# CARITAS KITUI ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020



**JUNE 2020** 

## CARITAS KITUI ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### ORGANISATION INFORMATION

#### **Management Board Members**

Rt,Rev .Joseph Mwongela - Bishop -CDOK Very. Rev.Fr. John Mwandi - Vicar General -CDOK Mr. Antony Mbandi - Member Rev. Fr. Francis Ngungu - Member Mr. William Maema - Member Mr. Nicholas Mulila - Member

Dr. Naomi Mawia Mang'atu - Member

Mr. Francis Kamau - Member 9 Dr. Joseph Nzomoi - Member 10 Mr. Kiema Mwandia - Member 11 Ms. Paschalia Mbutu - Member 12 Ms. Jane Kibati - Member 13 Ms. Florence Ndeti - Member

#### PRINCIPAL PLACE OF BUSINESS

Development Office Headquarters The Catholic Diocese of Kitui

Kitui County P O Box 300 - 90200

Kitui

#### PRINCIPAL BANKERS

National Bank Ltd Kitui Branch

P.O. Box 166 - 90200

Kenya Commercial Bank Ltd Kipande House Branch P.O. Box 30012 - 00100

Nairobi

Family Bank Kitui Branch P.O Box 74145 -90200

Kitui

## INDEPENDENT AUDITORS

James & Company Associates Certified Public Accountants (K) 2nd Floor, Agriculture House, Harambee Avenue

P. O. Box 35358 00100 GPO, Nairobi - Kenya

Telephone: +254 720018106

Cell: 0720-746179

Email: james@jamesandcompany.co.ke Website: www.jamesandcompany.co.ke Cooperative Bank of Kenya

Kitui Branch

P.O Box 1432-90200

#### **MANAGEMENTS' REPORT**

The management submit their report and the audited financial statements for the year ended 31 December 2020, which shows the state of the organisation's affairs.

# PRINCIPAL ACTIVITIES 1.

The principal activity of the Kitui Diocese Development office is sourcing funds, implementing and monitoring the projects of the Diocese of Kitui. The Catholic Diocese of Kitui is the principal organisation under which all projects operate. All correspondence and documentation as well as the bank accounts are in the name of the Diocese which acts as the umbrella and oversight body

The Development Office is also working directly with the World Food Programme (WFP) and Food and Agriculture Organization of the United Nations and other donors for the purpose of enhancing food security to marginalised communities.

#### 2 LEGAL STATUS

The Development Office ia an arm of the Catholic Diocese of Kitui that is mandated with the objective of sourcing for funds for the projects of the Diocese in Kitui county.

The Diocese of Kitui is registered under Trusteeship Law

#### 3. RESULTS

The results for the year are set out on page 5.

#### 4. MANAGEMENT

The management and executive Committee who served during the year are shown on page 1.

#### 5. INDEPENDENT AUDITOR

The organisation's auditor, James & Company Associates CPA (K) who were appointed during the year, have indicated willingness to continue in office.

BY ORDER OF THE MANAGEMENT

Secretary

15.07.2021

### STATEMENT OF MANAGEMENTS' RESPONSIBILITIES

It is the responsibility of the management to prepare financial statements which give a true and fair view of the state of affairs of the organisation as at the end of the financial year and of the operating results for that year. It is also the managements responsibility to ensure that the organisation maintains proper accounting records which disclose with reasonable accuracy the financial position of the organisation. The management is also responsible for safeguarding the assets of the organisation.

The management accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, consistent with previous years, and in conformity with International Financial Reporting Standards. The management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the organisation as at 31 December 2019 and of its operating results for the year then ended. The management further confirm the accuracy and completeness of accounting records maintained by the organisation which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

Nothing has come to the attention of the management to indicate that the organisation will not remain a going concern for at least the next twelve months from the date of this statement.

