

MAVUNO CHURCH

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2015**

DRAFT

MAVUNO CHURCH

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS	PAGES
Church information	2 – 3
Report of the Elders' Court	4
Statement of the Elders' Court responsibilities	5
Independent auditors' report	6 – 7
Financial Statements:	
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in funds	10
Statement of cash flows	11
Notes to the financial statements	12 – 25
Detailed statement of profit or loss and other comprehensive income	Appendix I

MAVUNO CHURCH

CHURCH INFORMATION

ELDERS' COURT MEMBERS

Current:

Anthony Okoth	-	Chairman - From 1 January, 2015
Mureithi Wanjau	-	Secretary - From 1 January, 2015
James Kaniaru	-	Treasurer
Ciku Kaniaru		From 1 January, 2015
Carol Okith		From 1 January, 2015
Gari Cowman		From 1 January, 2015
Lori Cowman		From 1 January, 2015
Victor Yamo		From 1 January, 2015
Lois Yamo		From 1 January, 2015
Simon Mbevi		From 1 January, 2015
Sophie Mbevi		From 1 January, 2015
Kanji Mbugua		From 1 January, 2015
Mwendie Mbugua		From 1 January, 2015

CONTACT ADDRESS

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

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P O Box 40092 - 00100
Nairobi, Kenya

BANKERS

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

NIC Bank Limited
City centre branch
P O Box 30090 - 00100
Nairobi, Kenya

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

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

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

MAVUNO CHURCH

OFFICERS AND PROFESSIONAL ADVISERS (Continued)

BANKERS (Continued)

Standard Chartered Bank Kenya Limited
Upper Hill Branch
P O Box 30003 - 00100
Nairobi, Kenya

LEGAL ADVISORS

Mboya & Wangong'u Advocates
Lex Chambers
Maji Mazuri Road, off James Gichuru Road,
Lavington,
P O Box 74041 - 00200
Nairobi, Kenya

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MAVUNO CHURCH

REPORT OF THE ELDERS' COURT

The Elders' Court submit their report and the audited financial statements for the year ended 31 December 2015 which disclose the state of the 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 (formerly Nairobi Chapel- Mavuno) financial statements incorporate the financial statements of Mavuno Church, Mavuno Down Town, Mashariki and Kampala all of which are made up to 31 December. The Inter-church transactions and balances are eliminated upon amalgamation of the results.

RESULTS

	Shs
Surplus for the year	5,047,473
	=====

ELDERS' COURT MEMBERS

The Elders' court members who served the Church during the year are listed on page 2.

AUDITORS

Deloitte & Touche were appointed to carry out the audit for the year ended 31 December 2015 and have expressed their willingness to continue in office.

BY ORDER OF THE ELDERS' COURT

SECRETARY

Nairobi

2016

MAVUNO CHURCH

STATEMENT OF THE 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.

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

Chairman

Treasurer

2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAVUNO CHURCH

We have audited the accompanying financial statements of Mavuno Church, set out on pages 8 to 25, which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Elders' Court Responsibility for the Financial Statements

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the Church's preparation of the financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Elders' Court, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of Mavuno Church as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Emphasis of matter

In common with similar entities, Mavuno Church derives a substantial proportion of its income from voluntary contributions which are not susceptible to independent audit verification until they have been captured in the accounting records. However, we have reviewed the controls relating to the receipt and the recording of the voluntary contributions to ensure that they have been adequately recorded. We draw this matter to the reader's attention but our opinion is not qualified in this respect.

*The engagement partner responsible for the audit resulting in this independent auditor's report is **Bernadette Wahogo - P/No 1698.***

Certified Public Accountants (Kenya)

Nairobi, Kenya

2016

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MAVUNO CHURCH

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 Shs	2014 Shs
INCOME	3	291,849,767	370,764,209
EXPENDITURE			
Staff costs	4	104,186,453	101,422,746
Ministry expenses	5	64,877,680	60,461,914
Administration costs	6	117,738,161	160,731,899
Total expenditure		286,802,294	322,616,559
Surplus for the year		5,047,473	48,147,650
OTHER COMPREHENSIVE INCOME			
(Loss)/gain on revaluation of available for sale investments	8	(649,852)	505,666
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,397,621	48,653,316

The notes set out on pages 12 to 25 form an integral part of these financial statements.

