MAVUNO CHURCH

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended

31ST DECEMBER 2016

Kreston KM & Co.
Certified Public Accountants (K)
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MAVUNO CHURCH

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2016

Mavuno Church
Annual report and financial statements
For the year ended 31 December 2016

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Elders' Court Members

Current

Anthony Okoth	-	Chairman
Mureithi Wanjau	-	Secretary
James Kaniaru	-	Treasurer
Wanjiku Wangombe		
Carol Rarieya		
Gari Cowman		
Lori Cowman		
Victor Yamo		
Lois Yamo		
Simon Mbevi		
Sophia Mwende		
Karanja Mbugua		
Mwendwa Mwiti		

Registered office

Mavuno Church
Mombasa Road
P.O. Box 27584-00506
Nairobi, Kenya

Independent auditor

Kreston KM & Co.
Certified Public Accountants
Surveyors Court, Suite B6
Woodvale Grove, Westlands
P.O. Box 66837-00800
Nairobi, Kenya

Principal bankers

Commercial Bank of Africa Limited
Upper Hill Branch
P.O. Box 30437 - 00100
Nairobi, Kenya

NIC Bank Limited
City Centre Branch
P.O. Box 30090 - 00100
Nairobi, Kenya

Equity Bank Limited
Community Corporate Branch
P.O. Box 75104 - 00200
Nairobi, Kenya

Equity Bank Uganda
Oasis Branch
Kitante Branch
P.O. Box 10184
Kampala, Uganda

Chase Bank Limited
Riverside Mews, Riverside Drive
P.O. Box 66049 - 00800
Nairobi, Kenya

Standard Chartered Bank (K) Ltd
Upper Hill Branch
P.O. Box 30003- 00100
Nairobi, Kenya

Legal Advisors

Ranja & Company Advocates
Lange Lange Apartments | 1st Floor, Suite No. 8 | Off Milimani Road
(Between Heron Hotel and Middle East Bank)
P.O. Box 26543-00100 | Nairobi, Kenya.
Nairobi, Kenya

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The Elders' Court submit their report together with the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of the Church.

Principal activities

The principal activity of the Church is equipping God's people to disciple the nations for Christ.

Mavuno Church financial statements

Mavuno Church financial statements incorporate the financial statements of Mavuno Church, Mavuno Down Town, Mashariki, Kampala and Church plants all of which are made up to 31 December. The Inter- church transactions and balances are eliminated upon amalgamation of the results.

Results

The deficit for the year of Kshs. 8,959,915 (2015 surplus: Kshs 13,807,682) has been added to accumulated fund.

Elders' Court Members

The Elders' Court members who held office during the year and to the date of this report are set out on page 1.

Auditor

The Church's auditors, Kreston KM & Co.,were appointed during the year and have expressed their willingness to continue in office in accordance with the provisions of the Kenyan Societies Act.

By order of the Elders' Court

.....

Secretary

Nairobi ...2nd June... 2017

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Mavuno Church
Statement of Elders' Court responsibilities
For the year ended 31 December 2016

The Elders'Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position and operating results of Mavuno Church.They are also responsible for safeguarding the assets of the Church and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Elders' Court is 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 controls as the Elders' Court determines are necessary to enable the preparation of financial statements that are free from material misstatement,whether due to fraud or error.

The Elders' Court accepts responsibility for the annual financial statements,which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates,inconformity with International Financial Reporting Standards. The Elders' Court is of the opinion that the financial statements give a true and fair view of the state of the Church's financial affairs and of the results of its operations.The Elders' Court further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements,as well as adequate systems of internal financial controls.

Nothing has come to the attention of the Elders'Court to indicate that the Church will not be able to continue with its activities for at least twelve months from the date of this statement.

Approved by the Elders' Court on 2nd June 2017 and signed on its behalf by:

.....
Chairman

.....
Treasurer

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Opinion

We have audited the accompanying financial statements of Mavuno Church, set out on pages 5 to 22 which comprise the statement of financial position as at 31st December 2016, the statement of comprehensive income, statement of changes in fund balances, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the state of the financial affairs of the Church as at 31 December 2016 and of its financial performance and cash flows for the year the ended in accordance with the International Financial Reporting Standards and the Kenyan Societies Act.