Chairman

Financial Administrator



#### REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CARITAS KITUI

#### Opinion.

We have audited the financial statements of Caritas Kitui set out on pages 5 to 19, which comprise of the statement of financial position as at 31 December 2020, statement of income and expenditure and statement of eash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the organization as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

#### Basis of opinion.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of our report. We are independent of the organization in accordance with the International Ethics Standards Board for Accountants, Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern.

The financial statements have been prepared on a going concern basis and the validity of this assumption depends on the continuing donor funding. In the absence of such support, this would be inappropriate. Provisions would then have to be made for any adjustments that might be necessary if the organization's assets were realized at amounts different from those in the financial statements.

#### Other information.

The Board is responsible for the other information. The other information comprises the Board of Directors report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have obtained, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of management for the financial statements.

The Board is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the requirements of the Lands. Act and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements what are free from material misstatements whether due to freed or error.

statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

#### Auditor's responsibilities for the audit of the financial statements.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an adult conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- I. Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by the Board
- TV. Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the adult extractive obtained, whether a material uncertainty exists relate to events or conditions that may east significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date our auditor's report. However, future events or conditions may cause the organization to cease to
- V. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

#### As required by other legislations we report to you, based on our audit that

i) we obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit

ii) in our opinion proper books of account have been kept by the organisation, so far as appears from our examination of those books and that

iii) the organisations's Statement of financial position (balance sheet) and income and expenditure account are in agreement with the books of account

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA James Andako Otieno- P/No P1981.

D-

James & Company Associates Certified Public Accountants (K)

Date 17/07/2021

INCOME AND EXPENDITURE AC	COUNT		
INCOME	Notes	2020 Kshs	2019 Kshs
Grants from donors Fees and other Charges	2a , 2b 2a	109,845,771 0	150,953,878 1,090,700
Collections	2a	0	1,623,600
Other incomes	2a, 2b	22,417,643	3,905,667
TOTAL INCOME		132,263,414	157,573,845
EXPENDITURE PROGRAMME DIRECT EXPENSE	ES .		
Direct expenses and programme	2a, 2b	109,845,204	92,286,332
TOTAL PROGRAMME DIRECT EX	XPENSE	109,845,204	92,286,332
ADMINISTRATIVE EXPENSES			
Salaries and Wages Audit Expenses Depreciation Other Administrative expenses	2a, 2b 2a,2b 2a 2a	22,361,543 477,974 0 7,248,719	34,110,346 232,000 49,376 24,808,313
TOTAL ADMINSTRATIVE EXPEN	SES	30,088,236	59,200,034
FINANCIAL EXPENSES Bank charges TOTAL FINANCIAL EXPENSES	2a, 2b	112,444 <b>112,444</b>	79,435 <b>79,435</b>
TOTAL EXPENDITURE		140,045,884	151,565,801
SURPLUS		(7,782,470)	6,008,044

STATEMENT OF FINANCIAL POSITION			
		2020	2019
ASSETS	Notes	Kshs	Kshs
NON CURRENT ASSETS	3	15,923,644	15,206,660
INVESTMENTS	3	0	0
CURRENT ACCETO	0		
CURRENT ASSETS	3		
Stores/Consumables		0	5,510,000
Trade receivables/Debtors		6,135,308	15,069,637
Bank Balance		13,859,298	34,130,667
TOTAL CURRENT ASSETS	_	19,994,606	54,710,304
CURRENT LIABILITIES	3		
Trade payables/Creditors		4,341,819	6,100,624
Other current liabilities		2,882,763	0
TOTAL CURRENT LIABILITIES	_	7,224,581	6,100,624
NET CURRENT ASSETS	9.	12,770,025	48,609,680
NET CONNENT ACCETO	<u> </u>	12,110,025	40,000,000
NET ASSETS	_	28,693,669	63,816,338
FINANCED BY			
Reserves and retained earnings	3	28,693,668	55,619,087
Unsecured Local Loans	3 _	0	8,197,252
TOTAL FUNDS AND LONGTERM LIABILI	TIES	28,693,668	63,816,340

