

**MAVUNO CHURCH**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2019**

**Mavuno Church**  
**Annual report and financial statements**  
**For the year ended 31 December 2019**

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**Organization information**

**Elders' Court Members**

<b>Current</b>	Anthony Okoth	-	Chairman
	Mureithi Wanjau	-	Secretary
	James Kaniaru	-	Treasurer
	Wanjiku Wangombe		
	Carol Rarieya		
	Victor Yamo		
	Lois Yamo		
	Simon Mbevi		
	Sophia Mwendu		
	Karanja Mbugua		
	Mwendwa Mwiti		

**Registered Office** Mavuno Church  
Quarry Road, Athi River  
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** Housing Finance Group  
NCBA Bank Kenya PLC  
Equity Bank Limited  
Standard Chartered Bank (K) Ltd  
SBM Bank Kenya Limited

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

**Report of the Elders' Court**

The Elders' Court submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of the Church.

**Principal activity**

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 Hill City, Down Town, Crossroad, Lifeway, Mashariki, Movement, Nakuru, South B, Thika and church plants all of which are made up to 31 December. Effective from the financial year under review, the accounts for Kampala are audited separately and hence they are not included in these financial statements. The Inter-church transactions and balances are eliminated upon amalgamation of the results.

<b>Results for the year</b>	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Deficit for the year from operations	(428,759)	(35,305,025)
Other comprehensive income		
Gain on revaluation of available for sale investments	-	(4,178)
Total comprehensive deficit for the year.	<u>(428,759)</u>	<u>(35,309,203)</u>

**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., 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 ..... 2020**

**Statement of Elders' Court Responsibilities**

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, in conformity 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.

In preparing these financial statements the Elders' Court has assessed the church's ability to continue as a going concern.

Nothing has come to the attention of the Elders' Court to indicate that the church will not remain as a going concern for at least the next twelve months from the date of this statement.

The Elders' Court acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Elders' Court on ..... 2020 and signed on its behalf by:

.....  
**Chairman**

.....  
**Treasurer**

### **Opinion**

We have audited the accompanying financial statements of Mavuno Church, set out on pages 5 to 21 which comprise the statement of financial position as at 31 December 2019, 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 2019 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.

### **Emphasis of matter**

Without qualifying our opinion, we draw your attention to the statement of financial position on page 6 and note 20 which shows that the current liabilities exceeded the current assets by Kshs 42,850,290 (2018: Kshs 39,228,663). The financial statements have been prepared on a going concern basis on the assumption that the Church will get favourable outcome from several approaches taken to enhance the liquidity and working capital.

### **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.

**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 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 Church's internal control.
- \* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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.

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

**Certified Public Accountants**  
**Nairobi**

..... 2020

**Statement of comprehensive income**

	Note	2019 KShs	2018 KShs
<b>Income</b>			
Tithes and offerings	<b>4a</b>	228,802,866	270,448,383
Designated income	<b>4b</b>	10,931,603	7,111,725
Grant income		26,797,973	15,719,987
Development income		-	3,000
Interest earned		57,611	1,006,583
Exchange gain / (loss)		141,989	(468,649)
		<u><b>266,732,042</b></u>	<u><b>293,821,029</b></u>
<b>Expenditure</b>			
Staff costs	<b>5</b>	100,237,655	100,493,511
Ministry direct expenses	<b>6</b>	36,308,834	53,666,220
Ministry support expenses	<b>7</b>	80,068,396	129,148,241
Finance and development costs	<b>8</b>	24,048,781	29,698,685
Designated expenses	<b>9</b>	26,497,135	16,107,009
		<u><b>267,160,801</b></u>	<u><b>329,113,667</b></u>
<b>Deficit for the year from operations</b>		<u><b>(428,759)</b></u>	<u><b>(35,292,638)</b></u>
Other comprehensive income			
Gain on revaluation of available for sale investments	<b>11</b>	<u>-</u>	<u>(4,178)</u>
<b>Total comprehensive deficit for the year</b>		<u><u><b>(428,759)</b></u></u>	<u><u><b>(35,296,816)</b></u></u>