MAVUNO CHURCH

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 Shs	2014 Shs
ASSETS			
Non current assets			
Property and equipment	7	363,744,137	343,735,168
Available for sale investments	8	3,853,028	4,502,880
Intangible assets	9	-	-
		<u>367,597,165</u>	<u>348,238,048</u>
Current assets			
Receivables and prepayments	10	106,945	1,128,456
Short term deposit	11	7,237,588	8,106,489
Cash and bank	12	6,888,974	27,649,533
		<u>14,233,507</u>	<u>36,884,478</u>
Total assets		<u><u>381,830,672</u></u>	<u><u>385,122,526</u></u>
FUND BALANCES AND LIABILITIES			
Fund and reserves balances			
Accumulated fund		167,526,476	162,479,003
Investment revaluation reserve		1,849,361	2,499,213
		<u>169,375,837</u>	<u>164,978,216</u>
Non-current liabilities			
Borrowings	13	157,277,571	132,563,381
Finance lease obligation	17	13,626,695	22,623,267
		<u>170,904,266</u>	<u>155,186,648</u>
Current liabilities			
Borrowings	13	7,400,519	4,971,435
Deferred development income	14	40,817	33,270,883
Payables and accruals	15	25,112,661	19,126,034
Finance lease obligation	17	8,996,572	7,589,310
		<u>41,550,569</u>	<u>64,957,662</u>
Total fund balances and liabilities		<u><u>381,830,672</u></u>	<u><u>385,122,526</u></u>

The financial statements on pages 8 to 25 were approved and authorised for issue by the Elders' Court on 2016 and were signed on their behalf by:

Chairman

Treasurer

The notes set out on pages 12 to 25 form an integral part of these financial statements.

MAVUNO CHURCH

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Accumulated fund	Investment revaluation reserve	Total
	Shs	Shs	Shs
At 1 January 2014	114,331,353	1,993,547	116,324,900
Other comprehensive income	-	505,666	505,666
Surplus for the year	48,147,650	-	48,147,650
	<hr/>	<hr/>	<hr/>
At 31 December 2014	162,479,003	2,499,213	164,978,216
	=====	=====	=====
At 1 January 2015	162,479,003	2,499,213	164,978,216
Other comprehensive losses	-	(649,852)	(649,852)
Surplus for the year	5,047,473	-	5,047,473
	<hr/>	<hr/>	<hr/>
At 31 December 2015	167,526,476	1,849,361	169,375,837
	=====	=====	=====

Accumulated fund represents cumulative surplus.

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

The notes set out on pages 12 to 25 form an integral part of these financial statements.

MAVUNO CHURCH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 Shs	2014 Shs
Cash flows from operating activities			
Surplus for the year		5,047,473	48,147,650
Adjustments for:			
Depreciation on property and equipment	7	18,012,492	19,772,198
		<hr/>	<hr/>
Cash flows before working capital changes		23,059,965	67,919,848
Working capital changes			
Decrease/(increase) in receivables and prepayments		1,021,511	(941,128)
Increase in payables and accruals		5,986,627	8,794,010
Movement in deferred development income		(33,230,066)	(76,007,809)
		<hr/>	<hr/>
Net cash flows generated from operating activities		(3,161,963)	(235,079)
Cash flows from investing activities			
Purchase of property and equipment	7	(38,021,461)	(73,534,889)
Cash received from sale and lease back of hyper dome (tent)	17	-	19,159,376
		<hr/>	<hr/>
Net cash flows used in investing activities		(38,021,461)	(54,375,513)
Cash flows from financing activities			
Proceeds from borrowings	13	30,000,000	42,333,213
Repayment of borrowings	13	(2,856,726)	(4,012,572)
Capital repayment of finance lease obligation	17	(7,589,310)	(4,902,235)
		<hr/>	<hr/>
Net cash flows generated from financing activities		19,553,964	33,418,406
		<hr/>	<hr/>
Decrease in cash and cash equivalents		(21,629,460)	(21,192,186)
Cash and cash equivalents at 1 January		35,756,022	56,948,208
		<hr/>	<hr/>
Cash and cash equivalents at 31 December		14,126,562	35,756,022
		<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents as shown in the statement of financial position			
Short term deposit	11	7,237,588	8,106,489
Cash and bank balances	12	6,888,974	27,649,533
		<hr/>	<hr/>
		14,126,562	35,756,022
		<hr/> <hr/>	<hr/> <hr/>

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) *Standards and interpretations affecting amounts reported in the current period (and/or prior periods)*

Several new and revised standards and interpretations became effective during the year. The elders have evaluated the impact of these new standards and interpretations and none of them had a significant impact on the Church's financial statements.

