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MAVUNO CHURCH

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

Mavuno Church
Annual report and financial statements
For the year ended 31 December 2020

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Organization information

Elders' Court Members

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Current

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 & Company LLP
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 2020, 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, Thika 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 for the year

	2020	2019
	Kshs	Kshs
Surplus/(deficit) for the year from operations	(632,267)	(428,759)
Total comprehensive surplus/(deficit) for the year.	<u>(632,267)</u>	<u>(428,759)</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 & Company LLP, 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 2021

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 2021 and signed on its behalf by:

.....
Chairman

.....
Treasurer

Opinion

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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 2020, 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 2020 and of its financial performance and cash flows for the year the ended in accordance with 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 note 20 which shows that the current liabilities exceeded the current assets by Kshs 7,033,356 (2019: Kshs 42,850,290). 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

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 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.

* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

For and on behalf of
Kreston KM & Company LLP
Certified Public Accountants
Nairobi

..... **2021**

Statement of comprehensive income

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		2020	2019
		Kshs	Kshs
	Note		
Income			
Tithes and offerings	4a	201,061,431	228,802,866
Designated income	4b	11,117,523	10,931,603
Grant income		9,542,491	26,797,973
Development income		212,551	-
Interest earned		104,419	57,611
Exchange gain		51,311	141,989
		<u>222,089,726</u>	<u>266,732,042</u>
Expenditure			
Staff costs	5	95,454,239	100,237,655
Ministry direct expenses	6	19,457,740	36,308,834
Ministry support expenses	7	68,729,776	80,068,396
Finance and development costs	8	18,760,275	24,048,781
Designated expenses	9	20,319,963	26,497,135
		<u>222,721,993</u>	<u>267,160,801</u>
Surplus/(deficit) for the year from operations		<u>(632,267)</u>	<u>(428,759)</u>

Statement of Financial Position

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	Note	2020 Kshs	2019 Kshs
Non-current assets			
Property and equipment	10	500,904,429	504,533,058
Available for sale investments	11	52,004	52,004
		<u>500,956,433</u>	<u>504,585,062</u>
Current assets			
Receivables and prepayments	12	-	106,946
Short term deposit	13	277,834	147,491
Cash and cash equivalents	14	26,985,034	13,131,166
		<u>27,262,868</u>	<u>13,385,603</u>
Total assets		<u>528,219,301</u>	<u>517,970,665</u>
REPRESENTED BY:			
Fund balances and liabilities			
Fund and reserves balances			
Accumulated fund		168,953,840	156,873,540
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>355,742,116</u>	<u>343,661,816</u>
Non-current liabilities			
Borrowings	15	118,180,961	118,072,956
		<u>118,180,961</u>	<u>118,072,956</u>
Current liabilities			
Borrowings	15	30,028,991	33,129,792
Payables and accruals	16	24,267,233	23,106,101
		<u>54,296,224</u>	<u>56,235,893</u>
Total fund balances and liabilities		<u>528,219,301</u>	<u>517,970,665</u>

The financial statements on pages 5 to 21 were approved for issue by the Elders' Court on 2021 and were signed on their behalf by:

.....
Chairman

.....
Treasurer

Statement of changes in fund balances

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	Note	Accumulated fund	Investment revaluation fund	Revaluation reserve	Designated fund	Total Total Kshs
		Kshs	Kshs	Kshs	Kshs	Kshs
As at 1 January 2019		157,302,299	1,923,660	142,568,337	42,296,279	344,090,575
Deficit for the year		(428,759)	-	-	-	(428,759)
As at 31 December 2019		156,873,540	1,923,660	142,568,337	42,296,279	343,661,816
As at 1 January 2020		156,873,540	1,923,660	142,568,337	42,296,279	343,661,816
Trade payables write back	19	12,712,567	-	-	-	12,712,567
Surplus for the year		(632,267)	-	-	-	(632,267)
As at 31 December 2020		168,953,840	1,923,660	142,568,337	42,296,279	355,742,116