**Statement of Financial Position**

	Note	2019 Kshs	2018 Kshs
<b>Non-current assets</b>			
Property and equipment	10	504,533,058	510,801,681
Available for sale investments	11	52,004	52,004
		<u>504,585,062</u>	<u>510,853,685</u>
<b>Current assets</b>			
Receivables and prepayments	12	106,946	2,073,840
Short term deposit	13	147,491	134,297
Cash and cash equivalents	14	13,131,166	18,854,547
		<u>13,385,603</u>	<u>21,062,684</u>
<b>Total assets</b>		<b><u>517,970,665</u></b>	<b><u>531,916,369</u></b>
<b>REPRESENTED BY:</b>			
<b>Fund balances and liabilities</b>			
<b>Fund and reserves balances</b>			
Accumulated fund		156,873,540	157,302,299
Revaluation reserve		142,568,337	142,568,337
Investment revaluation reserve		1,923,660	1,923,660
Designated fund		42,296,279	42,296,279
		<u>343,661,816</u>	<u>344,090,575</u>
<b>Non-current liabilities</b>			
Borrowings	15	118,072,956	127,534,448
		<u>118,072,956</u>	<u>127,534,448</u>
<b>Current liabilities</b>			
Borrowings	15	33,129,792	35,790,348
Payables and accruals	16	23,106,101	24,500,998
		<u>56,235,893</u>	<u>60,291,346</u>
<b>Total fund balances and liabilities</b>		<b><u>517,970,665</u></b>	<b><u>531,916,369</u></b>

The financial statements on pages 5 to 21 were approved for issue by the Elders' Court on ..... 2020 and were signed on their behalf by:

.....  
**Chairman**

.....  
**Treasurer**

Statement of changes in fund balances

	Accumulated fund	Investment revaluation fund	Revaluation reserve	Designated fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at 1 January 2018</b>	<b>192,594,937</b>	<b>1,927,838</b>	-	<b>42,296,279</b>	<b>236,819,054</b>
Revaluation	-	-	142,568,337	-	142,568,337
Revaluation of available for sale investments	-	(4,178)	-	-	(4,178)
Deficit for the year	(35,292,638)	-	-	-	(35,292,638)
<b>As at 31 December 2018</b>	<b>157,302,299</b>	<b>1,923,660</b>	<b>142,568,337</b>	<b>42,296,279</b>	<b>344,090,575</b>
<b>As at 1 January 2019</b>	<b>157,302,299</b>	<b>1,923,660</b>	<b>142,568,337</b>	<b>42,296,279</b>	<b>344,090,575</b>
Deficit for the year	(428,759)	-	-	-	(428,759)
<b>As at 31 December 2019</b>	<b>156,873,540</b>	<b>1,923,660</b>	<b>142,568,337</b>	<b>42,296,279</b>	<b>343,661,816</b>

Statement of Cash Flows	Note	2019 KShs	2018 KShs
<b>Cash flows from operating activities</b>			
Deficit for the year		(428,759)	(35,292,638)
Adjustments for:			
Depreciation	10	14,111,464	24,933,287
<b>Cash flows before working capital changes</b>		<b>13,682,705</b>	<b>(10,359,351)</b>
<b>Working capital changes</b>			
Increase in payables & accruals		(1,394,896)	7,140,763
Increase in receivables		1,966,894	(973,472)
<b>Net cash generated from/(used in) operating activities</b>		<b>14,254,702</b>	<b>(4,192,060)</b>
<b>Cash flows from investing activities</b>			
Acquisition of assets	10	(7,842,841)	(17,052,697)
<b>Net cash flows used in investing activities</b>		<b>(7,842,841)</b>	<b>(17,052,697)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	3,405,514
Repayment of borrowings		(12,122,048)	(8,131,979)
Repayment of finance lease obligation		-	1,471,015
<b>Net cash flows used in financing activities</b>		<b>(12,122,048)</b>	<b>(3,255,450)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,710,187)</b>	<b>(24,500,207)</b>
Cash and cash equivalents at start of the year		18,988,844	43,489,051
<b>Cash and cash equivalents at end of the year</b>	14	<b>13,278,657</b>	<b>18,988,844</b>

**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 impairment losses.

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

	<b>Rate</b>
Land	0.0%
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.

**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 has applied for, but 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, require 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 ownership 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.

**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 drawdown, 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.

**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.

**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 2019**

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.