Basis of 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 Audit of the Financial Statements section of our report. We are independent of the Church in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other responsibilities in accordance with these 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.

Other information

The Elders' Court is responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Elders' Court Responsibilities for the Financial Statements

The Elders' Court is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Elders' Court determines 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, the Elders' Court is responsible for assessing the Church'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 Elders' Court either intends to liquidate the Church 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.

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Auditor's Responsibilities for the Audit of the Financial Statements (contd...)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughtout 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 Church's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosurers made by the Elders' Court.

* Conclude on the appropriateness of Elder's Court 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 Church'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 Church to cease to continue as a going concern.

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.

Going concern

The financial statements have been prepared on a going concern basis on the assumption that negative liquidity will not affect the Church's efforts to settle obligations as and when they fall due as explained in Note 22 of these financial statements.

Report on other legal requirements

As required by the Societies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the Church, so far as apperas from our examination of those books; and
iii) the Church's balance sheet and income statement are in agreement with the books of account.

The engagement partner responsible for the auidt resulting in the independent auditor's report is FCPA Dr. George Kimeu - P/No 603.

Kreston Kenya

Certified Public Accountants

Nairobi

5th June

..... **2017**

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Statement of profit or loss and other comprehensive Income

	Notes	2016 KShs	2015 KShs
Income			
Tithes and offerings	4a	236,275,759	201,114,500
Designated income	4b	15,892,498	14,952,353
Development income		17,448,393	85,363,063
Interest earned		1,387,375	772,203
		271,004,025	**302,202,119**
Expenditure			
Staff costs	5	92,144,362	104,186,453
Ministry direct expenses	6	47,078,696	64,877,680
Ministry support expenses	7	57,250,693	68,549,592
Finance and development costs	9	67,261,703	46,496,650
Designated expenses	10	16,228,486	10,927,225
Total expenditure		**279,963,940**	**288,394,437**
(Deficit)/Surplus for the year		**(8,959,915)**	**13,807,682**
Other comprehensive income			
Gain/(Loss) on revaluation of available for sale investments	12	10,688	(466,266)
Total comprehensive income for the year		**(8,949,227)**	**13,341,416**

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Statement of Financial Position

	Notes	2016 Kshs	2015 Kshs
Non-current assets			
Property & equipment	11	375,852,464	361,280,481
Available for sale investments	12	183,586	4,036,614
		376,036,050	365,317,095
Current assets			
Receivables & prepayments	13	1,287,694	106,945
Short term deposit	14	22,619,794	7,237,588
Cash and cash equivalents	15	17,705,615	7,090,922
Total Current Assets		41,613,103	14,435,455
Total assets		**417,649,153**	**379,752,550**
REPRESENTED BY:			
Fund Balances and liabilities			
Fund and reserves balances			
Accumulated fund		167,326,770	176,286,685
Investment revaluation reserve		2,043,635	2,032,947
		169,370,405	**178,319,632**
Non-current liabilities			
Borrowings	16	126,532,026	157,277,571
Finance lease obligation	19	3,534,379	13,626,695
		130,066,405	**170,904,266**
Current liabilities			
Borrowings	16	34,250,161	7,400,519
Deferred designated income	17	35,316,802	154,500
Payables & accruals	18	38,335,199	13,977,061
Finance lease obligation	19	10,310,181	8,996,572
Total Current Liabilities		**118,212,343**	**30,528,652**
Total fund balances and liabilities		**417,649,153**	**379,752,550**

The financial statements on pages 5 to 22 were approved for issue by the Elders' Court on 02.06. 2017 and were signed on their behalf by:

Chairman

Treasurer

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Statement of Changes in Fund Balances

	Accumulated Fund Kshs	Investment revaluation reserve Funds Kshs	Total Kshs
As at 1st January 2016	**176,286,685**	**2,032,947**	**178,319,632**
Other comprehensive income	-	10,688	10,688
Deficit for the year	(8,959,915)	-	(8,959,915)
As at 31st December 2016	**167,326,770**	**2,043,635**	**169,370,405**

Statement of Changes in Fund balances as at 31 December 2015			
As at 1st January 2015	**162,479,003**	**2,499,213**	**164,978,216**
Other comprehensive income	-	(466,266)	(466,266)
Surplus for the year	13,807,682	-	13,807,682
As at 31st December 2015	**176,286,685**	**2,032,947**	**178,319,632**

Accumulated fund represents cumulative surplus.

