

**NAIROBI CHAPEL – MAVUNO**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2013**

NAIROBI CHAPEL – MAVUNO

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

## 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 2013 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

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
Surplus for the year	55,397,804
Other comprehensive income	897,146
Total comprehensive income for the year	<u>56,294,950</u> =====

### 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 2013 and have expressed their willingness to continue in office.

### BY ORDER OF THE ELDERS' COURT

### SECRETARY

Nairobi

2014

## 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 and operating results of Nairobi Chapel – Mavuno. They are also responsible for safeguarding the assets of the Chapel 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 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 controls.

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.

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Chairman

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Treasurer

2014

## 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 2013, 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 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 2013 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 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.

**Certified Public Accountants (Kenya)**

**Nairobi, Kenya**

**2014**

Draft

NAIROBI CHAPEL – MAVUNO

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 Shs	2012 Shs
INCOME	3	281,615,836	217,538,998
EXPENDITURE			
Staff costs	4	84,118,582	76,309,054
Ministry expenses	5	45,473,883	59,677,888
Administration costs	6	96,625,567	89,848,813
Total expenditure		226,218,032	225,835,755
Surplus/(deficit) for the year		55,397,804	(8,296,757)
OTHER COMPREHENSIVE INCOME			
Gain on revaluation of available for sale investments	8	897,146	854,754
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		56,294,950	(7,442,003)

The notes set out on pages 11 to 24 form an integral part of these financial statements.



NAIROBI CHAPEL – MAVUNO

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013

	Notes	2013 Shs	2012 Shs
<b>ASSETS</b>			
<b>Non current assets</b>			
Property and equipment	7	274,017,041	34,905,215
Available for sale investments	8	3,997,214	3,100,068
Intangible assets	9	-	63,960
		<u>278,014,255</u>	<u>38,069,243</u>
<b>Current assets</b>			
Receivables and prepayments	10	187,328	20,000,000
Short term deposit	11	12,560,670	45,214,697
Cash and bank	12	44,387,538	35,344,385
		<u>57,135,536</u>	<u>100,559,082</u>
<b>Total assets</b>		<u>335,149,791</u>	<u>138,628,325</u>
<b>FUND BALANCES AND LIABILITIES</b>			
<b>Fund and reserves balances</b>			
Accumulated fund		114,331,353	58,933,549
Investment revaluation reserve		1,993,547	1,096,401
		<u>116,324,900</u>	<u>60,029,950</u>
<b>Non-current liabilities</b>			
Borrowings	13	96,271,757	-
<b>Current liabilities</b>			
Borrowings	13	2,942,418	1,747,884
Deferred development income	14	109,278,692	66,405,486
Payables and accruals	15	10,332,024	10,445,005
		<u>122,553,134</u>	<u>78,598,375</u>
<b>Total fund balances and liabilities</b>		<u>335,149,791</u>	<u>138,628,325</u>

The financial statements on pages 7 to 24 were approved and authorised for issue by the Elders' Court on 2014 and were signed on their behalf by:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Treasurer

The notes set out on pages 11 to 24 form an integral part of these financial statements.

NAIROBI CHAPEL – MAVUNO

STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2013

	Accumulated fund	Investment revaluation reserve	Total
	Shs	Shs	Shs
At 1 January 2012	67,230,306	241,647	67,471,953
Other comprehensive income	-	854,754	854,754
Deficit for the year	(8,296,757)	-	(8,296,757)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	58,933,549	1,096,401	60,029,950
	=====	=====	=====
At 1 January 2013	58,933,549	1,096,401	60,029,950
Other comprehensive income		897,146	897,146
Surplus for the year	55,397,804		55,397,804
	<hr/>	<hr/>	<hr/>
At 31 December 2013	114,331,353	1,993,547	116,324,900
	=====	=====	=====

Accumulated fund represents cumulative surplus.

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

The notes set out on pages 11 to 24 form an integral part of these financial statements.