***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: Impairment methodology; and

Phase 3: Hedge accounting

**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.

***Impact of IFRS 9 in the financial statements***

Management evaluated the impact of *IFRS 9* and noted it had little effect on 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 2019.

**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 lessees 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 have a significant impact on the financial statements. There were no leases in 2019 that fall under the requirements of *IFRS 16*.

**Notes (Continued ...)**

**2) Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Church's accounting policies, which are described in note 1, 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 the revision 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 uncertainty**

***i) Impairment 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, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable 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.

	<b>2019</b>	<b>2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>4a Tithes and offerings</b>		
Hill City	77,303,789	88,542,822
Crossroads	33,316,903	57,926,730
Down Town	63,242,095	56,288,067
Lifeway	10,031,339	7,576,623
Mashariki	19,753,671	17,338,216
Kampala	-	26,566,470
Nakuru	1,955,977	419,756
South B	22,421,078	14,593,728
Thika	778,014	1,195,971
	<b><u>228,802,866</u></b>	<b><u>270,448,383</u></b>

Effective from the financial year under review, the accounts for Kampala are audited separately and hence the transactions are not included in these financial statements.

<b>4b Designated income</b>		
Mizizi	1,011,850	1,024,061
Ndoa	1,003,000	972,164
Fearless summit	2,945,805	2,575,226
Spread the love	3,623,984	-
Camps (teens and kids)	2,003,100	2,126,620
Other designated income	343,864	413,654
	<b><u>10,931,603</u></b>	<b><u>7,111,725</u></b>

<b>5 Staff costs</b>		
Hill City	25,544,982	21,672,051
Crossroads	14,207,435	11,179,123
Down Town	17,596,211	14,323,654
Lifeway	5,553,639	4,278,721
Mashariki	11,013,212	9,725,076
Kampala	-	10,245,325
South B	8,890,456	6,060,000
Nakuru	1,608,045	1,128,397
Thika	1,561,702	1,260,000
Movement	14,261,972	20,621,164
	<b><u>100,237,655</u></b>	<b><u>100,493,511</u></b>

<b>6 Ministry direct expenses</b>		
Hill City	13,220,329	16,009,433
Crossroads	4,374,056	6,487,957
Down Town	7,050,420	7,204,051
Lifeway	2,282,463	2,595,049
Mashariki	4,015,056	5,923,387
Kampala	-	10,869,717
Nakuru	517,188	145,640
South B	4,278,707	3,710,986
Thika	570,615	720,000
	<b><u>36,308,834</u></b>	<b><u>53,666,220</u></b>

	<b>2019</b>	<b>2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>7 Ministry support expenses</b>		
Hill City	21,233,570	38,599,769
Crossroads	8,107,930	12,067,194
Down Town	14,272,811	14,344,227
Lifeway	4,799,757	4,445,136
Mashariki	10,496,889	9,227,616
Kampala	-	15,444,794
Nakuru	900,980	1,527,291
South B	4,765,595	6,462,111
Thika	-	693,215
Movement	15,490,864	26,336,887
	<b><u>80,068,396</u></b>	<b><u>129,148,241</u></b>
<b>8 Finance and development costs</b>		
Interest expenses	21,962,095	27,325,640
Provision for doubtful debts	1,966,894	-
Relocation expenses	119,792	2,373,045
	<b><u>24,048,781</u></b>	<b><u>29,698,685</u></b>
<b>9 Designated expenses</b>		
Grants remitted to Frontline Ministries	16,393,052	9,949,789
Ndoa expenses	1,630,251	3,123,380
Mizizi expenses	2,167,444	2,363,118
Fearless Summit	6,306,388	670,722
	<b><u>26,497,135</u></b>	<b><u>16,107,009</u></b>