(ii) *Standards and interpretations issued but not yet effective*

At the date of authorization of these financial statements, several other new and revised standards and interpretations were in issue but not yet effective. The adoption of these standards and interpretations, when effective, is not expected to have a material impact on the financial statements of the Church.

(iii) *Early adoption*

The Church did not early adopt any new standards and/or interpretation that are in issue but not yet effective.

Basis of preparation

The financial statements have been prepared under the historical cost basis of accounting.

Income and expenditure

Offerings and donations are recognised when received and recorded in the Church's books of account. 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.

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.

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment is stated 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:

Property	2.5%
Furniture, fittings & equipment	12.5%
Computers	33.3%
Music equipment	33.3%
Motor vehicles	25%
Generator	12.5%
Tents	12.5%

Intangible assets

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

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

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 with in the surplus or deficit.

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 Shs 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 and required the contributions to change as follows:

For the purposes of the Act, the Upper Earning Limit (UEL) will be KES. 18,000 while the Lower Earnings Limit (LEL) will be KES 6,000. The pension contribution will be 12% of the pensionable wages made up of two equal portions of 6% from the employee and 6% from the employer subject to an upper limit of KES 2,160 for employees earning above KES 18,000. The employee contribution shall be drawn directly from his salary and wages while the employer's contribution shall come directly from the employer.

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Retirement benefit obligations (continued)

The contributions relating to the earnings below the LEL of the earnings (a maximum of KES 720) will be credited to what will be known as a Tier I account while the balance of the contribution for earnings between the LEL and the UEL (up to a maximum of KES 1,440) will be credited to what will be known as a Tier II account.

The new NSSF Act requirements have been suspended pending a court case.

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.

Taxation

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

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.

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.

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.

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.

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.

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Payables

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

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 drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

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.

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.

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.

Comparatives

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

2 CRITICAL ACCOUNTING JUDGMENTS 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.

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 judgments 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

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.

Intangible assets, property and equipment

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

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.

		2015	2014
		Shs	Shs
3	INCOME		
	Tithes and offerings	201,114,500	206,223,950
	Grants	8,286,742	16,641,257
	Mizizi, Ombi, Hatua, Ndoa, Lea and Fearless Summit income	6,665,611	7,859,918
	Deferred Development income (Note 14)	74,765,534	138,486,103
	Other income	245,177	492,611
	Interest earned	772,203	1,060,370
		291,849,767	370,764,209
		=====	=====

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015	2014
	Shs	Shs
4	STAFF COSTS	
	Salaries and wages	69,010,623
	Staff medical costs	5,853,082
	Staff retreat	1,238,100
	Other staff costs	25,320,941
	<u>104,186,453</u>	<u>101,422,746</u>
	=====	=====
5	MINISTRY EXPENSES	
	Mavuno	47,462,126
	Mavuno Down Town	4,855,926
	Mashariki	2,431,000
	Kampala	5,712,862
	<u>64,877,680</u>	<u>60,461,914</u>
	=====	=====
6	ADMINISTRATION COSTS	
	Mavuno	146,533,871
	Mavuno Down Town	4,761,911
	Mashariki	3,805,880
	Kampala	5,630,237
	<u>117,738,161</u>	<u>160,731,899</u>
	=====	=====