Investment revaluation reserve represents the cumulative fair value gains and losses on the revaluation of available for sale investments.

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Statement of Cash Flows	Notes	2016 KShs	2015 KShs
Cash flows from operating activities			
Surplus for the year		(8,959,915)	13,807,682
Adjustments for:			
Depreciation	11	16,983,801	20,476,148
Cash flows before working capital changes		8,023,886	34,283,830
Working capital changes			
(Increase)/decrease in receivables		(1,180,749)	1,021,511
(Decrease) in payables & accruals		24,358,138	(5,148,973)
Movement in deferred designated income		35,162,302	(33,116,383)
Net cash generated from/(used in) operating activities		66,363,577	(2,960,015)
Cash flows from investing activities			
Acquisition of assets	11	(31,555,784)	(38,021,461)
Investments income		10,688	-
Liquidation of available for sale investments		3,853,028	-
Net cash flows generated from /(used in) investing activities		(27,692,068)	(38,021,461)
Cash flows from financing activities			
Proceeds from borrowings		-	30,000,000
Repayment of borrowings		(3,895,903)	(2,856,726)
Repayment of finance lease obligation		(8,778,707)	(7,589,310)
Net cash flows generated from financing activities		(12,674,610)	19,553,964
Net decrease in cash and cash equivalents		25,996,899	(21,427,512)
Cash and cash equivalents at start of the year		14,328,510	35,756,022
Cash and cash equivalents at end of the year	15	40,325,409	14,328,510

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Notes

1. **General Information**

Mavuno Church is established in Kenya as a society under the Societies Act Chapter 108 of the Laws of the Republic of Kenya. The registered office is as indicated on page 1.

2. **Basis of preparation and summary of significant accounting policies**

The financial statements have been prepared under the historical cost basis of accounting and are prepared in accordance with International Financial Reporting Standards.

a) Income and expenditure

Offerings and donations are recognised when received and recorded in the Church's books of accounts.Investment income and expenditure is accounted for on an accruals basis.Gifts of investments are brought in at valuation.Interest income from bank deposits is accrued on a time basis,by reference to the principal outstanding and at the interest rate applicable.

b) Designated funds

Funds received for specific purposes are treated as unexpended grants and credited to the income and expenditure statement when the activities for which they were provided for have been undertaken. Specific grant pledges that have not been received but for which expenditure has been incurred,as well as the excess of expenditure over receipts for specific grants are recognised as revenue and included in the financial statements as accounts receivable from donors.

c) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairement losses.

Depreciation is calculated on property and equipment on a straight line basis to write down the cost of each as set to its residual value over its estimated useful life,on the following bases:

	Rate
Property	2.5%
Furniture, fittings & equipment	12.5%
Computers	33.3%
Music equipment	33.3%
Motor vehicles	25.0%
Generator	12.5%
Tents	12.5%

d) Intangible assets

Intangible assets comprise the cost of acquired accounting software. Expenditure on acquired accounting software is capitalised and amortised using straightline method over the estimated useful life, generally not exceeding three years.

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Notes (Continued ...)

e) Impairment of tangible and intangible assets

The carrying amounts of the Church's tangible and intangible assets are reviewed annually at the end of the reporting period to determine if there is any indication of impairment. If such condition is identified, the asset's net recoverable amount is estimated. Where the asset's carrying amount exceeds its net recoverable amount, it is written down immediately to there coverable amount and the resulting impairment loss is treated as an expense in the surplus or deficit.

f) Foreign currencies

Assets and liabilities that are denominated in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the end of reporting period. Transactions during the year, which are expressed in foreign currency, are translated at the rates ruling on the transaction dates. Gains or losses on translation are dealt within the surplus or deficit.