10 Property and equipment

2019	Land Kshs 0%	Property Kshs 2.5%	Tents Kshs 12.5%	Motor Vehicle Kshs 25.0%	Computers Kshs 33.3%	Music Equipment Kshs 33.3%	Office Equipment Kshs 12.5%	Furniture & fittings Kshs 12.5%	Finance lease Assets Kshs	Total Kshs
<b>Cost</b>										
1 January 2019	435,174,376	82,225,624	33,382,354	1,980,239	11,535,305	39,712,089	17,401,172	11,036,832	-	632,447,991
Additions	-	-	451,500	-	4,724,549	2,493,032	-	173,760	-	7,842,841
31 December 2019	<u>435,174,376</u>	<u>82,225,624</u>	<u>33,833,854</u>	<u>1,980,239</u>	<u>16,259,854</u>	<u>42,205,121</u>	<u>17,401,172</u>	<u>11,210,592</u>	<u>-</u>	<u>640,290,832</u>
<b>Accumulated depreciation</b>										
1 January 2019	-	13,453,662	32,260,189	1,840,633	11,535,305	39,712,089	14,676,336	8,168,096	-	121,646,310
Charge for the year	-	2,055,641	1,122,165	139,606	4,724,549	2,493,032	2,175,147	1,401,324	-	14,111,464
31 December 2019	<u>-</u>	<u>15,509,303</u>	<u>33,382,354</u>	<u>1,980,239</u>	<u>16,259,854</u>	<u>42,205,121</u>	<u>16,851,483</u>	<u>9,569,420</u>	<u>-</u>	<u>135,757,774</u>
<b>Net book value</b>										
31 December 2019	<u>435,174,376</u>	<u>66,716,321</u>	<u>451,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,689</u>	<u>1,641,172</u>	<u>-</u>	<u>504,533,058</u>

Property & equipment

2018	Land Kshs	Property Kshs	Tents Kshs	Motor Vehicle Kshs	Computer Kshs	Music Equipment Kshs	Office Equipment Kshs	Furniture & fittings Kshs	Finance lease Assets Kshs	Total Kshs
<b>Cost</b>										
1 January 2018	283,408,456	81,654,153	13,304,978	1,980,239	10,641,385	32,654,441	7,206,020	6,862,474	35,114,812	472,826,958
Additions	-	571,471	918,000	-	893,920	2,397,648	1,712,216	1,361,858	-	7,855,113
Revaluation***	142,568,337	-	-	-	-	-	-	-	-	-
Transfer from lease	-	-	19,159,376	-	-	4,660,000	8,482,936	2,812,500	(35,114,812)	-
Improvement costs to contractor	9,197,583	-	-	-	-	-	-	-	-	9,197,583
31 December 2018	<u>435,174,376</u>	<u>82,225,624</u>	<u>33,382,354</u>	<u>1,980,239</u>	<u>11,535,305</u>	<u>39,712,089</u>	<u>17,401,172</u>	<u>11,036,832</u>	<u>-</u>	<u>632,447,991</u>
<b>Accumulated depreciation</b>										
1 January 2018	-	11,398,021	12,003,512	1,345,573	9,696,674	22,983,709	5,379,948	4,427,459	29,478,127	96,713,023
Transfer from lease	-	-	16,083,883	-	-	3,911,969	7,121,242	2,361,033	(29,478,127)	-
Charge for the year	-	2,055,641	4,172,794	495,060	1,838,631	12,816,411	2,175,146	1,379,604	-	24,933,287
31 December 2018	<u>-</u>	<u>13,453,662</u>	<u>32,260,189</u>	<u>1,840,633</u>	<u>11,535,305</u>	<u>39,712,089</u>	<u>14,676,336</u>	<u>8,168,096</u>	<u>-</u>	<u>121,646,310</u>
<b>Net book value</b>										
31 December 2018	<u>435,174,376</u>	<u>68,771,962</u>	<u>1,122,165</u>	<u>139,606</u>	<u>-</u>	<u>-</u>	<u>2,724,836</u>	<u>2,868,736</u>	<u>-</u>	<u>510,801,681</u>

	<b>2019</b>	<b>2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>11 Available for sale investments</b>		
<b>Investments in unit trusts - Old Mutual Trust Fund</b>		
At 01 January	52,004	56,182
Fair value (losses)/gains	-	(4,178)
At 31 December	<u><b>52,004</b></u>	<u><b>52,004</b></u>
<b>12 Receivables and prepayments</b>		
Prepayments and deposits	106,946	106,946
Other receivables	1,966,894	1,966,894
Provision for doubtful debts	(1,966,894)	-
	<u><b>106,946</b></u>	<u><b>2,073,840</b></u>
<b>13 Short term deposit</b>		
At 01 January	134,297	5,167,383
Maturities	13,194	(5,079,481)
Interest income	-	46,395
At 31 December	<u><b>147,491</b></u>	<u><b>134,297</b></u>
The short term deposits are made up as follows:		
CIC Asset Management Limited	147,491	134,297
	<u><b>147,491</b></u>	<u><b>134,297</b></u>
<b>14 Cash and cash equivalents</b>		
Cash at bank	9,771,933	13,865,976
Fixed deposits and savings	2,451,422	3,932,492
Cash in hand	643,838	85,994
Mpesa balance	263,973	970,085
	<u><b>13,131,166</b></u>	<u><b>18,854,547</b></u>
<b>For cash flow statement purposes cash and cash equivalents</b>		
<b>comprise of:</b>	<b>Note</b>	
Short term deposit	<b>13</b>	147,491
Cash and bank balances	<b>14</b>	13,131,166
		<u><b>13,278,657</b></u>
		<u><b>19,962,316</b></u>

