

MUMIAS KIDS CENTRE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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ORGANISATION INFORMATION

TYPE OF ORGANIZATION : Non-Governmental Organization

BOARD OF DIRECTORS : Elizabeth Mutimba Wahl - Chairperson
: Mercy Zawadi - Secretary
: Michael Andreas Merkt - Treasurer

REGISTERED OFFICE : Mumias - Musanda Road
: Plot No. 3338
: P.O. Box 371 - 50102
: MUMIAS

AUDITORS : KHOYA AND COMPANY
: Certified Public Accountants
: P.O. Box , 6430 - 40100
: KISUMU

PRINCIPAL BANKERS : Equity Bank
: MUMIAS

BOARD MEMBERS' REPORT AND CERTIFICATE.

The board of directors submit their report and the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the organisation.

PRINCIPAL ACTIVITIES

- : To provide home and shelter for the orphaned children
- : To provide food and clothing for the orphaned children
- : To provide educational assistance
- : To provide spiritual nourishment to the children aiming to transform their lives.

RESULTS

The results of the organisation for the year ended 31 December 2016 are set out in the combined income and expenditure statement on page 7 and project income and expenditure statements on pages 8 to 17.

BOARD MEMBERS

The names of the directors who held office during the year to the date of this report are shown on page 1.

AUDITORS

KHOYA and Company were appointed during the year and have indicated their willingness to continue in office.

BY ORDER OF THE BOARD

_____ **CHAIRPERSON**

KISUMU

_____ **2018**

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

Board members are required to prepare financial statements which give a true and fair view of the state of affairs of the organisation as at the end of the financial year and of the operating results for that year. The board members should also ensure that the organisation maintains proper accounting records which disclose with reasonable accuracy the financial position of the organisation. Board members are also responsible for safeguarding the assets of the organisation.

The board accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, consistent with previous years and in conformity with International Financial Reporting Standards. The board members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the organisation as at 31 December 2017 and of its operating results for the year then ended. The board members further confirm the accuracy and completeness of the accounting records maintained by the organisation which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

Nothing has come to the attention of the board members to indicate that the organisation will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board members on _____ 2018 and signed on its behalf by:

CHAIRPERSON

SECRETARY

TREASURER

Khoya and Co. Certified Public Accountants (K)

Awori House 1st Floor Door 43

P.O. BOX 6430 - 40103,

Tel: 057-2026210

Bank street

KISUMU

Mob: 0722-328769

Date: 4th March, 2018

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MUMIAS KIDS CENTRE (MKC)

Report on the financial statements

We have audited the accompanying financial statements of **Mumias Kids Centre (MKC)** set out on pages 5 to 17, which comprise the statement of financial position as at 31 December 2017, the income and expenditure statement and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board Member's responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 independent opinion on these financial statements based on our audit. 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 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor 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.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Mumias Kids Centre (MKC) as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Certified Public Accountants

KISUMU

2018

STATEMENT OF FINANCIAL POSITION

	Notes	2017 Shs	2016 Shs
Non-current assets			
Assets	1	<u>18,186,272</u>	<u>18,414,318</u>
		<u>18,186,272</u>	<u>18,414,318</u>
Current assets			
Cash and cash equivalents	2	<u>382,571</u>	<u>134,783</u>
		<u>382,571</u>	<u>134,783</u>
Current liabilities			
Trade and other payables	3	<u>150,621</u>	<u>150,621</u>
		<u>150,621</u>	<u>150,621</u>
Net current assets		<u>231,950</u>	<u>(15,838)</u>
		<u>18,418,222</u>	<u>18,398,480</u>
Represented by:			
Funds			
Accumulated fund		17,744,471	17,724,729
General fund		<u>673,751</u>	<u>673,751</u>
		<u>18,418,222</u>	<u>18,398,480</u>
		<u>18,418,222</u>	<u>18,398,480</u>

The financial statements on pages 5 to 17 were authorized for issue by the board of directors on

_____ 2018 and were signed on its behalf by:

_____ CHAIRPERSON

_____ SECRETARY

_____ TREASURER

The accounting policies on pages 9 to 11 and the notes on pages 12 to 16 form an integral part of these financial statements.

Report of the independent auditors - page 4.