Statement of Cash Flows	Note	2020 Kshs	2019 Kshs
Cash flows from operating activities			
Surplus/(deficit) for the year		(632,267)	(428,759)
Adjustments for:			
Depreciation	10	14,128,974	14,111,464
Trade payables write back	19	12,712,567	-
Cash flows before working capital changes		26,209,274	13,682,705
Working capital changes			
Decrease in payables & accruals		1,161,132	(1,394,896)
Decrease in receivables		106,946	1,966,894
Net cash generated from operating activities		27,477,351	14,254,703
Cash flows from investing activities			
Acquisition of assets	10	(10,500,345)	(7,842,841)
Net cash flows used in investing activities		(10,500,345)	(7,842,841)
Cash flows from financing activities			
Repayment of borrowings		(2,992,796)	(12,122,048)
Net cash flows used in financing activities		(2,992,796)	(12,122,048)
Net decrease in cash and cash equivalents		13,984,210	(5,710,186)
Cash and cash equivalents at start of the year		13,278,658	18,988,844
Cash and cash equivalents at end of the year	14	27,262,868	13,278,658

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 as set to its residual value over its estimated useful life, on the following bases:

	Rate
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) Land

Land comprises cost of leasehold property with a lease period of 99 years from 1 October 1980 to 30 September 2079 and revaluations thereto. Depreciation on land is calculated equally for the remaining period of the lease.

e) 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 ...)

f) 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 their recoverable amount and the resulting impairment loss is treated as an expense in the surplus or deficit.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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 ...)

m) 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.

n) 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.

o) 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.

p) 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 or deficit.

Notes (Continued ...)

q) 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.

r) Comparatives

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

s) 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 2020

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) Covid-19-Related Rent Concessions – Amendment to IFRS 16 □

Effective for annual periods beginning on or after 1 June 2020. 'In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment does not apply to lessors. The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the Covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary. The Elders' Court assessed and determined that the amendment had no effect on the books of the Church.

ii) IAS 16- (Amendment) Leases

-Amendments to IFRS 16 'Leases' specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. Effective January 1, 2019, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2020. The Elders' Court assessed and determined that the amendment did not have an impact on the Church's financial statements.

Notes (continued ...)

iii) Definition of Material - Amendments to IAS 1 and IAS 8

Effective for annual periods beginning on or after 1 January 2020. In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

New standards, amendments and interpretations issued but not effective that may have an effect on the Society in future periods

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- IAS 1 Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1. Effective for annual periods beginning on or after 1 January 2023. In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.
- Amendments to IFRS 9 Financial Instruments. An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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.

	2020	2019
	Kshs	Kshs
4a Tithes and offerings		
Hill City	73,416,261	77,303,789
Crossroads	18,266,542	33,316,903
Down Town	56,071,027	63,242,095
Lifeway	9,203,265	10,031,339
Mashariki	17,847,721	19,753,671
Nakuru	814,721	1,955,977
South	24,799,499	22,421,078
Thika	642,397	778,014
	<u>201,061,431</u>	<u>228,802,866</u>
4b Designated income		
Mizizi	787,987	1,011,850
Ndoa	626,000	1,003,000
Fearless summit	5,324,920	2,945,805
Spread the love	3,274,116	3,623,984.00
Camps (teens and kids)	1,004,500	2,003,100
Other designated income	100,000	343,864
	<u>11,117,523</u>	<u>10,931,603</u>
5 Staff costs		
Hill City	21,626,243	25,544,982
Crossroads	10,738,762	14,207,435
Down Town	17,719,219	17,596,211
Lifeway	10,294,708	5,553,639
Mashariki	11,956,912	11,013,212
South	8,650,911	8,890,456
Nakuru	1,045,874	1,608,045
Thika	1,052,626	1,561,702
Movement	12,368,985	14,261,972
	<u>95,454,239</u>	<u>100,237,655</u>
6 Ministry direct expenses		
Hill City	6,806,166	13,220,329
Crossroads	1,741,126	4,374,056
Down Town	4,894,809	7,050,420
Lifeway	687,449	2,282,463
Mashariki	1,926,901	4,015,056
Nakuru	258,785	517,188
South	3,128,003	4,278,707
Thika	14,500	570,615
	<u>19,457,740</u>	<u>36,308,834</u>

	2020	2019
	Kshs	Kshs
7 Ministry support expenses		
Hill City	20,598,895	21,233,570
Crossroads	5,790,258	8,107,930
Down Town	12,936,874	14,272,811
Lifeway	3,148,295	4,799,757
Mashariki	7,887,285	10,496,889
Nakuru	700,854	900,980
South	4,239,195	4,765,595
Movement	13,428,120	15,490,864
	<u>68,729,776</u>	<u>80,068,396</u>
8 Finance and development costs		
Interest expenses	18,760,275	21,962,095
Provision for doubtful debts	-	1,966,894
Relocation expenses	-	119,792
	<u>18,760,275</u>	<u>24,048,781</u>
9 Designated expenses		
Grants remitted to Frontline Ministries	15,315,179	16,393,052
Ndoa expenses	3,092,603	1,630,251
Mizizi expenses	353,531	2,167,444
Fearless Summit	1,558,650	6,306,388
	<u>20,319,963</u>	<u>26,497,135</u>