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 PROPERTY AND EQUIPMENT

	Land	Property	Tents	Motor Vehicle	Computer	Music Equipment	Office Equipment	Furniture & Fittings	Work-in- progress*	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost										
At 1 January 2014	229,045,870	11,880,855	29,128,604	2,600,000	3,975,002	12,473,521	6,351,948	3,756,001	-	299,211,801
Reclassification to Finance lease**	-	-	(19,159,376)	-	-	-	-	-	-	(19,159,376)
Additions	-	56,748,172	45,000	575,590	3,380,192	2,621,277	41,800	2,019,160	8,103,698	73,534,889
Finance lease assets (Note 17)	-	-	19,159,376	-	-	4,660,000	8,482,936	2,812,500	-	35,114,812
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	229,045,870	68,629,027	29,173,604	3,175,590	7,355,194	19,754,798	14,876,684	8,587,661	8,103,698	388,702,126
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2015	229,045,870	68,629,027	10,014,228	3,175,590	7,355,194	15,094,798	6,393,748	5,775,161	8,103,698	353,587,314
Additions	-	12,377,126	1,380,000	1,404,649	1,739,757	2,796,801	123,128	-	18,200,000	38,021,461
Finance lease assets (Note 17)	-	-	19,159,376	-	-	4,660,000	8,482,936	2,812,500	-	35,114,812
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	229,045,870	81,006,153	30,553,604	4,580,239	9,094,951	22,551,599	14,999,812	8,587,661	26,303,698	426,723,587
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation										
At 1 January 2014	-	1,060,302	7,507,160	650,000	2,586,038	8,761,217	2,728,397	1,901,646	-	25,194,760
Charge for the year	-	4,478,472	3,646,700	793,898	2,564,057	5,776,092	1,527,412	985,567	-	19,772,198
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	-	5,538,774	11,153,860	1,443,898	5,150,095	14,537,309	4,255,809	2,887,213	-	44,966,958
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2015	-	5,538,774	11,153,860	1,443,898	5,150,095	14,537,309	4,255,809	2,887,213	-	44,966,958
Charge for the year	-	2,025,153	6,222,000	1,145,060	2,397,093	3,339,370	1,810,358	1,073,458	-	18,012,492
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	-	7,563,927	17,375,860	2,588,958	7,547,188	17,876,679	6,066,167	3,960,671	-	62,979,450
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value										
At 31 December 2015	229,045,870	73,442,226	13,177,744	1,991,281	1,547,763	4,674,920	8,933,645	4,626,990	26,303,698	363,744,137
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	229,045,870	63,090,253	18,019,744	1,731,692	2,205,099	5,217,489	10,620,875	5,700,448	8,103,698	343,735,168
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

*This relates to incomplete improvements on the Athi River land which houses the Mavuno Church. It includes placement of slabs and construction of temporary structures. The assets have been used as collateral for the Insurance Premium Financing (IPF) loan from NIC bank.

** This relates to Mavuno Church hyper dome (tent housing the main church) that was sold by the Church to Servlease Limited under a sale and lease back agreement.

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015	2014
	Shs	Shs
8 AVAILABLE FOR SALE INVESTMENTS		
Investments in unit trusts – Old mutual trust fund		
At 1 January	4,502,880	3,997,214
Fair value (losses)/gains	(649,852)	505,666
	<hr/>	<hr/>
At 31 December	3,853,028	4,502,880
	<hr/> <hr/>	<hr/> <hr/>
9 INTANGIBLE ASSETS		
Cost		
At 1 January	3,312,188	3,312,188
Additions	-	-
	<hr/>	<hr/>
At 31 December	3,312,188	3,312,188
	<hr/>	<hr/>
Amortisation		
At 1 January	3,312,188	3,248,228
Charge for the year	-	63,960
	<hr/>	<hr/>
At 31 December	3,312,188	3,312,188
	<hr/>	<hr/>
Net Book Value		
At 31 December	-	-
	<hr/> <hr/>	<hr/> <hr/>
Intangible assets represent Mavuno worship project and accounting software.		
10 RECEIVABLES AND PREPAYMENTS		
Prepayments and deposits	106,945	941,128
Other receivables	-	187,328
	<hr/>	<hr/>
	106,945	1,128,456
	<hr/> <hr/>	<hr/> <hr/>

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 Shs	2014 Shs
11 SHORT TERM DEPOSIT		
At 1 January	8,106,489	12,560,670
Additions	-	-
Maturities	(1,522,075)	(5,500,000)
Interest income receivable	653,174	1,045,819
	<hr/>	<hr/>
At 31 December	7,237,588	8,106,489
	<u>=====</u>	<u>=====</u>

The short term deposits are made up as follows:

Chase Bank Limited	-	1,522,075
CIC Asset Management Limited	99,616	86,087
British American	6,304,438	5,664,793
Faulu Kenya	833,534	833,534
	<hr/>	<hr/>
	7,237,588	8,106,489
	<u>=====</u>	<u>=====</u>

The average annual effective interest rates on the deposits is 11% (2014: 8%).

