

**MALDIVIAN RED CRESCENT**

**AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

KR/DN

## **Independent auditor's report to the Members of Maldivian Red Crescent**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Maldivian Red Crescent ("the Society"), which comprise the statement of financial position as at 31 December 2019, and the statement of income & expenditure, statement of changes in fund 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 Society financial statements give a true and fair view of the financial position of the Society as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles ("GAAP") and the International Financial Reporting Standards for Small and Medium-sized Entities ("IFRS for SMEs").

#### **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 Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditors' report and for no other purpose. Therefore, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Responsibilities of governing board for the financial statements**

Governing board is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles and the IFRS for SMEs, and for such internal control as governing board 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, governing board is responsible for assessing the Society'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 governing board either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

## 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 Society's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by governing board.
- ▶ Conclude on the appropriateness of governing board'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 Society'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 Society 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 the Governing body 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.



14 October 2020  
Male'

**Maldivian Red Crescent**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**Year ended 31 December 2019**

	Note	2019 MVR	2018 MVR
Income			
Subscription income	3	115,430	106,860
Donation income	4	5,105,760	11,745,445
Other income	5	1,957,139	1,175,838
		<u>7,178,329</u>	<u>13,028,143</u>
Less: Expenditure			
Personnel costs	6	3,133,609	3,459,874
Workshops and training		1,783,576	1,435,990
Cost of goods distribution		9,196	1,132,335
Travelling expenses		831,989	406,667
Information and public relations		374,156	806,534
Office maintenance		758,229	830,649
Consultancy fees		244,168	145,829
Communication costs		169,250	185,024
Professional fees		41,197	158,545
Office supplies		183,404	108,134
Depreciation		2,181,361	2,077,034
Amortisation		10,741	35,572
Finance charges		14,552	171,914
Other expenditure		364,097	122,184
WIP Written off		1,518,000	-
Inventory Written off		1,450	-
		<u>11,618,975</u>	<u>11,076,285</u>
(Deficit) / surplus for the year		<u>(4,440,646)</u>	<u>1,951,858</u>


The accounting policies and notes on pages 7 through 13 form an integral part of the financial statements.


**Maldivian Red Crescent**  
**STATEMENT OF FINANCIAL POSITION**  
**Year ended 31 December 2019**


	Note	2019 MVR	2018 MVR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	9,775,400	11,866,634
Work in progress	7.1	-	1,518,000
Intangible asset	8	21,336	32,077
		<b>9,796,736</b>	<b>13,416,711</b>
<b>Current assets</b>			
Inventories	9	787,522	798,168
Receivables	10	1,165,085	650,716
Cash and cash equivalents	11	3,281,676	2,192,972
		<b>5,234,283</b>	<b>3,641,856</b>
<b>Total assets</b>		<b>15,031,019</b>	<b>17,058,567</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Donation fund	12	86,090	86,090
Accumulated funds		11,094,413	15,535,059
MRC emergency response fund	13	345,343	142,774
<b>Total funds</b>		<b>11,525,846</b>	<b>15,763,923</b>
<b>Current Liabilities</b>			
Project advances from donors	14	2,747,915	555,518
Accruals and other payables	15	757,258	739,126
<b>Total current liabilities</b>		<b>3,505,173</b>	<b>1,294,644</b>
<b>Total funds and liabilities</b>		<b>15,031,019</b>	<b>17,058,567</b>

The accounting policies and notes on pages 7 through 13 form an integral part of the financial statements.

These financial statements were approved by the Governing Board and signing on its behalf by;

  
 .....  
 Ali Nashid  
 President

  
 .....  
 Fathimath Himya Abdul Majeed  
 Secretary General

  
 .....  
 Fathimath Rukshana  
 Treasurer

14 October 2020  
 Male'

**Maldivian Red Crescent**  
**STATEMENT OF CHANGES IN FUNDS**  
**Year ended 31 December 2019**

	Donation Fund	Accumulated Funds	MRC Emergency Fund	Total
	MVR	MVR	MVR	MVR
As at 01 January 2018	86,090	13,583,201	172,343	13,841,634
Income over expenditure for the year	-	1,951,858	-	1,951,858
Utilized for the year (Note 13)	-	-	(29,569)	(29,569)
As at 31 December 2018	86,090	15,535,059	142,774	15,763,923
Income over expenditure for the year	-	(4,440,646)	-	(4,440,646)
Fund received	-	-	261,873	261,873
Utilized for the year (Note 13)	-	-	(59,304)	(59,304)
As at 31 December 2019	86,090	11,094,413	345,343	11,525,846

The accounting policies and notes on pages 7 through 13 form an integral part of the financial statements.