g) Retirement benefit obligations

The Church contributes to a statutory defined contribution scheme, the National Social Security Fund. The Church' s obligations under the scheme are limited to regulated contributions which are currently KShs 200 per month per employee. The Church also contributes to a registered provident fund, the contribution to which is at a rate of 10% of the basic pay per month per employee. Its obligations to staff retirement benefit schemes are charged to the surplus or deficit as they fall due. A new NSSF Act No 45 of 2014 was introduced however its requirements have been suspended pending the determination of a court case.

h) Employee benefits

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the end of reporting period.

i) Taxation

No provision for taxation has been made in these accounts. Mavuno Church qualifies for exemption from the Kenyan Corporation tax under Paragraph 10 of the 1st Schedule to the Income Tax Act, Cap 470 (Laws of Kenya). Mavuno Church is yet to receive an Income Tax Exemption Certificate under its new name since it registered as a separate legal entity.

j) Contingent liabilities

Contingent liabilities arise if there is a possible obligation; or a present obligation that may, but probably will not, requ ire an outflow of economic resources; or there is a present obligation, but there is no reliable method to estimate the monetary value of the obligation.

k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ow nership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the surplus or deficit on a straight-line basis over the period of the lease.

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Notes (Continued ...)

l) Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when required, less advances from the banks repayable within three months from the dates of advance.

m) Financial instruments

Financial assets and financial liabilities are recognised in the Church's statement of financial position when the Church becomes a party to the contractual provisions of the instruments.

i) Available for sale financial assets

These are financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held-to-maturity. Available-for- sale financial assets are initially recognised at fair value plus transaction costs. They are subsequently carried at fair value. Investments in unit trusts are classified as available for sale.

ii) Receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the end of reporting period. Bad debts are written off when all reasonable steps to recover them have failed.

ii) Payables

Payables are not interest bearing and are stated at their nominal value.

iii) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawndown, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

n) De-recognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Church has transferred substantially all risks and rewards of ownership.

o) De-recognition of financial liabilities

The Church derecognises financial liabilities when, and only when, the Church's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in surplus of deficit.

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Notes (Continued ...)

p) Impairment of financial assets

At the end of each reporting period, the Church assesses whether there is objective evidence that a financial asset (or group of financial assets) is impaired. Impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that those events have an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The impairment loss so recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

q) Comparatives

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

r) Financial risk management policies

The Church's financial risk management objectives and policies are detailed below:

i) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

ii) Financial risk management objectives

The Church activities expose it to a variety of financial risks including credit risk, liquidity risks and the effects of changes in foreign currency rates. The Church's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

iii) Payables

Payables are not interest bearing and are stated at their nominal value.

iv) Credit risk management

The Church's credit risk is primarily attributable to its staff receivables and bank balances. The amounts of staff receivables presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Church's management based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings.

v) Interest rate risk management

The Church is exposed to interest rate risk due to fluctuations in interest rates on the bank balances that it holds and interest rate on borrowings.

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Notes (Continued ...)

vi) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Elders' Court, who have built an appropriate liquidity risk management framework for the management of the Church's short, medium and long-term funding and liquidity management requirements. The Church manages liquidity risk by maintaining enough required funds for its operations through continuous monitoring of forecast and actual cash flows.

vii) Exchange risk

The Church holds some of its bank balances in foreign currency. The fluctuations in currency exchange rates result in changes in the value of the monetary assets denominated in foreign currency hence expose the Church to the risk of incurring exchange losses. The monetary assets held in foreign currency are closely monitored to ensure that they are not materially affected by adverse foreign currency fluctuations. There are no other foreign currencies denominated financial assets or liabilities.

viii) Fair value of financial instruments

IFRS 7 specifies a fair value hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. The Church's investments in unit trusts (available for sale) falls under level two of the hierarchy.

t) Relevant new and revised IFRSs effective for the year ended 31 December 2016

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an .intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

u) Relevant new and revised IFRSs in issue but not yet effective for the year ended 31 December 2016

i) IFRS 9, Financial Instruments

The replacement project on financial instruments consists of the following three phases:

Phase 1: Classification and measurement of financial assets and liabilities
Phase 2: Impairement methodology; and
Phase 3: Hedge accounting

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Notes (Continued ...)

