

NAIROBI CHAPEL – MAVUNO

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2011**

Draft

NAIROBI CHAPEL – MAVUNO

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS	PAGES
Officers and professional advisers	2
Report of the Elders' Court	3
Statement of the Elders' Court responsibilities	4
Independent auditors' report	5 – 6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in funds	9
Statement of cash flows	10
Notes to the financial statements	11 – 24
Detailed statement of comprehensive income	Appendix I

NAIROBI CHAPEL – MAVUNO

OFFICERS AND PROFESSIONAL ADVISERS

ELDERS' COURT MEMBERS Gerald Macharia - Chairman
 Anthony Okoth - Secretary
 James Kaniaru - Treasurer
 Oscar Muriu
 Godwin Wangongu
 Mureithi Wanjau
 Walter Jaoko

CONTACT ADDRESS Nairobi Chapel - Mavuno
 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
Donholm Branch Riverside Mews
P O Box 66015 - 00800
Westlands
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

NAIROBI CHAPEL – MAVUNO

REPORT OF THE ELDERS' COURT

The Elders' Court submit their report and the audited financial statements for the year ended 31 December 2011 which disclose the state of the affairs of the Chapel.

PRINCIPAL ACTIVITY

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

Nairobi Chapel -Mavuno financial statements incorporate the financial statements of Nairobi Chapel- Mavuno, 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
Income	200,673,462
Expenditure	176,517,886
	<hr/>
Surplus for the year	24,155,576
	<hr/> <hr/>

ELDERS' COURT MEMBERS

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

AUDITORS

Deloitte & Touche were appointed to carry out the audit for the year ended 31 December 2011 and have expressed their willingness to continue in office.

BY ORDER OF THE ELDERS' COURT

SECRETARY

Nairobi

2012

NAIROBI CHAPEL – MAVUNO

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 of Nairobi Chapel – Mavuno. They are also responsible for safeguarding the assets of the Chapel and hence for 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 Chapel'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 control.

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

Chairman

Treasurer

2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NAIROBI CHAPEL – MAVUNO

We have audited the accompanying financial statements of Nairobi Chapel – Mavuno, set out on pages 7 to 24, which comprise the statement of financial position as at 31 December 2011, the statement of 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 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 Chapel'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 Chapel'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 Nairobi Chapel - Mavuno as at 31 December 2011 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, Nairobi Chapel - Mavuno 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 above contributions to ensure that contributions have been adequately recorded. We draw this matter to the reader's attention but our opinion is not qualified in this respect.

Certified Public Accountants (Kenya)

2012

Nairobi

Draft

NAIROBI CHAPEL – MAVUNO

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 Shs	2010 Shs
INCOME	3	200,673,462	152,387,969
EXPENDITURE			
Staff costs	4	69,936,792	44,400,982
Ministry expenses	5	44,157,295	52,007,391
Administration costs	6	62,423,799	60,808,849
Total expenditure		176,517,886	157,217,222
SURPLUS/(DEFICIT) FOR THE YEAR		<u>24,155,576</u>	<u>(4,829,253)</u>
Other comprehensive income			
(Loss)/gain on revaluation of available for sale investments	8	(679,887)	670,464
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>23,475,689</u>	<u>(4,158,789)</u>

NAIROBI CHAPEL – MAVUNO
 STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2011