INCOME AND EXPENDITURE STATEMENT (Consolidated)

	Notes	Actual 2017 Shs	Budget 2017 Shs	Actual 2016 Shs
Income				
Grants	4	11,505,984	10,590,202	11,099,892
Other Income	5	-	-	-
		<u>11,505,984</u>	<u>10,590,202</u>	<u>11,099,892</u>
Expenditure				
Home Based Care Support	13 (a)	(4,198,754)	(4,020,000)	(3,947,939)
Education Support	13 (b)	(725,666)	(385,000)	(565,768)
Farm Expenses	13 (c)	(39,219)	-	(50,105)
Capital Expenditure	13 (d)	-	-	(28,995)
Personnel Costs	14	(4,216,713)	(3,783,797)	(4,419,647)
Administrative Costs	15	(2,058,869)	(1,349,050)	(2,216,294)
Financial Costs	16	(18,975)	-	(21,175)
Depreciation		(228,046)	-	(289,201)
Total expenditure		<u>(11,486,242)</u>	<u>(9,537,847)</u>	<u>(11,539,124)</u>
Surplus / (Deficit) for the year		19,742	-	(439,232)
Add: Depreciation not involving movement of funds		<u>228,046</u>	-	<u>289,201</u>
		247,788	-	(150,031)
Balance brought forward as at 1st January 2017		134,783	-	284,814
Surplus carried forward as at 31st December 2017		<u>382,571</u>	-	<u>134,783</u>

The accounting policies on pages 9 to 11 and the notes on pages 12 to 16 form an integral part of these financial statements.

Report of the independent auditors - page 4.

STATEMENT OF CHANGES IN EQUITY

	General fund	Accumulated fund	Total
As start of 2016	673,751	18,163,961	18,837,712
Surplus/ (Deficit) for the year	-	(439,232)	(439,232)
At end of 2016	<u>673,751</u>	<u>17,724,729</u>	<u>18,398,480</u>
As start of 2017	673,751	17,724,729	18,398,480
Surplus for the year	-	19,742	19,742
At end of 2017	<u>673,751</u>	<u>17,744,471</u>	<u>18,418,222</u>

The accounting policies on pages 9 to 11 and the notes on pages 12 to 16 form an integral part of these financial statements.

Report of the independent auditors - page 4.

STATEMENT OF CASH FLOWS

	Notes	2017 Shs	2016 Shs
Cash flow (used in) operating activities			
Cash (used in)/generated from operations	6	<u>247,788</u>	<u>(121,035)</u>
Net cash (used in)/generated from in operations		<u>247,788</u>	<u>(121,035)</u>
Investing activities			
Capital expenditure for the year	1	<u>-</u>	<u>(28,995)</u>
Net cash (used in) investing activities		<u>-</u>	<u>(28,995)</u>
Financing activities			
Net cash from/(used in) financing activities		<u>-</u>	<u>-</u>
(Decrease)/increase in cash and cash equivalents		<u>247,788</u>	<u>(150,030)</u>
Movement in cash and cash equivalents			
At start of year		134,783	284,815
(Decrease)/increase		<u>247,788</u>	<u>(150,030)</u>
At end of year	2	<u>382,571</u>	<u>134,783</u>

The accounting policies on pages 9 to 11 and the notes on pages 12 to 16 form an integral part of these financial statements.

Report of the independent auditors - page 4.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements are prepared under the historical cost convention and are in compliance with International Financial Reporting Standards.

There have been no new Standards, Amendments and Interpretations relevant to the organisation that have been adopted in the year ending 31 December 2010.

The following standard has been issued and is mandatory for the organisation's periods beginning on or after 1 January 2013 and is expected to be relevant to the organisation:

- International Financial Reporting Standard (IFRS 9) on 'Financial Instruments: Classification and Measurement' - The standard was issued in November 2009 and will replace the areas in International Accounting Standard 39 (IAS 39) that relate to classification and measurement of financial assets. Adoption is mandatory from 1 January 2013 although early adoption is permissible.
- IAS 7 on 'Cash flow Statement' (effective on or after 1 January 2011). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. It is not expected to have a material impact on the organisation's financial statements.

b) Revenue recognition

Revenue comprises grants received and expended during the year. Unexpended portion of grant is deferred.

c) Assets

All assets are initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the organisation and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income and expenditure statement during the financial period in which they are incurred.

Depreciation on assets is calculated on the reducing balance basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Land & Building	0
Equipment	12.5
Computers and copiers	30
Furniture and fittings	12.5

Depreciation charge on donated assets is charged against deferred income relating to capital expenditure.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Assets (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining (deficit)/surplus for the year.

d) Financial instrument

Financial assets

The organisation's financial assets which include cash and bank balances, unquoted shares and trade and other receivables fall into the following category:

- **Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the income and expenditure statement.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the organisation commits to purchase or sell the asset.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Impairment losses are taken into account for determining operating surplus.

Financial liabilities

The organisation's financial liabilities which include trade and other payables and borrowings fall into the following category:

Financial liabilities measured at amortised cost: These are initially measured at fair value and subsequently measured at amortised cost.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the income and expenditure statement under finance costs.