**Maldivian Red Crescent**  
**STATEMENT OF CASH FLOWS**  
**Year ended 31 December 2019**

	Note	2019 MVR	2018 MVR
Cash flows from operating activities			
Income over expenditure		(4,440,646)	1,951,858
<i>Adjustments for:</i>			
Depreciation	7	2,181,361	2,077,034
Amortisation of intangible asset	8	10,741	35,572
Loss on disposal of property, plant and equipment		-	54,400
Interest income	5	(1,797)	(3,058)
WIP Written off		1,518,000	-
Inventory Written off		1,450	-
Operating profit before working capital changes		(730,890)	4,115,806
Changes in working capital			
Decrease/ (Increase) in inventories		9,196	(372,072)
Increase/ (decrease) in project advances from donors		2,192,397	(2,092,246)
Increase in receivables		(514,369)	(239,997)
(Decrease) / Increase in accruals and payables		18,132	168,728
Net cash from operating activities		974,465	1,580,219
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(90,127)	(2,945,094)
Proceeds from disposal of property, plant and equipment		-	675
Interest income received		1,797	3,058
Net cash used in investment activities		(88,330)	(2,941,361)
Cash flows from financing activities			
Contributions received / (paid) from MRC Emergency response fund		202,569	(29,569)
Net Cash Used in Financing Activities		202,569	(29,569)
Net Increase / (decrease) in Cash and Cash Equivalents		1,088,704	(1,390,711)
Cash and cash equivalents at beginning of the year		2,192,972	3,583,683
Cash and cash equivalents at end of the year		<u>3,281,676</u>	<u>2,192,972</u>

The accounting policies and notes on pages 7 through 13 form an integral part of the financial statements.

**Maldivian Red Crescent**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2019**

**1. General information**

Maldivian Red Crescent (the "Society") was formed on 16<sup>th</sup> August 2009 in the Republic of Maldives in accordance with the Maldivian Red Crescent Law No. of 2009. The registered office of the Society is situated at 2<sup>nd</sup> floor, plot no. 11493, Hithigas Magu, Hulhumale', 23000, Republic of Maldives.

**Principal activities and nature of operations**

The Society is engaged in providing humanitarian aid to civil and military victims and also responds to humanitarian emergencies in the Republic of Maldives.

**2. Basis of preparation**

**2.1 Basis of measurement**

The financial statements are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles and the International Financial Reporting Standards for Small and Medium-sized Entities.

The Company initially adopted International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) from 01 January 2019 but it does not have a material effect on the Company's financial statements and therefore, these financial statements have not been restated to reflect the requirements of IFRS for SMEs.

No adjustments are made for inflationary factors affecting these accounts.

**2.2 Comparative information**

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

**2.2 Summary of other significant accounting policies**

**Income**

- (a) Subscription income - Subscription fee of the members are accounted on an accrual basis.
- (b) Donation income - Donation income has been recognised to income when funds being utilized to intended project or activity. Until received money/goods shall recognise under project advances.

**Expenditure recognition**

All expense incurred in the running of the society and in maintaining the capital asset in a state of efficiency has been charged to Statement of income and expenditure for the year.

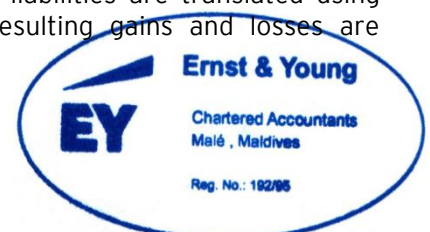
Expense acquiring expanding or improving asset of a permanent nature by means of which to carry on the society or for the purpose of increasing the utilization capacity of the society has been treated as capital expense.

**Taxation**

The society is exempt from income tax under section 15(a) 3 to the Business Profit Tax Act No. 5 of 2011.