	Notes	2011 Shs	2010 Shs
ASSETS			
Non current assets			
Property and equipment	7	56,211,047	56,646,507
Available for sale investments	8	2,245,314	2,925,201
Intangible assets	9	127,730	-
		<u>58,584,091</u>	<u>59,571,708</u>
Current assets			
Receivables and prepayments	10	3,442,254	297,642
Cash and bank	11	15,538,312	3,947,032
Short term deposit	12	4,000,000	-
		<u>22,980,566</u>	<u>4,244,674</u>
Total assets		<u>81,564,657</u>	<u>63,816,382</u>
FUND BALANCES AND LIABILITIES			
Fund and reserves balances			
Accumulated fund		67,230,306	43,074,730
Investment revaluation reserve		241,647	921,534
		<u>67,471,953</u>	<u>43,996,264</u>
Non-current liabilities			
Borrowings	14	1,415,914	-
Current liabilities			
Borrowings	14	3,769,873	-
Bank overdraft	15	1,183,437	2,460,387
Payables and accruals	16	7,723,480	17,359,731
		<u>12,676,790</u>	<u>19,820,118</u>
Total fund balances and liabilities		<u>81,564,657</u>	<u>63,816,382</u>

The financial statements on pages 7 to 24 were approved and authorised for issue by the Elders' Court on April 2012 and were signed on their behalf by:

 Chairman

 Treasurer

NAIROBI CHAPEL – MAVUNO

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Accumulated fund	Investment revaluation reserve	Total
	Shs	Shs	Shs
At 1 January 2010	47,903,983	251,070	48,155,053
Other comprehensive income	-	670,464	670,464
Surplus for the year	(4,829,253)	-	(4,829,253)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2010	43,074,730	921,534	43,996,264
	=====	=====	=====
At 1 January 2011	43,074,730	921,534	43,996,264
Other comprehensive income	-	(679,887)	(679,887)
Surplus for the year	24,155,576	-	24,155,576
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2011	67,230,306	241,647	67,471,953
	=====	=====	=====

Accumulated fund represents cumulative surplus.

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

NAIROBI CHAPEL – MAVUNO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 Shs	2010 Shs
Cash flows from operating activities			
Surplus/(deficit) for the year		24,155,576	(4,829,253)
Adjustments for:			
Depreciation on property and equipment	7	8,558,547	6,044,770
Amortisation on intangible assets	9	63,770	1,040,230
Gain on disposal of assets		(287,328)	-
Loss on assets written off		-	214,675
		<hr/>	<hr/>
Cash flows before working capital changes		32,490,565	2,470,422
Working capital changes			
Increase in receivables and prepayments		(3,144,612)	(237,613)
(Decrease)/increase in payables and accruals		(9,636,251)	9,774,787
Movement in designated funds		-	47,802
		<hr/>	<hr/>
Net cash flows generated from operating activities		19,709,702	12,055,398
Cash flows from investing activities			
Purchase of property and equipment	7	(8,335,759)	(14,960,842)
Purchase of intangible assets	9	(191,500)	-
Proceeds from disposal of property and equipment		500,000	-
Purchase of available for sale investments	8	-	(724,138)
		<hr/>	<hr/>
Net cash flows used in investing activities		(8,027,259)	(15,684,980)
Cash flows from financing activities			
Proceeds from borrowings	14	8,307,252	-
Repayment of borrowings	14	(3,121,465)	-
		<hr/>	<hr/>
Net cash flows generated from financing activities		5,185,787	-
		<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents		16,868,230	(3,629,582)
		<hr/>	<hr/>
Cash and cash equivalents at 1 January		1,486,645	5,116,227
		<hr/>	<hr/>
Cash and cash equivalents at 31 December		18,354,875	1,486,645
		<hr/>	<hr/>
Analysis of cash and cash equivalents as shown in the statement of financial position			
Cash and bank balances	11	15,538,312	3,947,032
Bank overdraft	13	(1,183,437)	(2,460,387)
Short term deposit	12	4,000,000	-
		<hr/>	<hr/>
		18,354,875	1,486,645
		<hr/>	<hr/>

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

Statement of compliance

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

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

(i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2011*

The following revised standards have been applied in the current period and have had no material effect on amounts reported in the financial statements.

Amendments to IAS 1
Presentation of Financial
Statements (as part of
Improvements to IFRSs issued in
2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Chapel continued to disclose such items in the statement of changes in funds and the amendment had no effect on the Chapel's financial statements.