All financial liabilities are classified as current liabilities unless the organisation has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Financial liabilities are derecognised when, and only when, the organisation's obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks.

f) Taxation

The organisation is exempted from corporation tax.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Retirement benefit obligations

The organisation and its employees also contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The organisation's contributions to the defined contribution scheme are charged to the income and expenditure statement in the year to which they relate.

i) Accounting for leases

The company as a lessee

Leases of property and equipment, where the company assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at cost. Each lease payment is allocated between the liability and finance charges. The interest element is charged to the statement of comprehensive income over the lease period and is included under finance costs. Such property and equipment is depreciated over its useful life.

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

j) Deferred income

Deferred income is recognized for all donations of capital in nature received by the organisation against property, plant and equipment. The depreciation charge relating to these assets is charged against the deferred income.

k) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS

1. Assets

Year ended 31 December 2017

	Land & Building Shs	Motor Vehicle Shs	Computers & printers Shs	Furniture & fixtures Shs	Total Shs
Cost					
At start of year	17,181,824	1,779,450	85,813	1,067,979	20,115,066
Additions	-	-	-	-	-
At end of year	<u>17,181,824</u>	<u>1,779,450</u>	<u>85,813</u>	<u>1,067,979</u>	<u>20,115,066</u>
Depreciation					
At start of year	-	1,216,421	65,209	419,118	1,700,748
Charge for year	-	<u>140,757</u>	<u>6,181</u>	<u>81,108</u>	<u>228,046</u>
At end of year	-	<u>1,357,178</u>	<u>71,390</u>	<u>500,226</u>	<u>1,928,794</u>
Net book value	<u>17,181,824</u>	<u>422,272</u>	<u>14,423</u>	<u>567,753</u>	<u>18,186,272</u>

Year ended 31 December 2016

	Land & Building Shs	Motor Vehicle Shs	Computers & printers Shs	Furniture & fixtures Shs	Total Shs
Cost					
At start of year	17,181,824	1,779,450	85,813	1,038,984	20,086,071
Additions	-	-	-	<u>28,995</u>	<u>28,995</u>
At end of year	<u>17,181,824</u>	<u>1,779,450</u>	<u>85,813</u>	<u>1,067,979</u>	<u>20,115,066</u>
Depreciation					
At start of year	-	1,028,745	56,379	326,423	1,411,547
Charge for year	-	<u>187,676</u>	<u>8,830</u>	<u>92,695</u>	<u>289,201</u>
At end of year	-	<u>1,216,421</u>	<u>65,209</u>	<u>419,118</u>	<u>1,700,748</u>
Net book value	<u>17,181,824</u>	<u>563,029</u>	<u>20,604</u>	<u>648,861</u>	<u>18,414,318</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Cash and cash equivalents	2017 Shs	2016 Shs
Equity Bank A/c No. 0680297283662	302,143	122,371
Cash balances	<u>80,428</u>	<u>12,412</u>
	<u>382,571</u>	<u>134,783</u>

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the above.

The organisation is not exposed to credit risk on cash and bank balances as these are held with sound financial institutions.

The carrying amounts of the organisation's cash and cash equivalents are denominated in the following currencies:

Kenya Shillings	<u>382,571</u>	<u>134,783</u>
	<u>382,571</u>	<u>134,783</u>

3. Trade and other payables

Current		
NSSF	23,476	9,726
NHIF	7,950	5,950
PAYE	2,830	4,982
Khoya & Company	115,000	110,000
Other payables	<u>1,365</u>	<u>19,963</u>
	<u>150,621</u>	<u>150,621</u>

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

The carrying amount of the organisation's trade and other payables are denominated in Kenya Shillings.

The maturity analysis of trade and other payables is within 3 months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Grants

	2017	2016
	Shs	Shs
Restricted Grants		
Mumias Kids Centre Association - Switzerland	11,505,984	11,099,892
	<u>11,505,984</u>	<u>11,099,892</u>

5. Other income

Bank interest	-	-
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Cash (used in)/generated from operations	2017 Shs	2016 Shs
Reconciliation of (deficit)/surplus from operations to cash (used in)/generated from operations:		
Surplus from operations	Page 7 19,742	(439,232)
Adjustments for:		
Depreciation of property, plant and equipment (Note 1)	228,046	289,201
Changes in working capital:		
- trade and other payables	-	28,996
	<u>247,788</u>	<u>(121,035)</u>
Cash (used in)/generated from operations	<u>247,788</u>	<u>(121,035)</u>

7. Risk management objectives and policies

Financial risk management

The organisation's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The organisation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the club's financial performance.