On 7th April 2016, the Central Bank of Kenya placed Chase Bank under receivership due to liquidity difficulties the bank was experiencing rendering the bank account inaccessible. However the Central Bank of Kenya later approved of acquisition of Chase Bank by SBM Bank which committed to refund 75% of the deposit earlier held in Chase Bank over a period of time. As at 31 December 2019 the Church had balances of Kshs 1,650,869 in the SBM Bank account and which are included in the cash and bank balances.

	<b>2019</b>	<b>2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>15 Borrowings</b>		
Current borrowings	33,129,792	35,790,348
Non-current borrowings	118,072,956	127,534,448
	<u><b>151,202,748</b></u>	<u><b>163,324,796</b></u>
<b>Analysis by cash flows:</b>		
As at 01 January	163,324,796	168,051,260
Principal paid in the year	(12,122,048)	(4,726,464)
	<u><b>151,202,748</b></u>	<u><b>163,324,796</b></u>

The non-current borrowing relates to the non current portion of a 15 year mortgage facility of Kshs 200m obtained from Housing Finance on 11th July 2013, that is secured against a first ranking charge over the Church property in Athi River and to the non-current portion of Kshs 20m of a 3 year additional loan obtained from Housing Finance on 5th December 2017 and which is secured against the same property.

The current borrowing relates to the portion of mortgage and additional loan principal that is payable within the next 12 months.

**16 Payables and accruals**

Audit fees accrual	1,379,400	1,403,600
Other payables and accruals	21,724,261	23,094,958
Payables to related parties (note 18 (ii))	2,440	2,440
	<u><b>23,106,101</b></u>	<u><b>24,500,998</b></u>

i) Key management compensation

Elders of the Nairobi church offer their services on a voluntary basis and are not remunerated. The remuneration of key management during the year was as follows:

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries and other benefits	<u>26,021,164</u>	<u>24,441,916</u>
Number of Key management	9	7
ii) Payable to related parties		
Nairobi Chapel - Mamlaka	<u>2,440</u>	<u>2,440</u>

**Notes (Continued ...)**

**17 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.

**18 Liquidity**

The Church had a negative working capital of Kshs 42,850,290 as at 31 December 2019 (2018: Kshs 39,228,663). However, the Elders' Court believes that the Church will continue to operate as a going concern as efforts are being made to improve the liquidity and working capital of the Church.

**19 Impact of COVID-19**

In March 2020, the World Health Organization declared the outbreak of COVID-19, a pandemic negatively affecting worldwide manufacturing and trade and posing the threat of significant disruption to global supply chains, global manufacturing, travel & tourism & investment and consumer spending. The local shutdown led to a closure of the churches and an introduction of online services resulting in a drop in giving and other ministry revenues.

*In order to address the situation, the following measures were taken:-*

*1) Salary and staffing reviews*

*a) A 30% salary reduction, agreed in consultation with staff members.*

*b) Rationalized staffing positions according to need, eliminated certain permanent positions and created new part-time positions and consultancies to fill in temporary needs as required.*

*2) Reduced our paid security personnel and put plans in place to train volunteer security personnel.*

*3) Reduced staff meals and transport to only essential staff being transported.*

*4) Created a financial management team that constantly looks into our income and expenditure habits.*

The fact that the COVID-19 crisis is ongoing and dynamic in nature, the Elder's Court continue to assess the evolving impact of COVID-19 on the Church.

**20 Currency**

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

**21 Comparative figures**

Certain comparative figures in the previous period were adjusted where necessary to conform with changes in presentation in the current period.

