monitoring and survey activities	76,950.60	96,901.78
School materials and fuel for generator for Alternative Basic Education Programmes	36,925.43	32,717.66
Sponsorship for students to train in college	19,674.00	32,908.01
Chair and table for students in sponsorship programmes	85,934.00	30,189.79
Expansion of infrastructure in the public school of Bacho Welmera in Gaba Kemisa kebele	396,000.00	0.00
Construction of textile training center	360,440.00	442,568.01
Purchase of textile and machineries for training center	111,908.99	182,709.17
Sport materials for leisure health through sport program	18,283.00	66,156.94
	<u>3,747,801.14</u>	<u>3,729,515.58</u>

**7. ADMINISTRATIVE COSTS**

		2016
Salary and benefits for administrative staffs	228,785.69	369,530.95
Stationary and printing	28,005.23	47,198.83
Fuel and lubricant	12,287.00	1,800.00
Transportation and perdiem	40,927.83	74,259.90
Repair and maintenance	9,135.04	28,266.06
Office rent	16,000.00	15,200.00
Communication	8,077.34	20,870.86
License and registration	3,827.40	3,744.50
Security	0.00	39,350.00
Professional fee	10,000.00	28,800.00
Office furniture and equipments	30,363.90	0.00
Penalty	0.00	4,662.70
Miscellaneous	5,808.98	8,552.00
	<u>393,218.41</u>	<u>642,235.80</u>



## ANNEX 1

### **ABAY NILO AZUL SPECIFIC OPINION ON LEGAL AND REGULATORY REQUIREMENTS OF CHARITIES AND SOCIETIES AGENCY FOR THE YEAR ENDED 31 DECEMBER 2017**

Our opinion in this section is given based on the audit procedure we c applied in accordance with directive No. 8/2004 issued by Ethiopian Charities and Societies Agency to review compliance with Charities and Societies Proclamation No 621/2009.

#### **1. INCOME**

**In all material respects,**

- a) Income is not collected by raising cash receipt voucher by stating the source of income and related amount appropriately.

#### **2. EXPENDITURES**

**In all material respects,**

- a) Expenditures classification between program and administrative costs are made in accordance with the requirement of directives issued by charities and Societies Agency.
- b) Expenditures are recorded with original and appropriate supporting documents after appropriate authorization by responsible officials;
- c) Paid stamps were used on payment documents;

#### **3. FIXED ASSETS**

**In all material respects,**

- a) Fixed assets register is not maintained
- b) Fixed assets Identification numbers (tag numbers) were not given to fixed assets.
- c) Fixed assets count was not made on the balance sheet date.
- d) All fixed assets purchased are charged to income and expenditure at the time of purchase.

#### **4. CASH AND BANK BALANCES**

**In all material respects,**

- a) Separate ledger accounts have been maintained for bank accounts of the organization and the balance is reconciled with ledger balances.





ANNEX 1

**ABAY NILO AZUL**  
**SPECIFIC OPINION ON LEGAL AND REGULATORY REQUIREMENTS**  
**OF CHARITIES AND SOCIETIES AGENCY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**5. DEBTORS**

**In all material respects,**

- a) Outstanding debtor balances are disclosed with appropriate classifications.
- b) There exists a long outstanding debtor balance of Birr 402,280.32 remained unclear for more than one year for which the collectability of the balance is not assessed provision is not recorded in the accounts.

**6. CREDITORS**

**In all material respects,**

- c) Outstanding creditor balances are disclosed with appropriate classifications.
- d) Accounts payable balance of Birr 30,733 comprises a long outstanding creditor balance of Birr 14,087.50 and an advance payable account with a carrying balance of Birr 16,645.50 for which the nature of the balances are not identified.
- e) Even though employment income taxes and pension contributions are collected from employees salary, settlements to the tax office is not made on time.
- f) Withholding taxes were deducted from suppliers on purchases of goods and services above Birr 10,000 and 3,000 respectively and the collected amount is paid to tax authorities.



**Addis Ababa**

**28 March 2018**

**Habtamu Tesfaye & Co.**

*Chartered Certified Accountants (UK) &  
Authorized Auditors*