

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

OF

**MISGANA ORPHAN AND STREET CHILDREN
REHABILITATION ASSOCIATION**

AS AT AND FOR YEAR ENDED 31 DECEMBER 2012

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Ref HCA/048/14

**AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF
MISGANA ORPHAN AND STREET CHILDREN REHABILITATION ASSOCIATION
FOR THE YEAR ENDED 31 DECEMBER 2012**

Section One: Report on the Financial Statements

Report on the financial Statements

We have audited the accompanying financial statements of the Misgana Orphan and Street Children Association as of at 31 December 2012, and statement of activities for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and the annexed Misgana Orphan and Street Children Association Terms of Reference for Local Audits 2012. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditors considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Basis for Qualified Opinion

We have not received reply of direct confirmation of donated income from donors.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of Misgana Orphan and Street Children Association as at 31 December 2012 and of its financial performance, for the year then ended in accordance with the Generally Accepted Accounting Principles.

Section Two: Report on Other Legal and Regulatory Requirements

The opinion in this section is given based on the audit procedures we applied in accordance with guideline 8/2004 issued by the Ethiopian Charities and Societies Agency to review compliance with Charities and Societies proclamation number 621/2009;

1) Income:- Income:-

- a. Income is not collected by raising cash receipt vouchers and states the source and the amounts of income correctly. Moreover, we have not received reply of direct confirmation from donors.
- b. Income obtained from local and foreign sources are properly classified.
- c. Income is collected through legal means and by the person delegated for the purposes.

2) Expenditures :-

- a. Expenditures are accounted for when evidenced by legal and original invoices, relevant, reliable and sufficient for the purposes.
- b. Expenditures and purchases of goods and services are incurred as per the relevant regulations and authenticated by the officials of the organization.
- c. Operational and Administrative costs are properly separated. As is separated in the reported Statement of Income and Expenditure the operational costs represent 67% of the total expenditures and administrative cost is 33 % of the total expenditures.

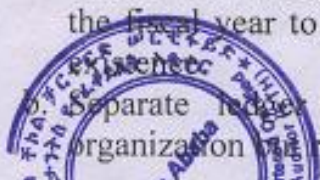
3) Property administration

- a. Some of purchases of properties are not received by raising Goods Receiving Note (GRN) and issued by raising issue vouchers.
- b. Fixed assets register maintained by the organization lacking information like identification number and supplier information.

4) Cash and bank balances

- a. Separate ledger accounts are maintained for cash on hand in the name of each cashier. However cash count is not conducted at certain intervals and at the end of the fiscal year to strengthen internal control over it and to ascertain its physical

Separate ledger accounts are maintained for each bank accounts of the organization but reconciliation has not been carried out monthly.



5) Debtors

- a. Subsidiary accounts are maintained for each debtor and are collectable in one year time.

6) Creditors

- a. Taxes are deducted and paid over to the tax authority within the time set for settlements.
- b. Creditors are reclassified into short and long term properly.

7) Compliances with the project agreements

- a. The Project agreement has been adhered to and the related Project Funds have been used exclusively for the purpose of the Projects in accordance with the project Agreements.

Except for the matters stated under the paragraphs 1(a),2(c) 3 ,and 4,in our opinion, the attached financial statements of Misgana Orphan and Street Children Association as at 31 December 2012 complies with Charities and Societies Proclamation number 621/2009 issued by the Ethiopian Charities and Societies Agency.

Haileyesus Checkol
Chartered Certified Accountants &
Authorized Auditors

Addis Ababa
August 10, 2014



**MISGANA ORPHAN AND STREET CHILDREN
REHABILITATION ASSOCIATION
BALANCE SHEET
AS AT 31 DECEMBER 2012**

Currency : Eth Birr

CURRENT ASSETS

Cash and bank balance

3

8,753.17

2011

13,974.31

REPRESENTED BY:

Fund Balance

8,753.17

13,974.31



**MISGANA ORPHAN AND STREET CHILDREN
REHABILITATION ASSOCIATION
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2012**

CURRENCY : ETH- BIRR

INCOME

Note

6 months 2011

Foreign	188,567.07	74,537.35
Local	1,175.86	2,065.00
	<u>189,742.93</u>	<u>76,602.35</u>

EXPENDITURES

Operational expenditures 67%

Salary and Benefit	10,000.00	5,200.00
Nutrition	75,210.35	31,043.80
School materials	32,140.39	973.00
Tutor class maintenance	3,793.50	4,514.80
Home visit	-	900.00
Documentation	2,205.20	3,271.00
Car rent	1,000.00	-
Rent	6,000.00	-
	<u>130,349.44</u>	<u>45,902.60</u>

Administrative expenditures 33%

Salary and Benefit	34,160.00	9,750.00
Utility	4,065.15	1,503.42
Stationery, printing and other supply	7,285.02	4,617.52
Per diem and transport	2,685.13	400.00
Sundry	410.00	141.00
Meeting	2,746.40	313.50
Fixed asset	12,262.93	-
Professional fee	1,000.00	-
	<u>64,614.63</u>	<u>16,725.44</u>

TOTAL EXPENDITURES

	<u>194,964.07</u>	<u>62,628.04</u>
Surplus(Defecit)	(5,221.14)	13,974.31
Fund balance brought forward	13,974.31	-
Fund balance carried forward	<u>8,753.17</u>	<u>13,974.31</u>



**MISGANA ORPHAN AND STREET CHILDREN REHABILITATION
ASSOCIATION
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

1 ESTABLISHMENT

Misgana Orphan and Street Children Rehabilitation Association is a non - political ,non - profit making volunteer indigeous humanitarian Organization which was registered in Charity and Society Ethiopia with Certificate No.2238 on March 29, 2011 .It works towards the benefit and welfare of orphans , destitute and children .

2 ACCOUNTING POLICY

The accounts have been prepared on a historical cost basis and principal accounting policies adopted and consistently followed by the association are stated below:

- a) Acquisition of fixed assets and other supplies are directly charged to expenditure account at the time of purchase.
- b) Foreign currencies are translated in to Birr at exchange rate prevailing on the transaction dates.
- The organization followed modified accrual basis in which Income is recorded when cash
- c) received and expenditures are recognized as incurred.
- d) Donation received in kind , if any, are not included in these accounts.

4) CASH

Cash in Hand
Cash at Bank

Currency Eth: Birr

	2011
7,174.13	9,906.23
1,579.04	4,068.08
<u>8,753.17</u>	<u>13,974.31</u>