NAIROBI CHAPEL – MAVUNO

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 Shs	2012 Shs
<b>Cash flows from operating activities</b>			
Surplus/(deficit) for the year		55,397,804	(8,296,757)
Adjustments for:			
Depreciation on property and equipment	7	11,004,418	12,287,558
Amortisation on intangible assets	9	63,960	63,770
Loss on assets written off		602,972	22,049,387
		<hr/>	<hr/>
Cash flows before working capital changes		67,069,154	26,103,958
<b>Working capital changes</b>			
Decrease/ (increase) in receivables and prepayments		19,812,672	(16,557,746)
(Decrease)/increase in payables and accruals		(112,981)	2,721,525
Movement in deferred development income		42,873,206	66,405,486
		<hr/>	<hr/>
Net cash flows generated from operating activities		129,642,051	78,673,223
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	7	(250,719,216)	(13,031,113)
		<hr/>	<hr/>
Net cash flows used in investing activities		(250,719,216)	(13,031,113)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	13	100,000,000	-
Repayment of borrowings	13	(2,533,709)	(3,437,903)
		<hr/>	<hr/>
Net cash flows generated from/(used in) financing activities		97,466,291	(3,437,903)
		<hr/>	<hr/>
Increase in cash and cash equivalents		(23,610,874)	62,204,207
Cash and cash equivalents at 1 January		80,559,082	18,354,875
		<hr/>	<hr/>
Cash and cash equivalents at 31 December		56,948,208	80,559,082
		<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of cash and cash equivalents as shown in the statement of financial position</b>			
Short term deposit	11	12,560,670	45,214,697
Cash and bank balances	12	44,387,538	35,344,385
		<hr/>	<hr/>
		56,948,208	80,559,082
		<hr/> <hr/>	<hr/> <hr/>

# NAIROBI CHAPEL – MAVUNO

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### 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 Chapel'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 Chapel.

- (iii) *Early adoption*

The Chapel 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 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.

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 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 Shs 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 up to the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**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 7 June 2013 to 7 June 2018.

**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 Chapel's statement of financial position when the Chapel becomes a party to the contractual provisions of the instruments.

*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.

*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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Financial instruments (Continued)**

**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 Chapel has transferred substantially all risks and rewards of ownership.

**Impairment of financial assets**

At the end of each reporting period, the Chapel 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 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.

## NAIROBI CHAPEL – MAVUNO

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### (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.

###### *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 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.

	2013 Shs	2012 Shs
3 INCOME		
Tithes and offerings	199,336,596	169,843,067
Grants	24,463,667	24,407,091
Mizizi, Ombi, Hatua, Ndoa, Lea and Fearless Summit income	6,393,195	4,529,415
Deferred Development income*	49,666,362	15,095,947
Other income	605,106	1,189,336
Interest earned	1,150,910	2,474,142
	<u>281,615,836</u>	<u>217,538,998</u>
	=====	=====

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



NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2013 Shs	2012 Shs
4	<b>STAFF COSTS</b>	
	Salaries and wages	47,706,608
	Staff medical costs	7,017,981
	Staff retreat	3,543,250
	Other staff costs	18,041,215
	<u>84,118,582</u>	<u>76,309,054</u>
5	<b>MINISTRY EXPENSES</b>	
	Mavuno	52,415,634
	Mavuno Down Town	3,253,693
	Mashariki	1,638,190
	Kampala	2,370,371
	<u>45,473,883</u>	<u>59,677,888</u>
6	<b>ADMINISTRATION COSTS</b>	
	Mavuno	79,488,871
	Mavuno Down Town	3,560,444
	Mashariki	2,250,749
	Kampala	4,548,749
	<u>96,625,567</u>	<u>89,848,813</u>