12 CASH AND BANK		
Cash at bank	6,667,374	25,948,769
Cash in hand	56,740	39,866
M-Pesa balance	164,860	1,660,898
	<hr/>	<hr/>
	6,888,974	27,649,533
	<u>=====</u>	<u>=====</u>

	Minimum payments		Present value of minimum payments	
	2015 Shs	2014 Shs	2015 Shs	2014 Shs
Not later than one year	31,607,136	25,322,597	7,400,519	4,971,435
Later than one year and not later than five years	126,428,544	98,038,704	43,569,847	25,141,026
More than five years	168,571,392	176,137,931	113,707,724	107,422,355
	<hr/>	<hr/>	<hr/>	<hr/>
Less future finance charges	326,607,072 (161,928,982)	299,499,232 (161,964,416)	164,678,090 -	137,534,816 -
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of minimum lease payments	164,678,090	137,534,816	164,678,090	137,534,816
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 Shs	2014 Shs
13	BORROWINGS(Continued)	
	Maturity analysis:	
	7,400,519	4,971,435
	157,277,571	132,563,381
	<u>164,678,090</u>	<u>137,534,816</u>
	=====	=====
	Analysis by cash flows:	
	137,534,816	99,214,175
	30,000,000	42,333,213
	(2,856,726)	(4,012,572)
	<u>164,678,090</u>	<u>137,534,816</u>
	=====	=====

The borrowing relates to a facility with Housing Finance Bank Limited. As per the loan agreement, interest rate on the loan is 18% repayable in a period of 15 years. The Housing Finance facility is secured by the land in Athi River. The loan is repayable in a period of 15 years. The 2014 loan facility also included Insurance Premium Financing (IPF) from NIC Bank for the staff medical insurance scheme repayable in 9 months at an interest rate of 6.45% (secured by the Church's assets). The amount was fully repaid in 2015.

	2015 Shs	2014 Shs
14	DEFERRED DEVELOPMENT INCOME	
	33,270,883	109,278,692
	41,535,468	62,478,294
	(74,765,534)	(138,486,103)
	<u>40,817</u>	<u>33,270,883</u>
	=====	=====

Deferred development income relates to funds raised by Mavuno Central for the purpose of purchasing land in Athi River and the costs for moving the church. The land was purchased in 2013.

	2015 Shs	2014 Shs
15	PAYABLES AND ACCRUALS	
	2,182,006	1,472,144
	22,628,215	17,351,450
	302,440	302,440
	<u>25,112,661</u>	<u>19,126,034</u>
	=====	=====

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 RELATED PARTY BALANCES AND TRANSACTIONS

i) Key management compensation

Elders of the Nairobi Church offer their services on a voluntary basis and are not remunerated.

Other key management comprises Senior Pastor and four Executive Pastors. The remuneration of key management during the year was as follows:

	2015 Shs	2014 Shs
Salaries and other benefits	25,834,404 =====	12,227,625 =====
ii) Payable to related parties		
Nairobi Chapel – Mamlaka	302,440 =====	302,440 =====

17 FINANCE LEASE OBLIGATION

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

	2015 Shs	2014 Shs
At 31 January	30,212,577	-
Additions	-	35,114,812
Repayments	(7,589,310)	(4,902,235)
At 31 December	22,623,267 =====	30,212,577 =====

The finance lease obligation is shown below:

Due within 1 year	8,996,572	7,589,310
Due between 2 – 5 years	13,626,695	22,623,267
	22,623,267 =====	30,212,577 =====

18 FINANCIAL RISK MANAGEMENT POLICIES

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

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.

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.