**Conversion of foreign currencies**

All foreign currency transactions are converted to Maldivian Rufiyaa, which is the reporting currency at the rates of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are retranslated to Maldivian Rufiyaa at the rate of exchange ruling at the Balance Sheet date. Non-monetary assets and liabilities are translated using exchange rates which existed when values were determined. The resulting gains and losses are accounted for in the Income and Expenditure Statement.





**Maldivian Red Crescent**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2019**

**Property, plant and equipment**

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met.

The cost of the self-constructed assets includes the cost of materials, direct labour cost and appropriate proportion of production overheads. The cost of property, plant and equipment acquired by the company includes cost of acquisition together with any incidental expenses incurred in bringing the assets to its working condition for the intended use.

When a major inspection of plant and machinery is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are met.

Depreciation on property plant and equipment of the company is charged on a straight-line basis to write off the cost over the estimated useful life of the assets as follows:

Furniture and fittings	10%
Electrical Fittings	10%
Office Equipment	25%
Computer Equipment	33.33%
Motor Vehicles	25%
Building	16.66%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

**Inventories**

Inventories are valued at the lower of cost or estimated net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and/ or cost of conversion from their existing state to salable condition.

The cost of each category of inventory is determined at actual cost on FIFO basis.

**Receivables**

Receivables are stated at the amounts that they are estimated to realize.

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise of cash at banks and cash in hand.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash flow statement is prepared in "indirect method".

**Impairment of assets**

The carrying amounts of the company's assets, other than inventories, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflects current market assessments of the time value of money and the risks specific to the assets.

**Maldivian Red Crescent**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2019**

**Impairment of assets (Continue...)**

If there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years.

**Funds**

This fund was established by utilizing the proceeds from commercial first aid Programme conducted by volunteers. Funds should be recognized as an income when funds being utilized to activity or project.

**MRC Emergency respond fund**

This fund was established by using funds received from fund raising activities conducted by employees of the organization. The fund has been established for the use of responding emergency situations that could arise such as natural disasters. Funds should be recognized as an income when funds being utilized to intended activity.

**Liabilities**

Liabilities classified as current liabilities in the statement of financial position are those, which fall due for payment on demand or within one year from the reporting period. All known liabilities have been accounted for in preparing the financial statements.

**Maldivian Red Crescent**  
**NOTES TO THE FINANCIAL STATEMENT**  
**Year ended 31 December 2019**

	2019 MVR	2018 MVR
3 Subscription income		
Individual membership fees	115,430	106,860
Corporate Membership Fees	-	-
	<u>115,430</u>	<u>106,860</u>
4 Donation income		
International Federation of Red Cross and Crescent Society	480,206	2,290,603
Canadian Red Cross Society	-	684,447
International Committee of the Red Cross	2,606,194	4,117,566
Singapore Red Cross	610,749	-
Other	1,027,662	4,476,559
Universal Foundation	116,250	176,270
UNICEF	264,700	-
	<u>5,105,760</u>	<u>11,745,445</u>
5 Other income		
Commercial first aid income	1,232,996	527,071
Project income	-	33,986
Rental income	528,000	489,097
Interest income	1,797	3,058
Donation box collections	-	25,092
Patient transport and support service	24,450	82,100
Sundry income	169,896	15,434
	<u>1,957,139</u>	<u>1,175,838</u>
6 Personnel costs		
Salaries and wages	2,811,413	3,122,758
Staff allowances	129,198	118,068
Contributions for defined contribution plan	192,999	219,048
	<u>3,133,609</u>	<u>3,459,874</u>