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 PROPERTY AND EQUIPMENT

	Land	Property	Tents	Motor Vehicle	Computer	Music Equipment	Office Equipment	Furniture & Fittings	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Cost</b>									
At 1 January 2012	-	29,736,358	14,323,512	1,191,880	8,350,028	1,397,588	15,535,320	5,014,017	75,548,703
Additions	-	425,000	339,840	-	1,170,640	11,075,933	19,700	-	13,031,113
Write offs*	-	(20,107,021)	-	-	(1,019,622)	-	(10,286,206)	(1,439,616)	(32,852,465)
At 31 December 2012	-	10,054,337	14,663,352	1,191,880	8,501,046	12,473,521	5,268,814	3,574,401	55,727,351
At 1 January 2013	-	10,054,337	14,663,352	1,191,880	8,501,046	12,473,521	5,268,814	3,574,401	55,727,351
Additions	229,045,870	1,826,518	14,465,252	2,600,000	1,516,842	-	1,083,134	181,600	250,719,216
Write off	-	-	-	(1,191,880)	(6,042,886)	-	-	-	(7,234,766)
At 31 December 2013	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
<b>Depreciation</b>									
At 1 January 2012	-	2,281,306	2,033,166	654,717	5,326,517	697,421	6,594,580	1,749,949	19,337,656
Charge for the year	-	754,035	1,832,919	297,970	2,690,056	4,141,448	1,944,377	626,753	12,287,558
Write offs	-	(2,272,060)	-	-	(1,019,622)	-	(6,566,840)	(944,556)	(10,803,078)
At 31 December 2012	-	763,281	3,866,085	952,687	6,996,951	4,838,869	1,972,117	1,432,146	20,822,136
At 1 January 2013	-	763,281	3,866,085	952,687	6,996,951	4,838,869	1,972,117	1,432,146	20,822,136
Charge for the year	-	297,021	3,641,075	650,000	1,268,194	3,922,348	756,280	469,500	11,004,418
Write offs	-	-	-	(952,687)	(5,679,107)	-	-	-	(6,631,794)
At 31 December 2013	-	1,060,302	7,507,160	650,000	2,586,038	8,761,217	2,728,397	1,901,646	25,194,760
<b>Net book value</b>									
At 31 December 2013	229,045,870	10,820,553	21,621,444	1,950,000	1,388,964	3,712,304	3,623,551	1,854,355	274,017,041
At 31 December 2012	-	9,291,056	10,797,267	239,193	1,504,095	7,634,652	3,296,697	2,142,255	34,905,215

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2013 Shs	2012 Shs
8 AVAILABLE FOR SALE INVESTMENTS		
<b>Investments in unit trusts – Old mutual trust fund</b>		
At 1 January	3,100,068	2,245,314
Fair value gains/(losses)	897,146	854,754
	<u>3,997,214</u>	<u>3,100,068</u>
At 31 December	<u>3,997,214</u>	<u>3,100,068</u>
9 INTANGIBLE ASSETS		
<b>Cost</b>		
At 1 January	3,312,188	3,312,188
Additions	-	-
	<u>3,312,188</u>	<u>3,312,188</u>
At 31 December	<u>3,312,188</u>	<u>3,312,188</u>
<b>Amortisation</b>		
At 1 January	3,248,228	3,184,458
Charge for the year	63,960	63,770
	<u>3,312,188</u>	<u>3,248,228</u>
At 31 December	<u>3,312,188</u>	<u>3,248,228</u>
<b>Net Book Value</b>		
At 31 December	-	63,960
	<u>-----</u>	<u>-----</u>
Intangible assets represent Mavuno worship project and accounting software.		
10 RECEIVABLES AND PREPAYMENTS		
Prepayments and deposits	-	20,000,000
Other receivables	187,328	-
	<u>187,328</u>	<u>20,000,000</u>
	<u>-----</u>	<u>-----</u>