Risk management is carried out by the management committee and in close collaboration with the directors. The management committee identifies, evaluates and mitigates financial risks in close co-operation with various departmental heads.

a) **Market risk**

- *Foreign exchange risk*

The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the foreign currency. The risk arises from future transactions, assets and liabilities in the statement of financial position. As at the reporting date, there were no material foreign currency balances.

b) **Credit risk**

Credit risk arises from cash and cash equivalents and trade and other receivables.

does not expect any losses from non-performance by these counterparties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Risk management objectives and policies (continued)

b) Credit risk (continued)

None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations as they fall due. The organization ensures its inflows and outflows are matched sufficiently to minimize its exposure on liquidity risk.

Notes 5 and 6 disclose the maturity analysis of trade and other payables and borrowings and respectively.

9 Fund management

The organization's objectives when managing fund are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide benefits for the stakeholders; and
- to maintain a strong asset base to support the development of project.

To manage the funds, the organization runs on annual budgets approved by the board of directors in conjunction with the respective project donors.

10. Registration

The organisation is registered in Kenya under section 10 of the Non-Governmental Organizations Co-ordination Act (1995) vide certificate No. OP. 218/051/2009/0531/6135.

11. Exemption certificate

The organization obtained an exemption certificate number 20130705/2123 from Kenya Revenue Authority for a period of 5 years commencing 05/07/2013 to 05/07/2018.

12. Presentation currency

These financial statements are prepared in Kenya Shillings.



SCHEDULE OF EXPENDITURE

13. PROJECT COSTS	Actual 2017 Shs	Budget 2017 Shs	Actual 2016 Shs
a) Home Based Care Support			
Food & Other consumables	3,205,345	2,442,000	2,787,092
Clothing & Beddings	155,355	250,000	138,802
House Goods	415,987	950,000	417,475
Fuel (Charcoal & gas)	116,160	78,000	76,950
Medical costs	305,907	300,000	527,620
	<u>4,198,754</u>	<u>4,020,000</u>	<u>3,947,939</u>
b) Education Support			
School & Exam fee	213,007	285,000	155,303
School uniforms & supplies	512,659	100,000	410,465
	<u>725,666</u>	<u>385,000</u>	<u>565,768</u>
c) Farm Expenses			
Ploughing & planting costs	39,219	-	50,105
	<u>39,219</u>	<u>-</u>	<u>50,105</u>
d) Capital Expenditure			
Furniture, fixtures & equipment	-	-	28,995
	<u>-</u>	<u>-</u>	<u>28,995</u>
TOTAL PROJECT COSTS	<u>4,963,639</u>	<u>4,405,000</u>	<u>4,592,807</u>
14. PERSONNEL COSTS			
Salaries & wages	2,887,902	3,025,500	3,168,497
Security charges	901,330	758,297	734,845
National Social Security Fund (NSSF)	239,590	-	289,952
National Hospital Insurance Fund (NHIF)	145,450	-	162,000
Pay As You Earn (PAYE)	42,441	-	64,353
	<u>4,216,713</u>	<u>3,783,797</u>	<u>4,419,647</u>
15. ADMINISTRATIVE EXPENSES			
Electricity & water	207,209	-	260,605
Legal services	8,410	-	-
Charitable Childrens Institutions Membership Contributio	2,200	-	2,000
Insurance & licences	27,550	27,650	18,584
Registration Renewal	2,000	-	6,300
Stationery & consumables	9,240	-	19,855
Telephone & postages	52,795	-	59,025
Motor Vehicle running costs	310,479	333,000	782,690
Travelling & transport	126,935	-	230,960
Audit & accountancy fee	225,000	225,200	110,000
Christmas Gift Expenses	250,000	246,200	266,000
Repairs & maintenance	220,666	62,500	256,055
Office expenses	174,385	-	204,220
Generator Fuel & lamps	29,000	41,500	-
Accident Compensation	278,000	278,000	-
Lost Cash	135,000	135,000	-
	<u>2,058,869</u>	<u>1,349,050</u>	<u>2,216,294</u>
16. FINANCIAL COSTS			
Bank charges & Interest	18,975	-	21,175
	<u>18,975</u>	<u>-</u>	<u>21,175</u>

Mumias Kids Centre

Banking Analysis

Month	Deposits	Withdrawals	Bank Charges
Jan-17	766,325	683,047	1,265
Feb-17	1,020,583	629,876	1,320
Mar-17	1,032,967	1,515,099	2,640
Apr-17	980,540	768,735	2,035
May-17	979,927	818,583	1,650
Jun-17	805,980	1,020,345	1,595
Jul-17	1,165,220	1,224,247	1,595
Aug-17	768,825	710,828	1,320
Sep-17	822,908	949,244	1,485
Oct-17	794,420	725,642	1,155
Nov-17	1,170,590	782,483	990
Dec-17	1,197,700	454,292	1,925
	#####	10,282,420	18,975
		1024816.25	
		11,307,237	198,748
			333,531
			314,556