**Maldivian Red Crescent**  
**NOTES TO THE FINANCIAL STATEMENT**  
**Year ended 31 December 2019**

**7 Property, plant and equipment**

Cost	Balance as at 01.01.2019 MVR	Additions during the year MVR	Disposals during the year MVR	Balance as at 31.12.2019 MVR
Freehold land	3,509,690	-	-	3,509,690
Buildings	7,110,085	-	-	7,110,085
Furniture and fittings	654,164	53,227	-	707,391
Office equipment	936,635	-	-	936,635
Computer equipment	2,803,395	19,290	-	2,822,685
Motor vehicle	2,955,300	17,610	-	2,972,910
Electrical fittings	269,394	-	-	269,394
Total Value of depreciable assets	18,238,663	90,127	-	18,328,790
Depreciations	Balance as at 01.01.2019 MVR	Charged for the year year MVR	Disposals during the year MVR	Balance as at 31.12.2019 MVR
Buildings	1,600,214	1,182,084	-	2,782,298
Furniture and fittings	287,027	69,332	-	356,359
Office equipment	597,002	107,682	-	704,684
Computer equipment	1,573,412	545,359	-	2,118,771
Motor vehicle	2,197,113	249,964	-	2,447,077
Electrical fittings	117,261	26,939	-	144,200
	6,372,029	2,181,361	-	8,553,390
Net book value	11,866,634			9,775,400

**7.1 In the course of construction**

	Balance as at 01.01.2019 MVR	Additions during the year MVR	Written off during the year MVR	Balance as at 31.12.2019 MVR
Building work in progress	1,518,000	-	(1,518,000)	-

It was decided by the Governing Board on 09 August 2020, to write-off the WIP inventory asset amounting to MVR 1,518,000/- in the books of MRC as at 31.12.2019.

This item in the inventory is the cost of the design of the 7 storey building of MRC HQ building completed by Design Consortium Company, initiated and completed in 2015 with the support of IFRC.

**Maldivian Red Crescent**  
**NOTES TO THE FINANCIAL STATEMENT**  
**Year ended 31 December 2019**

8	Intangible asset	2019 MVR	2018 MVR
	Cost		
	As at 1st January	407,288	375,064
	Additions during the year	-	32,224.00
	As at 31st December	407,288	407,288
	Accumulated Amortisation		
	As at 1st January	375,211	339,639
	Amortisation for the year	10,741	35,572
	As at 31st December	385,952	375,211
	Net book value as at 31 December	21,336	32,077

8.1 Intangible Assets include software purchased by the Society.

9	Inventories		
	PR Materials	455,216	458,277
	First Aid Kits	76,625	84,154
	Humanitarian Aid	197,717	197,717
	Promotion Materials	57,965	58,020
		787,522	798,168

10	Receivables		
	Advances	321,029	88,589
	Security Deposit	50,000	-
	Fund receivable-International Federation of Red Cross and Red Crescent Societies (IFRC)	-	175,618
	Fund receivable-International Committee of Red Cross (ICRC)	-	148,418
	Other receivables	794,056	238,091
		1,165,085	650,716

11	Cash and cash equivalents		
	Cash in hand	14,864	38,805
	Balances with banks	3,266,812	2,154,167
	Cash and cash equivalents in statement of cash flows	3,281,676	2,192,972

12 Donation funds

This fund was established by utilizing the proceeds from commercial first aid programs conducted by volunteers on 14 July 2009.

13 MRC emergency response fund

This fund was established by using funds received from fund raising activities conducted by employees of the organization during the previous years. The fund has been established for the use of responding emergency situations that could arise due to disasters and emergency situations.

**Maldivian Red Crescent**  
**NOTES TO THE FINANCIAL STATEMENT**  
**Year ended 31 December 2019**

14	Project advances from donors	2019 MVR	2018 MVR
	International Federation of Red Cross and Red Crescent Societies (IFRC)	1,863,459	-
	UNDP	450,000	-
	Universal Foundation	123,751	31,454
	UNICEF Project	-	158,840
	Empress Shoken Fund	269,453	300,815
	Local donation	41,253	64,409
		<u>2,747,915</u>	<u>555,518</u>
15	Accruals and other payables		
	Other payables	168,772	177,093
	Accrued expenses	588,486	562,033
		<u>757,258</u>	<u>739,126</u>

- 16 Capital commitments and contingent liabilities  
The Society had no significant capital commitments or contingent liabilities as at 31 December 2019.

- 17 Events occurring after the reporting period  
The COVID-19 pandemic that has been spreading in the recent months and has impacted the Maldivian and global economy. The possible impact of this event on the Society and these financial statements for the year ended 31 December 2019 cannot be assessed due to many uncertainties  
Other than the above, there have been no material events occurring after the reporting period, that require adjustments to or disclosure in the financial statements.