In July 2014, the IASB finalised the reform of financial instruments accounting and issued *IFRS* 9 (as revised in 2014), which will supersede IAS 39 *Financial instruments: Recognition and Measurement* in its entirety upon the former's effective date.

Compared to IFRS 9 (as revised in 2013), the 2014 version includes limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. It also adds the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

The completed IFRS 9 (as revised in 2014) contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

Management anticipate that IFRS 9 will be adopted in the-Church's financial statements for the annual period beginning I January 2018. Management are evaluating the impact the IFRS will have upon adoption to the financial statements.

ii) IFRS 15, Revenue from contracts with customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS II Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Management do not anticipate that the application of the standard will have a significant impact on the financial statements, when it is adopted for the annual period beginning 1 January 2018.

v) Relevant new and revised IFRSs in issue but not yet effective for the year ended 31 December 2016 (contd)

iii) IFRS 16, Leases

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring lesses to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Lessors continue to classify leases as operating or finance lease, with IFRS 16, approach to lessor accounting unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. Management anticipates that the adoption of IFRS 16 will not have a significant impact on the financial statements.

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Notes (Continued ...)

2) Critical accounting judgements and key sources of estimation uncertainity

In the application of the Church's accounting policies,which are described in note1,the Elders' Court is required to make judgements,estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if there vision affects both current and future periods.

The key areas of judgment in applying the Church's accounting policies are dealt with below:

a) Critical judgements in applying accounting policies

There are no critical judgments, apart from those involving estimations (see b below), that the Elders' Court has made in the process of applying the Church's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

b) Key sources of estimation uncertainity

i) Impairement losses

At the end of each reporting period,the Church reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists,there coverable amount of the asset is estimated inorder to determine the extent of the impairment loss.Where it is not possible to estimate there coverable amount of an individual asset,the Church estimates the recoverable amount of the cash generating unit to which the asset belongs.

ii) Intangible assets, property and equipment

Critical estimates are made by the Elders' Court in determining depreciation rates for property and equipment.

iii) Contingent liabilities

The Elders' Court evaluates the status of any exposures to contingent liabilities on a regular basis to assess the probability of the Church incurring related liabilities. However, provisions are only made in the financial statements where,based on the Elders'Court's evaluation, a present obligation has not been established.

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	Notes	2016 KShs	2015 KShs
4a Tithes and offerings			
Hill city		136,667,759	140,829,108
Crossroads		11,838,245	281,194
Down Town		42,381,114	24,301,013
Life way		6,461,358	2,768,836
Mashariki		12,708,423	12,728,036
Kampala		26,218,860	20,206,313
		236,275,759	**201,114,500**
4b Designated income			
Mizizi		768,977	1,054,160
Ombi		-	54,521
Hatua		2,100	35,500
Ndoa		1,375,935	2,206,905
Lea		328,520	190,200
Fearless Summit		511,200	2,718,895
Simama		4,900	16,700
Camps (teens and kids)		291,240	388,730
Grants		12,609,626	8,286,742
		15,892,498	**14,952,353**

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	Notes	2016 KShs	2015 KShs
5 Staff costs			
Salaries and wages		59,143,700	70,990,791
Staff medical costs		7,898,812	7,902,958
Staff retreat		150,991	924,500
Other staff costs			
Statutory deductions		18,790,073	19,301,572
Retreats		60,200	251,300
Staff gifts		25,181	22,500
Pension		5,962,405	4,792,832
Staff training		113,000	-
		92,144,362	**104,186,453**
6 Ministry direct expenses			
Hill city		23,283,719	39,965,452
Crossroads		3,637,577	-
Down Town		7,537,167	7,740,040
Life way		2,457,263	906,942
Mashariki		3,634,951	5,159,176
Kampala		6,528,019	11,106,070
		47,078,696	**64,877,680**
7 Ministry support expenses			
Hill city	8	33,216,755	48,816,308
Crossroads		2,132,362	-
Down Town		7,425,566	6,405,645
Life way		1,543,034	1,112,174
Mashariki		4,401,240	4,827,285
Kampala		8,531,736	7,388,180
		57,250,693	**68,549,592**
8 Hill city ministry support expenses			
Administration costs		15,072,954	18,728,832
Audit fees		1,160,000	2,968,309
Depreciation expense		16,983,801	20,476,004
		33,216,755	**48,816,308**
9 Finance and development costs			
Finance lease charges		5,358,809	8,996,572
Interest expenses		30,354,258	32,200,902
Relocation expenses		31,548,636	5,299,176
		67,261,703	**46,496,650**
10 Designated expenses			
Church plants		367,615	-
Grants paid out to Partners' in the ministry		12,609,626	4,284,062
Ndoa expenses		2,117,773	2,650,777
Mizizi expenses		1,133,472	835,240
Fearless Summit		-	3,157,146
		16,228,486	**10,927,225**