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2013 Shs	2012 Shs		
<b>11 SHORT TERM DEPOSIT</b>				
At 1 January	45,214,697	4,000,000		
Additions	11,687,526	39,385,128		
Maturities	(44,657,069)	-		
Interest income receivable	315,516	1,829,569		
	<u>12,560,670</u>	<u>45,214,697</u>		
	=====	=====		
The short term deposits are made up as follows:				
Chase Bank Limited*	1,415,693	19,000,000		
ICEA Lion Asset Management Limited (ILAM)	-	14,478,432		
Co-operative Bank of Kenya Limited	-	6,178,637		
CIC Asset Management Limited	5,265,836	5,557,628		
British American	5,122,950	-		
Faulu Kenya	756,191	-		
	<u>12,560,670</u>	<u>45,214,697</u>		
	=====	=====		
<b>12 CASH AND BANK</b>				
Cash at bank	42,394,841	33,363,665		
Cash in hand	467,642	1,437,899		
M-Pesa balance	1,525,055	542,821		
	<u>44,387,538</u>	<u>35,344,385</u>		
	=====	=====		
<b>13 BORROWINGS</b>				
			Present value of minimum payments	
	Minimum payments		2013	2012
	2013	2012	Shs	Shs
	Shs	Shs		
Not later than one year	17,627,443	5,185,787	2,942,418	3,772,905
Later that one year and not later than five years	70,497,648	-	17,305,354	-
More than five years	131,824,108	-	78,966,403	-
	<u>219,949,199</u>	<u>5,185,787</u>	<u>99,214,175</u>	<u>3,772,905</u>
Less future finance charges	(120,735,024)	(3,437,903)	-	(2,025,021)
	<u>99,214,175</u>	<u>1,747,884</u>	<u>99,214,175</u>	<u>1,747,884</u>
	=====	=====	=====	=====

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2013 Shs	2012 Shs
13	<b>BORROWINGS</b>	
	Maturity analysis:	
	2,942,418	1,747,884
Current borrowings		
Non-current borrowings	96,271,757	-
	<u>99,214,175</u>	<u>1,747,884</u>
	<u><u>99,214,175</u></u>	<u><u>1,747,884</u></u>
	Analysis by cash flows:	
As at 1 January	1,747,884	5,185,787
Additions	100,000,000	-
Principal paid in the year	(2,533,709)	(3,437,903)
	<u>99,214,175</u>	<u>1,747,884</u>
	<u><u>99,214,175</u></u>	<u><u>1,747,884</u></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.	
	2013 Shs	2012 Shs
14	<b>DEFERRED DEVELOPMENT INCOME</b>	
At 1 January	66,405,486	-
Development income received	92,539,568	81,501,433
Development income recognized (note 3)	(49,666,362)	(15,095,947)
	<u>109,278,692</u>	<u>66,405,486</u>
At 31 December	<u><u>109,278,692</u></u>	<u><u>66,405,486</u></u>
	Deferred development income relates to funds raised by Mavuno Central for the purpose of purchasing land in Athi River.	
	2013 Shs	2012 Shs
15	<b>PAYABLES AND ACCRUALS</b>	
Audit fees accrual	1,580,682	1,200,000
Other payables and accruals	8,448,902	8,942,565
Payables to related parties (note 16 (ii))	302,440	302,440
	<u>10,332,024</u>	<u>10,445,005</u>
	<u><u>10,332,024</u></u>	<u><u>10,445,005</u></u>

## NAIROBI CHAPEL – MAVUNO

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 16 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 four Executive Pastors. The remuneration of key management during the year was as follows:

	2013 Shs	2012 Shs
Salaries and other benefits	16,655,268	18,542,088
	=====	=====
ii) Payable to related parties		
Nairobi Chapel – Mamlaka	302,440	302,440
	=====	=====

#### 17 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 2013 is made up as follows:

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

**Credit risk management (Continued)**

	Fully performing Shs	Past due Shs	Impaired Shs
Bank balances	42,394,841	-	-
Short term deposits	12,560,670	-	-
	<u>54,955,511</u>	<u>-</u>	<u>-</u>

The amount that best represents the Chapel's maximum exposure to credit risk as at 31 December 2012 is made up as follows:

	Fully Performing Shs	Past due Shs	Impaired Shs
Bank balances	33,363,665	-	-
Short term deposits	45,214,697	-	-
	<u>78,578,362</u>	<u>-</u>	<u>-</u>

**Interest rate risk management**

The Chapel 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 2,840,967 (2012 – Shs 1,580,789) 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 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.