IAS 24 Related Party
Disclosures (as revised in 2009)

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Chapel is not a government-related entity. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

Improvements to IFRSs issued in
2010

The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the Chapel's financial statements.

(ii) *Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2011*

Effective for annual periods
beginning on or after

New and Amendments to standards

IFRS 9, Financial Instruments – Classification and Measurement
(2010)

1 January 2015

IAS 1, Presentation of Financial Statements – presentation of items
of other comprehensive income

1 July 2012

IAS 19, Employee Benefits (2011)

1 January 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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

(iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2011 and future annual periods*

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Elders' Court anticipate that the adoption of the above standards and interpretations will have no material impact on the financial statements of the Chapel in the period of initial application.

(iv) *Early adoption of standards*

The Chapel did not early-adopt new or amended standards in 2011.

Basis of preparation

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

Income and expenditure

Offerings and donations are recognised when received and recorded in the Chapel'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.

NAIROBI CHAPEL – MAVUNO

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 and specialised equipment	33.3%
Musical instruments	33.3%
Motor vehicles	25%

Intangible assets

Intangible assets comprise the Mavuno worship project and an accounting software. Expenditure on the project is capitalised and amortised using straight line method over the estimated useful live, generally not exceeding three years.

Impairment of tangible and intangible assets

The carrying amounts of the Chapel'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 Chapel contributes to a statutory defined contribution scheme, The National Social Security Fund. The Chapel's obligations under the scheme are limited to regulated contributions which are currently Sh 200 per month per employee. The Chapel 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.

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 upto the end of reporting period.

Taxation

No provision for taxation has been made in these accounts. Nairobi Chapel qualifies for exemption from Kenyan Corporation tax under Paragraph 10 of the 1st Schedule to the Income Tax Act, Cap 470 (Laws of Kenya). On this basis, the Kenya Revenue Authority granted the Chapel an Income Tax Exemption certificate valid between 26 October 2011 to 26 October 2012.

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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 liabilities are initially recognised in the statement of financial position at cost using settlement date accounting when the Chapel has become a party to the contractual provisions of the instrument.

Financial assets

The Chapel classifies its financial assets into receivables and available-for-sale assets. The Elders' Court determines the appropriate classification of its financial assets at initial recognition.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Chapel provides money, goods or services directly to a debtor with no intention of trading the receivable. Staff loans, receivables, earmarked funds receivable are accounted for in this category.

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.

Recognition of financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets are subsequently carried at fair value.

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.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under investments revaluation reserve, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in investments revaluation reserve is reclassified to the surplus or deficit.

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

Impairment of financial assets

The Chapel assesses at each reporting period end 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.

Financial Liabilities

After initial recognition, the Chapel measures all financial liabilities other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

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.

Payables

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

De-recognition of financial liabilities

The Chapel derecognises financial liabilities when, and only when, the Chapel'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.

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 with changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Chapel'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 Chapel'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 Chapel'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 Chapel 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 Chapel estimates the recoverable amount of the cash generating unit to which the asset belongs.

Tangible and intangible assets

Critical estimates are made by the Elders' Court in determining depreciation and amortisation rates for tangible and intangible assets respectively.

Contingent liabilities

The Elders' Court evaluates the status of any exposures to contingent liabilities on a regular basis to assess the probability of the Chapel 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.

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 INCOME

	2011 Shs	2010 Shs
Tithes and offerings	176,726,392	134,601,836
Grants*	4,432,333	10,025,596
Mizizi, Ombi and Hatua income	9,204,422	5,725,256
Development income**	5,931,811	
Other income	4,354,341	1,865,214
Interest received	24,163	170,067
	<u>200,673,462</u>	<u>152,387,969</u>

*Grants were received by Mavuno Chapel from Mariners Church, Forum Wiedenest, and Renaissance Sacred Arts Foundation.

** Development income relates to funds raised by Mavuno Central for the purpose of purchasing land and construction of new premises in Athi River.