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11 Property and equipment

2016

Cost	Land Kshs 0%	Property Kshs 2.5%	Tents Kshs 12.5%	Motor Vehicle Kshs 25.0%	Computers 33.3%	Music Equipment 33.3%	Office Equipment 12.5%	Furniture & fittings 12.5%	Work in Progress 0.0%	Finance lease Assets	Total Kshs
1st January 2016	229,045,870	81,006,153	11,394,228	4,580,239	9,094,951	17,891,599	6,516,876	5,775,161	26,303,698	35,114,812	426,723,587
Additions	-	300,000	1,680,750	-	390,616	792,773	234,609	98,148	28,058,888	-	31,555,784
31st December 2016	229,045,870	81,306,153	13,074,978	4,580,239	9,485,567	18,684,372	6,751,485	5,873,309	54,362,586	35,114,812	458,279,371
Accumulated depreciation											
1st January 2016	-	7,563,927	10,183,216	2,588,958	8,178,714	17,386,992	4,275,143	3,345,435	-	11,920,721	65,443,106
Charge for the year	-	2,032,654	1,634,372	1,145,060	1,046,312	768,600	843,936	734,164	-	8,778,703	16,983,801
	-	9,596,581	11,817,588	3,734,018	9,225,026	18,155,592	5,119,079	4,079,599	-	20,699,424	82,426,907
Net book value											
31st December 2016	**229,045,870**	**71,709,572**	**1,257,390**	**846,221**	**260,541**	**528,780**	**1,632,406**	**1,793,710**	**54,362,586**	**14,415,388**	**375,852,464**
Property & equipment											

2015

Cost	Land Kshs	Property Kshs	Tents Kshs	Motor Vehicle Kshs	Computer Kshs	Music Equipment Kshs	Office Equipment Kshs	Furniture & fittings Kshs	Work in Progress Kshs	Finance lease Assets Kshs	Total Kshs
1st January 2015	229,045,870	68,629,027	10,014,228	3,175,590	7,355,194	15,094,798	6,393,748	5,775,161	8,103,698	35,114,812	388,702,126
Additions		12,377,126	1,380,000	1,404,649	1,739,757	2,796,801	123,128		18,200,000		38,021,461
31st December 2015	229,045,870	81,006,153	11,394,228	4,580,239	9,094,951	17,891,599	6,516,876	5,775,161	26,303,698	35,114,812	426,723,587
Accumulated depreciation											
1st January 2015	-	5,538,774	8,758,938	1,443,898	5,150,095	13,373,474	3,460,534	2,623,541	-	4,617,704	44,966,958
Charge for the year		2,025,153	1,424,278	1,145,060	3,028,619	4,013,518	814,609	721,894	-	7,303,017	20,476,148
	-	7,563,927	10,183,216	2,588,958	8,178,714	17,386,992	4,275,143	3,345,435	-	11,920,721	65,443,106
Net book value											
31st December 2015	**229,045,870**	**73,442,226**	**1,211,013**	**1,991,281**	**916,237**	**504,607**	**2,241,734**	**2,429,726**	**26,303,698**	**23,194,091**	**361,280,481**

NOTES

Work in progress relates to incomplete improvements on the Athi River land which houses the Mavuno Church. It includes placement of slabs and construction of the temporary structures. All the assets have been used as collateral for the Insurance Premium Finanacing (IPF) loan from Housing Finance.