NAIROBI CHAPEL – MAVUNO

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 FINANCIAL RISK MANAGEMENT POLICIES (Continued)

**Liquidity risk management (Continued)**

As at 31 December 2013

	Less than 1 month Shs	Between 1-3 months Shs	Between 4- 12 months Shs	Over 12 months Shs	Total
Payables	8,448,902	-	-	-	8,448,902
Payable to related parties	302,440	-	-	-	302,440
Borrowings	-	697,324	2,245,094	96,271,757	99,214,175
	<u>8,751,342</u>	<u>2,278,006</u>	<u>2,245,094</u>	<u>96,271,757</u>	<u>109,546,199</u>
	=====	=====	=====	=====	=====

As at 31 December 2012

	Less than 1 month Shs	Between 1-3 months Shs	Over 3 months Shs	Total
Payables	1,502,440	8,640,125	-	10,142,565
Payable to related parties	302,440	-	-	302,440
Borrowings	178,570	351,075	1,218,239	1,747,884
	<u>1,983,450</u>	<u>8,991,200</u>	<u>1,218,239</u>	<u>12,192,889</u>
	=====	=====	=====	=====

**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
<b>At 31 December 2013</b>		
US dollar bank account	166,286	14,352,112
	=====	=====
<b>At 31 December 2012</b>		
US dollar bank account	27,922	2,402,072
	=====	=====

As at 31 December 2013, 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 1,435,211 (2012 – Shs 240,207).



## NAIROBI CHAPEL – MAVUNO

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18 LEGAL STATUS

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

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

#### 19 CURRENCY

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

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## NAIROBI CHAPEL – MAVUNO

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Mavuno Shs	Mavuno Down Town Shs	Mashariki Shs	Kampala Shs	2013 Total Shs	2012 Shs
<b>INCOME</b>						
Tithes and offerings	170,204,495	10,218,668	8,092,008	10,821,425	199,336,596	169,843,067
Grants	24,463,667	-	-	-	24,463,667	24,407,091
Other income	57,060,550	130,835	624,188	-	57,815,573	23,288,840
<b>Total income</b>	<b>251,728,712</b>	<b>10,349,503</b>	<b>8,716,196</b>	<b>10,821,425</b>	<b>281,615,836</b>	<b>217,538,998</b>
<b>EXPENDITURE</b>						
<b>Staff costs</b>						
Salaries and wages	51,957,529	1,414,152	665,869	-	54,037,550	47,706,608
Staff medical costs	4,871,726	-	-	-	4,871,726	7,017,981
Staff retreat	1,274,706	-	-	-	1,274,706	3,543,250
Other staff costs	21,685,257	1,589,265	637,308	22,770	23,934,600	18,041,215
<b>Total staff costs</b>	<b>79,789,218</b>	<b>3,003,417</b>	<b>1,303,177</b>	<b>22,770</b>	<b>84,118,582</b>	<b>76,309,054</b>
Ministry expenses	40,183,380	2,560,887	1,697,551	1,032,065	45,473,883	59,677,888
Administration costs	84,412,455	2,119,808	3,585,309	6,507,995	96,625,567	89,848,813
<b>Total expenditure</b>	<b>204,385,053</b>	<b>7,684,112</b>	<b>6,586,037</b>	<b>7,562,830</b>	<b>226,218,032</b>	<b>225,835,755</b>
Surplus /(Deficit) for the year	47,343,659	2,665,391	2,130,159	3,258,595	55,397,804	(8,296,757)
<b>Other comprehensive income</b>						
Gain/(loss) on revaluation of available for sale investments	897,146	-	-	-	897,146	854,754
<b>Total comprehensive income for the year</b>	<b>48,240,805</b>	<b>2,665,391</b>	<b>2,130,159</b>	<b>3,258,595</b>	<b>56,294,950</b>	<b>(7,442,003)</b>