4 STAFF COSTS

	2011 Shs	2010 Shs
Salaries and wages	63,113,548	41,483,125
Staff medical costs	785,577	1,390,511
Staff retreat	3,888,295	1,324,270
Other staff costs	2,149,372	203,076
	<u>69,936,792</u>	<u>44,400,982</u>

5 MINISTRY EXPENSES

Mavuno	37,874,904	46,230,474
Mavuno Down Town	3,410,820	3,681,329
Mashariki	1,004,905	1,242,148
Kampala	1,866,666	853,440
	<u>44,157,295</u>	<u>52,007,391</u>

6 ADMINISTRATION COSTS

Mavuno	54,925,667	54,559,607
Mavuno Down Town	2,875,019	4,342,571
Mashariki	2,530,917	1,027,754
Kampala	2,092,196	878,917
	<u>62,423,799</u>	<u>60,808,849</u>

Draft

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 PROPERTY AND EQUIPMENT

	Property Shs	Tents Shs	Motor Vehicle Shs	Computer Shs	Music Equipment Shs	Office Equipment Shs	Furniture & Fittings Shs	Total Shs
Cost								
At 1 January 2010	32,052,691	-	2,159,762	2,652,278	45,850	13,455,005	3,491,643	53,857,229
Additions	4,944,379	-	85,635	4,808,530	828,709	1,000,360	3,293,229	14,960,842
Write offs	-	-	-	-	(45,850)	(9,100)	(364,740)	(419,690)
At 31 December 2010	36,997,070	-	2,245,397	7,460,808	828,709	14,446,265	6,420,132	68,398,381
At 1 January 2011	36,997,070	-	2,245,397	7,460,808	828,709	14,446,265	6,420,132	68,398,381
Transfers	(7,260,712)	9,330,712	-	-	-	-	(2,070,000)	-
Additions	-	4,992,800	-	889,220	700,799	1,089,055	663,885	8,335,759
Disposals	-	-	(1,053,517)	-	(131,920)	-	-	(1,185,437)
At 31 December 2011	29,736,358	14,323,512	1,191,880	8,350,028	1,397,588	15,535,320	5,014,017	75,548,703
Depreciation								
At 1 January 2010	835,341	-	592,544	903,642	21,442	2,922,034	637,116	5,912,119
Charge for the year	902,158	-	561,349	2,003,161	275,960	1,734,785	567,357	6,044,770
Reversal on write offs	-	-	-	-	(21,442)	(4,155)	(179,418)	(205,015)
At 31 December 2010	1,737,499	-	1,153,893	2,906,803	275,960	4,652,664	1,025,055	11,751,874
At 1 January 2011	1,737,499	-	1,153,893	2,906,803	275,960	4,652,664	1,025,055	11,751,874
Transfers	(199,602)	242,727	-	-	-	-	(43,125)	-
Charge for the year	743,409	1,790,439	429,660	2,419,714	465,390	1,941,916	768,019	8,558,547
Eliminated on disposal	-	-	(928,836)	-	(43,929)	-	-	(972,765)
At 31 December 2011	2,281,306	2,033,166	654,717	5,326,517	697,421	6,594,580	1,749,949	19,337,656
Net book value								
At 31 December 2011	27,455,052	12,290,346	537,163	3,023,511	700,167	8,940,740	3,264,068	56,211,047
At 31 December 2010	35,259,571	-	1,091,504	4,554,005	552,749	9,793,601	5,395,077	56,646,507

*Assets write offs refer to adjustments passed to reconcile the results of physical fixed assets verification to the fixed assets register maintained by the chapel.