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	2016 KShs	2015 KShs
12 Available for sale investments		
Investments in unit trusts- Old mutual trust fund		
At 01 January	4,036,614	4,502,880
Transfer to Chase Bank	(3,853,028)	-
Fair value (losses)/gains	-	(466,266)
At 31 December	**183,586**	**4,036,614**
13 Receivables and prepayments		
Prepayments and deposits	106,945	106,945
Other receivables	1,180,749	-
	1,287,694	**106,945**
14 Short term deposit		
At 01 January	7,237,588	8,106,489
Maturities	13,994,831	(1,522,075)
Interest income receivable	1,387,375	653,174
At 31 December	**22,619,794**	**7,237,588**
The short term deposits are made up as follows:		
CIC Asset Management Limited	110,298	99,616
British American	21,675,962	6,304,438
Faulu Kenya	833,534	833,534
	22,619,794	**7,237,588**
15 Cash and cash equivalents		
Cash at bank	16,585,346	6,869,322
Cash in hand	142,516	56,740
Mpesa balance	977,753	164,860
	17,705,615	**7,090,922**
For cash flow statement purposes cash and cash equivalents comprise of:		
Short term deposit	22,619,794	7,237,588
Cash and bank balances	17,705,615	7,090,922
	40,325,409	**14,328,510**

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	2016 KShs	2015 KShs
16 Borrowings		
Current borrowings	34,250,161	7,400,519
Non-current borrowings	126,532,026	157,277,571
	160,782,187	**164,678,090**
Analysis by cash flows:		
As at 01 January	164,678,090	137,534,816
Additions	-	30,000,000
Principal paid in the year	**(3,895,903)**	(2,856,726)
	160,782,187	**164,678,090**

The borrowing relates to a facility with Housing Finance Bank Limited. As per the loan agreement it is repayable in a period of 15 years and is secured by the land in Athi River.

17 Deferred designated income		
At 01 January	154,500	33,270,883
Development income received	35,162,302	(33,116,383)
At 31 December	**35,316,802**	**154,500**

Deferred designated income relates to funds raised from Mavuno partner churches and that are specifically designated towards church planting activities.

18 Payables and accruals		
Audit fees accrual	1,160,000	2,182,006
Other payables and accruals (Note 18 iii)	36,872,759	11,492,615
Payables to related parties (note 18 (ii))	302,440	302,440
	38,335,199	**13,977,061**

i) Key management compensation

Elders of the Nairobi Church offer their services on a voluntary basis and are not remunerated. Other key management comprises Senior Pastor and four Executive Pastors. The remuneration of Key management during the year was as follows:

	2016 Kshs	2015 Kshs
Salaries and other benefits	26,019,876	25,834,404

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	2016 KShs	2015 KShs
ii) Payable to related parties		
Nairobi Chapel - Mamlaka	302,440	302,440

iii) Included in other payables is an amount of Kshs 28,058,888 owed to Seyani Brothers for land works carried out in the Hill city campus. This balance has attracted penalty and interest which has not been accrued as the amount is still under negotiation by Elders' Court and the Contractor.

19 Finance lease obligation

The Church has leased several assets from ServLease Limited for a period of 4 years (48 months) from April 2014 to March 2018. The assets leased are a hyper dome (tent) that houses the main Mavuno Church through a sale and lease back agreement, lighting equipment, stage equipment, LED screen, furniture and other equipment with a total fair value of Kshs 35,114,812, broken down as below:

	2016 Kshs	2015 Kshs
Hyper dome (tent)	19,159,376	19,159,376
Equipment	8,482,936	8,482,936
Music equipment	4,660,000	4,660,000
Furniture & fittings	2,812,500	2,812,500
At 31 December	**35,114,812**	**35,114,812**

The movement in the finance lease obligation is shown below:

At 01 January	22,623,267	30,212,577
Repayments	(14,137,516)	(7,589,310)
At 31 December	**8,485,751**	**22,623,267**

The finance lease obligation is shown below:

Short term lease	10,310,181	8,996,572
Long term lease	3,534,379	13,626,695
	13,844,560	**22,623,267**

	Minimum payments		Present value of minimum payments	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Not later than one year	12,187,544	12,187,544	10,310,181	8,996,572
Later than one year and not later than five years	3,046,886	15,234,430	3,534,379	13,626,695
	15,234,430	27,421,974	13,844,560	22,623,267
Less future finance charges	(1,389,870)	(4,798,707)	-	-
Present value of minimum lease payments	**13,844,560**	**22,623,267**	**13,844,560**	**22,623,267**

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Notes (Continued ...)