10 Property and equipment

2020	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%	Total Kshs
Cost									
1 January 2020	435,174,376	82,225,624	33,833,854	1,980,239	16,259,854	42,205,121	17,401,172	11,210,592	640,290,832
Additions	-	349,440	-	7,530,505	909,500	1,626,900	-	84,000	10,500,345
Disposal	-	-	-	(2,600,000)	-	-	-	-	(2,600,000)
31 December 2020	<u>435,174,375</u>	<u>82,575,064</u>	<u>33,833,854</u>	<u>6,910,744</u>	<u>17,169,354</u>	<u>43,832,021</u>	<u>17,401,172</u>	<u>11,294,592</u>	<u>648,191,176</u>
Accumulated depreciation									
1 January 2020	-	15,509,303	33,382,354	1,980,239	16,259,854	42,205,121	16,851,483	9,569,420	135,757,774
Disposal	-	-	-	(2,600,000)	-	-	-	-	(2,600,000)
Charge for the year	7,375,837	2,064,377	-	1,882,626	302,864	541,758	549,689	1,411,824	14,128,974
31 December 2020	<u>7,375,837</u>	<u>17,573,680</u>	<u>33,382,354</u>	<u>1,262,865</u>	<u>16,562,717</u>	<u>42,746,879</u>	<u>17,401,172</u>	<u>10,981,244</u>	<u>147,286,747</u>
Net book value									
31 December 2020	<u>427,798,538</u>	<u>65,001,384</u>	<u>451,500</u>	<u>5,647,879</u>	<u>606,637</u>	<u>1,085,142</u>	<u>-</u>	<u>313,348</u>	<u>500,904,429</u>

As from 1st January 2020, the Elders Court resolved to depreciate the land over its remaining lease hold period. As of 31/12/2020 the remaining lease hold period was 59 years.

Property and equipment

2019	Land Kshs	Property Kshs	Tents Kshs	Motor Vehicle Kshs	Computer Kshs	Music Equipment Kshs	Office Equipment Kshs	Furniture & fittings Kshs	Total Kshs
Cost									
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>640,290,832</u>
Accumulated depreciation									
1 January 2019	-	13,453,662	32,260,189	1,840,633	11,535,305	39,712,089	14,676,336	8,168,096	121,646,311
Charge for the year	-	2,055,641	1,122,165	139,606	4,724,549	2,493,032	2,175,147	1,401,324	14,111,463
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>135,757,774</u>
Net book value									
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>504,533,058</u>

	2020	2019
	Kshs	Kshs
11 Available for sale investments		
Investments in unit trusts - Old Mutual Trust Fund		
At 01 January	52,004	52,004
Fair value (losses)/gains	-	-
At 31 December	52,004	52,004
12 Receivables and prepayments		
Prepayments and deposits	-	106,946
Other receivables	1,966,894	1,966,894
Provision for doubtful debts	(1,966,894)	(1,966,894)
	-	106,946
13 Short term deposit		
At 01 January	147,491	134,297
Deposits placed during the year	115,000	-
Maturities	15,343	13,194
At 31 December	277,834	147,491
The short term deposits are made up as follows:		
CIC Asset Management Limited	161,588	147,491
ICEA lion	116,246	-
	277,834	147,491
14 Cash and cash equivalents		
Cash at bank	22,356,193	9,771,933
Fixed deposits and savings	1,304,976	2,451,422
Cash in hand	32,044	643,838
Mpesa balance	3,291,821	263,973
	26,985,034	13,131,166
For cash flow statement purposes cash and cash equivalents comprise of:		
	Note	
Short term deposit	13 277,834	147,491
Cash and bank balances	14 26,985,034	13,131,166
	27,262,868	13,278,658

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 2020 the Church had balances of Kshs 1,348,603 in the SBM Bank account and which are included in the cash and bank balances.

	2020	2019
	Kshs	Kshs
15 Borrowings		
Current borrowings	30,028,991	33,129,792
Non-current borrowings	118,180,961	118,072,956
	<u>148,209,952</u>	<u>151,202,748</u>
Analysis by cash flows:		
As at 01 January	151,202,748	163,324,796
Principal paid in the year	(2,992,796)	(12,122,048)
	<u>148,209,952</u>	<u>151,202,748</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. The current portion is the amounts payable within the next 12 months.