Detailed statement of profit or loss & other comprehensive income

	Hill City Kshs	Crossroads Kshs	Down Town Kshs	Lifeway Kshs	Mashariki Kshs	Nakuru Kshs	South B Kshs	Thika Kshs	Movement Kshs	2019 KShs	2018 KShs
<b>Income</b>											
Tithes and offerings	77,303,789	33,316,903	63,242,095	10,031,339	19,753,671	1,955,977	22,421,078	778,014	-	228,802,866	270,448,383
Designated income	4,302,555	-	-	-	3,633,184	-	-	-	2,995,864	10,931,603	7,111,725
Development income	-	-	-	-	-	-	-	-	-	-	3,000
Grant income	-	-	-	-	-	-	-	-	26,797,973	26,797,973	15,719,987
Exchange loss	141,989	-	-	-	-	-	-	-	-	141,989	(468,649)
Interest income	57,611	-	-	-	-	-	-	-	-	57,611	1,006,583
<b>Total income</b>	<b>81,805,944</b>	<b>33,316,903</b>	<b>63,242,095</b>	<b>10,031,339</b>	<b>23,386,855</b>	<b>1,955,977</b>	<b>22,421,078</b>	<b>778,014</b>	<b>29,793,837</b>	<b>266,732,042</b>	<b>293,821,028</b>
<b>Expenditure</b>											
<b>Staff costs</b>											
Salaries and wages	22,260,165	11,609,556	15,757,355	4,882,267	9,276,629	1,440,000	7,960,482	1,398,500	10,991,991	85,576,945	95,904,955
Staff medical costs	2,597,722	1,354,815	1,838,856	569,752	1,082,566	168,045	928,974	163,202	1,282,746	9,986,679	2,084,941
Staff retreat	-	-	-	-	75,800	-	-	-	-	75,800	95,000
Other staff costs	687,095	1,243,064	-	101,620	578,217	-	1,000	-	1,987,235	4,598,231	2,408,615
<b>Total staff costs</b>	<b>25,544,982</b>	<b>14,207,435</b>	<b>17,596,211</b>	<b>5,553,639</b>	<b>11,013,212</b>	<b>1,608,045</b>	<b>8,890,456</b>	<b>1,561,702</b>	<b>14,261,972</b>	<b>100,237,655</b>	<b>100,493,512</b>
Ministry direct expenses	13,220,329	4,374,056	7,050,420	2,282,463	4,015,056	517,188	4,278,707	570,615	-	36,308,834	53,666,220
Ministry support expenses	21,233,570	8,107,930	14,272,811	4,799,757	10,496,889	900,980	4,765,595	-	15,490,864	80,068,396	129,148,241
Finance and development	24,048,781	-	-	-	-	-	-	-	-	24,048,781	29,698,685
Designated expenses	10,002,345	3,648,579	6,725,674	1,255,591	2,540,847	1,116,250	1,207,850	-	-	26,497,135	16,107,008
<b>Total expenditure</b>	<b>94,050,007</b>	<b>30,338,000</b>	<b>45,645,115</b>	<b>13,891,450</b>	<b>28,066,004</b>	<b>4,142,464</b>	<b>19,142,608</b>	<b>2,132,317</b>	<b>29,752,836</b>	<b>267,160,801</b>	<b>329,113,666</b>
Surplus/(deficit) for the year	<b>(12,244,063)</b>	<b>2,978,903</b>	<b>17,596,980</b>	<b>(3,860,111)</b>	<b>(4,679,149)</b>	<b>(2,186,487)</b>	<b>3,278,470</b>	<b>(1,354,303)</b>	<b>41,001</b>	<b>(428,759)</b>	<b>(35,292,638)</b>
<b>Other comprehensive income</b>											
Gain on revaluation of available for sale investments	-	-	-	-	-	-	-	-	-	-	(4,178)
Total comprehensive income/(loss) for the year	<b>(12,244,063)</b>	<b>2,978,903</b>	<b>17,596,980</b>	<b>(3,860,111)</b>	<b>(4,679,149)</b>	<b>(2,186,487)</b>	<b>3,278,470</b>	<b>(1,354,303)</b>	<b>41,001</b>	<b>(428,759)</b>	<b>(35,296,816)</b>