The amount that best represents the Church's maximum exposure to credit risk as at 31 December 2015 is made up as follows:

	Fully performing Shs	Past due Shs	Impaired Shs
Cash at bank	6,667,374	-	-
M-Pesa balance	164,860	-	-
Short term deposits	7,237,588	-	-
	<u>14,069,822</u>	<u>-</u>	<u>-</u>
	=====	=====	=====

The amount that best represents the Church's maximum exposure to credit risk as at 31 December 2014 is made up as follows:

	Fully Performing Shs	Past due Shs	Impaired Shs
Cash at bank	25,948,769	-	-
M-Pesa balance	1,660,898	-	-
Short term deposits	8,106,489	-	-
	<u>35,716,156</u>	<u>-</u>	<u>-</u>
	=====	=====	=====

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

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. As at the end of the reporting period, an increase/decrease in 5% in the average interest rates for the year would have resulted in a decrease/increase of Shs 600,839 (2014 – Shs 1,787,801) in the year.

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.

The table below shows the maturity analysis of the financial liabilities that affect liquidity.

As at 31 December 2015

	Less than 1 month Shs	Between 1-3 months Shs	Between 4- 12 months Shs	Over 12 months Shs	Total Shs
Payables	22,628,215	2,182,006	-	-	24,810,221
Payable to related parties	302,440				302,440
Borrowings	-	1,748,025	5,652,494	113,707,724	121,108,243
Finance lease obligation	692,655	1,415,116	6,888,801	13,626,695	22,623,267
	<u>23,623,310</u>	<u>5,345,147</u>	<u>12,541,295</u>	<u>127,334,419</u>	<u>168,844,171</u>

As at 31 December 2014

Payables	17,351,450	1,472,144	-	-	18,823,594
Payable to related parties	302,440	-	-	-	302,440
Borrowings	-	5,244,174	10,639,731	132,563,381	148,447,286
Finance lease obligation	584,308	1,193,760	5,811,242	22,623,267	30,212,577
	<u>17,653,890</u>	<u>6,716,318</u>	<u>10,639,731</u>	<u>132,563,381</u>	<u>167,573,320</u>

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.

MAVUNO CHURCH

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

Exchange risk (continued)

At year end, the foreign currency bank accounts had the following balance:

	Amount In foreign currency	Amount Shs
At 31 December 2015		
US dollar bank account	(881)	(90,122)
	=====	=====
At 31 December 2014		
US dollar bank account	49,246	4,461,577
	=====	=====

As at 31 December 2015, an increase/decrease of 10% in the Dollar exchange rates to the Kenya Shilling would have resulted in an increase/decrease in the deficit for the year of Shs 9,012 (2014 – Shs 446,158).

19 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.

20 CURRENCY

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

MAVUNO CHURCH

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Mavuno Shs	Mavuno Down Town Shs	Mashariki Shs	Kampala Shs	2015 Total Shs	2014 Shs
INCOME						
Tithes and offerings	141,110,301	27,069,850	12,728,036	20,206,313	201,114,500	206,223,950
Grants	82,363,917	-	688,359	-	83,052,276	155,127,360
Other income	7,481,653	34,881	2,041	164,416	7,682,991	9,412,899
Total income	230,955,871	27,104,731	13,418,436	20,370,729	291,849,767	370,764,209
EXPENDITURE						
Staff costs						
Salaries and wages	59,706,226	4,380,155	3,602,804	3,301,606	70,990,791	69,010,623
Staff medical costs	7,902,958	-	-	-	7,902,958	5,853,082
Staff retreat	924,500	-	-	-	924,500	1,238,100
Other staff costs	22,882,589	1,325,704	93,028	66,883	24,368,204	25,320,941
Total staff costs	91,416,273	5,705,859	3,695,832	3,368,489	104,186,453	101,422,746
Ministry expenses	39,965,452	8,646,982	5,159,176	11,106,070	64,877,680	60,461,914
Administration costs	98,004,877	7,517,819	4,827,285	7,388,180	117,738,161	160,731,899
Total expenditure	229,386,602	21,870,660	13,682,293	21,862,739	286,802,294	322,616,559
(Deficit)/surplus for the year	1,569,269	5,234,071	(263,857)	(1,492,010)	5,047,473	48,147,650
Other comprehensive income						
Gain on revaluation of available for sale investments	(649,852)	-	-	-	(649,852)	505,666
Total comprehensive (loss)/income for the year	919,417	5,234,071	(263,857)	(1,492,010)	4,397,621	48,653,316