20 Legal status

The Nairobi Chapel - Mavuno was a branch of Nairobi Chapel, until it received its own registration under the Societies Act and changed its name to Mavuno Church. Mavuno Church started operating as a separate legal entity effective January 1, 2014.

21 Currency

These financial statements are presented in Kenya Shillings (KShs).

22 Liquidity

The Church has a negative liquidity of Kshs 76,599,240 (2015: Kshs 16,093,197). However the Elders' court believe the Church will continue to operate as a going concern as efforts are being made to improve the liquidity of the Church.

23 Subsequent events

As at 31 December 2015 the Church had balances of Kshs 1,559,268 held at Chase Bank Kenya Limited. On 7th April 2016, the Central Bank of Kenya placed Chase Bank under receivership for a period of 12 months due to liquidity difficulties experienced by the Bank on 6 April 2016 rendering the bank account inaccessible. However the Central Bank later allowed limited access/operations to the account and full access is expected towards the end of year 2017, when the bank liquidity is expected to improve.

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Mavuno Church
Supplementary Information
For the year ended 31 December 2016

Appendix I

Detailed Statement of profit or loss & other comprehensive income

	Hill city Kshs	Crossroads Kshs	Down town Kshs	Life way Kshs	Mashariki Kshs	Kampala Kshs	Church plants Kshs	2016 KShs	2015 KShs
Income									
Tithes and offerings	136,667,759	11,838,245	42,381,114	6,461,358	12,708,423	26,218,860	-	236,275,759	201,114,500
Grants	7,810,076	4,799,550	-		-	-	-	12,609,626	82,938,593
Other income	20,012,703	28,923	53,040	2,018,361	-	5,613	-	22,118,640	18,149,026
Total income	**164,490,538**	**16,666,718**	**42,434,154**	**8,479,719**	**12,708,423**	**26,224,473**	-	**271,004,025**	**302,202,119**
								-	
Expenditure									
Staff costs									
Salaries and wages	44,773,631	2,428,020	6,160,327	680,689	3,049,986	2,051,046	-	59,143,699	70,990,791
Staff medical costs	7,646,812	252,000	-	-	-	-		7,898,812	7,902,958
Staff retreat	150,991	-	-	-	-	-	-	150,991	924,500
Other staff costs	24,772,478	-	112,200	-	66,181	-	-	24,950,859	24,368,204
Total staff costs	**77,343,912**	**2,680,020**	**6,272,527**	**680,689**	**3,116,167**	**2,051,046**	-	**92,144,361**	**104,186,453**
Ministry direct expenses	23,283,720	3,637,577	7,537,167	2,457,263	3,634,951	6,528,019	367,615	47,446,312	64,877,680
Ministry support expenses	116,339,329	2,132,362	7,425,566	1,543,034	4,401,240	8,531,736		140,373,267	119,330,304
Total expenditure	**216,966,961**	**8,449,959**	**21,235,260**	**4,680,986**	**11,152,358**	**17,110,801**	**367,615**	**279,963,940**	**288,394,437**
Surplus/(deficit) for the year	**(52,476,423)**	**8,216,759**	**21,198,895**	**3,798,732**	**1,556,065**	**9,113,672**	**(367,615)**	**(8,959,915)**	13,807,682
Other comprehensive income									
Gain/(loss) on revaluation of available for sale investments	10,688	-	-	-	-	-	-	10,688	(466,266)
Total comprehensive income/(loss) for the year	**(52,465,735)**	**8,216,759**	**21,198,895**	**3,798,732**	**1,556,065**	**9,113,672**	**(367,615)**	**(8,949,227)**	**13,341,416**

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