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 AVAILABLE FOR SALE INVESTMENTS

	2011 Shs	2010 Shs
Investments in unit trust - Old Mutual Trust Fund		
At 1 January	2,925,201	1,530,599
Additions	-	724,138
Fair value (losses)/gains	(679,887)	670,464
At 31 December	<u>2,245,314</u>	<u>2,925,201</u>

9 INTANGIBLE ASSETS

Cost		
At 1 January	3,120,688	3,120,688
Additions	191,500	-
At 31 December	<u>3,312,188</u>	<u>3,120,688</u>
Amortisation		
At 1 January	3,120,688	2,080,458
Charge for the year	63,770	1,040,230
At 31 December	<u>3,184,458</u>	<u>3,120,688</u>
Net Book Value		
At 31 December	<u>127,730</u>	<u>-</u>

Intangible assets represent Mavuno worship project and accounting software.

10 RECEIVABLES AND PREPAYMENTS

Prepaid PAYE - Mavuno Down Town	297,642	297,642
Staff receivables	24,363	-
Prepayments and deposits	1,645,886	-
Other receivables	1,474,363	-
	<u>3,442,254</u>	<u>297,642</u>

11 CASH AND BANK

Cash at bank	14,037,243	3,941,576
Cash in hand	487,445	5,456
M-Pesa balance	1,013,624	-
	<u>15,538,312</u>	<u>3,947,032</u>

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 SHORT TERM DEPOSIT

	2011 Shs	2010 Shs
Chase Bank	4,000,000	-
	=====	=====

The fixed deposit is held as a security for a bank loan (see note 16). No interest is earned on the deposit.

13 GRANTS RECEIVABLE

	2011 Shs	2010 Shs
Self-financing funds - Youth Camp		
As at January	-	47,802
Funds utilised – (note 3)	-	-
Funds written off	-	(47,802)
	-----	-----
As at December	-	-
	=====	=====

14 BORROWINGS

Bank loan	4,000,000	-
Insurance premium financing	4,307,252	-
	-----	-----
	8,307,252	-
Less repayments:	(3,121,465)	-
	-----	-----
	4,307,252	-
	=====	=====
The borrowings are repayable as follows:		
On demand or within one year	3,769,873	-
In second year	1,415,914	-
	-----	-----
	5,185,787	-
Amounts due for settlement within one year	(3,769,873)	-
	-----	-----
Amounts due for settlement after one year	1,415,914	-
	=====	=====

The security on the bank loan is the lien over the fixed deposit amounting to Shs 4,000,000. The interest rate on the loan is 5%.

The insurance premium financing during the year related to insurance premiums paid by Commercial Bank of Africa on behalf of the Chapel.

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 BANK OVERDRAFT

	2011 Shs	2010 Shs
Commercial Bank of Africa	1,183,437	2,460,387
	<u>1,183,437</u>	<u>2,460,387</u>
	<u><u>1,183,437</u></u>	<u><u>2,460,387</u></u>

The bank overdraft represents overdrawn cash book balance in Mavuno and Mavuno Down Town.

16 PAYABLES AND ACCRUALS

	2011 Shs	2010 Shs
Audit fees accrual	1,611,686	1,039,523
Other payables and accruals	5,709,354	15,767,768
Payables to related parties (note 17ii)	402,440	552,440
	<u>7,723,480</u>	<u>17,359,731</u>
	<u><u>7,723,480</u></u>	<u><u>17,359,731</u></u>

17 RELATED PARTY BALANCES AND TRANSACTIONS

i) Key management compensation

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

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

	2011 Shs	2010 Shs
Salaries and other benefits	16,270,703	15,527,488
	<u>16,270,703</u>	<u>15,527,488</u>

ii) Payable to related parties

Nairobi Chapel – Mamlaka	402,440	552,440
	<u>402,440</u>	<u>552,440</u>

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 FINANCIAL RISK MANAGEMENT POLICIES

The Chapel'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.