16 Payables and accruals

Audit fees accrual	1,403,600	1,379,400
Other payables and accruals	2,861,193	21,724,261
Deferred grants	20,000,000	-
Payables to related parties (note 16 (ii))	2,440	2,440
	<u>24,267,233</u>	<u>23,106,101</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:

Other key management comprises Senior pastor and ten executive pastors.

	2020	2019
	Kshs	Kshs
Salaries and other benefits	<u>19,316,024</u>	<u>26,021,164</u>
Number of Key management	11	9
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 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 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.

19 Accounts payables

In 2020, a reconciliation to verify the completeness of the payables and accruals account was carried out and the balances that were erroneous were written back through the accumulated fund. As per the IAS 8 guidelines, it was impracticable to determine the period-specific effects of the errors on comparative information and therefore the restatement has been done on the opening balances of the account in 2020 being the earliest period for which retrospective restatement is practicable.

20 Liquidity

The Church had a negative working capital of Kshs 7,033,356 as at 31 December 2020 (2019: Kshs 42,850,290). 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.

21 Currency

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

22 Comparative figures

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

Mavuno Church
Supplementary information
For the year ended 31 December 2020

Appendix

Detailed statement of profit or loss & other comprehensive income

	Hill City Kshs	Crossroads Kshs	Down Town Kshs	Lifeway Kshs	Mashariki Kshs	Nakuru Kshs	South Kshs	Thika Kshs	Movement Kshs	2020 KShs	2019 KShs
Income											
Tithes and offerings	73,416,261	18,266,542	56,071,027	9,203,265	17,847,721	814,721	24,799,499	642,397	-	201,061,431	228,802,866
Designated income	3,211,629	252,487	-	-	1,100	-	-	-	6,602,307	10,067,523	10,931,603
Development income	-	-	-	-	-	-	-	-	212,551	212,551	-
Grant income	890,320	-	208,664	-	-	-	-	-	8,443,507	9,542,491	26,797,973
Asset disposal	1,050,000	-	-	-	-	-	-	-	-	1,050,000	-
Exchange income	2,858	-	-	-	-	-	-	-	48,454	51,312	141,989
Interest income	53,094	-	9,050	-	-	-	-	-	42,276	104,419	57,611
Total income	78,624,161	18,519,029	56,288,741	9,203,265	17,848,821	814,721	24,799,499	642,397	15,349,095	222,089,728	266,732,042
Expenditure											
Staff costs											
Salaries and wages	14,833,106	10,695,762	8,756,492	6,395,304	5,622,002.82	1,045,874	1,604,311.95	1,052,626	12,270,485	62,275,965	85,576,945
Staff medical costs	2,494,457	-	2,613,241	1,544,188	2,500,306	-	2,732,025	-	-	11,884,217	9,986,679
Staff retreat	102,500	(7,000)	88,000	-	-	-	-	-	98,500	282,000	75,800
Other staff costs	4,196,180	50,000	6,261,485	2,355,216	3,834,603	-	4,314,574	-	-	21,012,058	4,598,231
Total staff costs	21,626,243	10,738,762	17,719,219	10,294,708	11,956,912	1,045,874	8,650,911	1,052,626	12,368,985	95,454,239	100,237,655
Ministry direct expenses	6,806,166	1,741,126	4,894,809	687,449	1,926,901	258,785	3,128,003	14,500	-	19,457,740	36,308,834
Ministry support expenses	20,598,895	5,790,258	12,936,874	3,148,295	7,887,285	700,854	4,239,195	-	13,428,120	68,729,776	80,068,396
Finance and development	18,760,275	-	-	-	-	-	-	-	-	18,760,275	24,048,781
Designated expenses	7,229,348	2,863,240	4,356,055	1,069,279	1,969,601	-	2,832,440	-	-	20,319,962	26,497,135
Total expenditure	75,020,928	21,133,385	39,906,957	15,199,732	23,740,699	2,005,513	18,850,548	1,067,126	25,797,105	222,721,993	267,160,801
Surplus/(deficit) for the year	3,603,234	(2,614,357)	16,381,784	(5,996,467)	(5,891,878)	(1,190,792)	5,948,950	(424,729)	(10,448,010)	(632,267)	(428,759)