Financial risk management objectives

The Chapel activities expose it to a variety of financial risks including credit risk, liquidity risks and the effects of changes in foreign currency rates. The Chapel'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 Chapel'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 Chapel'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 Chapel's maximum exposure to credit risk as at 31 December 2011 is made up as follows:

	Fully performing Shs	Past due Shs	Impaired Shs
Bank balances	14,037,243	-	-
Short term deposits	4,000,000	-	-
Available for sale investments	2,245,314	-	-
Staff receivables	24,363	-	-
Other receivables	1,474,363	-	-
	<u>21,781,283</u>	<u>-</u>	<u>-</u>
	=====	=====	=====

The amount that best represents the Chapel's maximum exposure to credit risk as at 31 December 2010 is made up as follows:

	Fully Performing Shs	Past due Shs	Impaired Shs
Bank balances	3,941,576	-	-
Available for sale investments	2,925,201	-	-
	<u>6,866,777</u>	<u>-</u>	<u>-</u>
	=====	=====	=====

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

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 Chapel's short, medium and long-term funding and liquidity management requirements. The Chapel 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 2011

	Less than 1 month Shs	Between 1-3 months Shs	Over 3 months Shs	Total
Payables	1,882,576	5,438,464	-	7,321,040
Payable to related parties	-	100,000	302,440	402,440
Borrowings	314,156	942,468	3,929,163	5,185,787
	<u>2,196,732</u>	<u>6,480,932</u>	<u>4,231,603</u>	<u>12,909,267</u>

As at 31 December 2010

	Less than 1 month Shs	Between 1-3 months Shs	Over 3 months Shs	Total
Payables	-	16,807,291	-	16,807,291
Payable to related parties	-	-	552,440	552,440
	<u>-</u>	<u>16,807,291</u>	<u>552,440</u>	<u>17,359,731</u>

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

Exchange risk

The Chapel 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 Chapel 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.

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

	Amount In foreign currency	Amount Shs
At 31 December 2011		
US dollar bank account	16,875 =====	1,491,206 =====
At 31 December 2010		
US dollar bank account	4,452 =====	359,528 =====

As at 31 December 2011, 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 149,121 (2010 – Shs 35,953).

19 LEGAL STATUS

The Nairobi Chapel – Mavuno is a branch of Nairobi Chapel.

The Nairobi Chapel was registered on 6th December 1961 under the Societies Act as per certificate of exception number 1154.

20 CURRENCY

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

NAIROBI CHAPEL – MAVUNO

DETAILED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Mavuno Shs	Mavuno Down Town Shs	Mashariki Shs	Kampala Shs	2011 Total Shs	2010 Shs
INCOME						
Tithes and offerings	158,807,480	9,269,600	4,270,839	4,378,473	176,726,392	134,601,836
Grants	4,432,333	-	-	-	4,432,333	10,025,596
Other income	18,205,693	1,100,099	52,003	156,942	19,514,737	7,760,537
Total income	181,445,506	10,369,699	4,322,842	4,535,415	200,673,462	152,387,969
EXPENDITURE						
Staff costs						
Salaries and wages	60,485,440	2,606,988	21,120	-	63,113,548	41,483,125
Staff medical costs	665,189	41,549	78,839	-	785,577	1,390,511
Staff retreat	3,789,795	98,500	-	-	3,888,295	1,324,270
Other staff costs	1,706,883	45,000	-	397,489	2,149,372	203,076
Total staff costs	66,647,307	2,792,037	99,959	397,489	69,936,792	44,400,982
Ministry expenses	37,874,904	3,410,820	1,004,905	1,866,666	44,157,295	52,007,391
Administration costs	54,925,667	2,875,019	2,530,917	2,092,196	62,423,799	60,808,849
Total expenditure	159,447,878	9,077,876	3,635,781	4,356,351	176,517,886	157,217,222
Surplus/(deficit) for the year	21,997,628	1,291,823	687,061	179,064	24,155,576	(4,829,253)
Other comprehensive income						
(Loss)/gain on revaluation of available for sale investments	(679,887)	-	-	-	(679,887)	670,464
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	21,317,741	1,291,823	687,061	179,064	23,475,689	(4,158,789)