The financial statements were authorised for issue by the management on and were signed on its behalf by:

Chairman

**Financial Administrator** 

### CARITAS KITUI

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2020

## CASHFLOW STATEMENT

	NOTES	2020	2019
	Non-deposit of the second	KSHS	KSHS
Surplus for the year		(7,782,470)	6,008,044
ADJUSTMENTS FOR:			
Items not involving Movement of Cash			
Depreciation	2 _	0	49,376
Operating Profit before working Capital changes	_	(7,782,470)	6,057,420
INCREASE / DECREASE IN WORKING CAPITAL			
(Increase)/decrease in inventory	3	5,510,000	(5,510,000)
(Increase)/decrease in receivables		8,934,329	4,905,320
Increase/(Decrease) in payables and overdarft	_	1,123,957	(1,005,730)
Cash generated from Operations	_	7,785,817	4,447,010
CASHFLOW FROM INVESTING ACTIVITIES:			
Acquisition of assets assets	3	0	1,133,816
Acquisition of investments	_	0	0
	_	0	1,133,816
CASH FLOW FROM FINANCING ACTIVITIES:			
Increase/(decrease) in reserves		(10,621,251)	(23,457,022)
Increase/(Decrease) in unsecured loan	_	(8,197,252)	8,197,252
Net cash from financing activities	_	(18,818,503)	(15,259,770)
Net changes in cash and cash equivalents	_	(11,032,686)	(9,678,943)
MOVEMENT IN CASH AND CASH EQUIVALENTS:			
Cash and bank balance at the beginning of the year	_	24,891,984	34,570,927
Cash and bank balance at the end of the year	3 =	13,859,297	24,891,984

CARITAS KITUI ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 STATEMENT OF CHANGES IN EQUITY

	Note	Loans	Accumulated	Tatal
	Note	Kshs	Reserves Kshs	Total Kshs
Year ended 2020				
As at 1st Jan 2020		8,197,252	55,619,087	63,816,340
				-
Adjusments in reserves			(26,925,420)	(26,925,420)
Changes in loans		(8,197,252)		(8,197,252)
As at 31st December 2020	_	0.00	28,693,667.61	28,693,668

#### Notes to the financial statements

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied over the years presented unless otherwise stated.

## a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings, rounded to the nearest euro. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements comprise a statement of comprehensive income, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of comprehensive income. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of comprehensive income as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the accounting policies adopted by the organization. Although such estimates and assumptions are based on the management's best knowledge of the information available, actual results may differ from those estimates. The judgments and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made.

## 1 Summary of significant accounting policies (continued)

## b) Income

Income comprises grants received from various donors, fees charged in institutions like schools and hospitals and interest received from investment in short term bank deposits and other income. Grants are recognised as income when related expense has been incurred. Other income is recognised on accrual basis.

## c) Expenditure

Project activities/partner support expenditure is charged to the income and expenditure account in the year in which they are approved. Project funds approved but not disbursed at the date of this report are carried forward as project creditors in the

All other expenditure is recognised on accrual basis.

## d) Property and equipment

Property and equipment are stated at cost less capital grants used in financing the purchase of the related asset.

Property and equipment are expensed on acquisition for donor funded projects. However other assts are capitalised and deprecieted in line with depreciation rates on reducing balance. An assets register is maintained that captures details of all assets whether subject to depreciation or not.

Any disposal proceeds on sale of property and equipment are shown in income and expenditure and relevant accumulated depreciation netted in order to determine gain on disposal

## e) Translation of foreign currencies

Transactions in currencies other than Kenya shillings are converted into Kenya Shillings the rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in 'foreign currencies are retranslated at the rates prevailing at that date. The resulting differences from conversion and translation are dealt with in the income statement in the year in which they arise.

## 1 Summary of significant accounting policies (continued)

### f) Financial instruments

Financial assets and financial liabilities are recognised when the diocese becomes a party to the contractual provisions of the instrument. Management determines all classification of financial assets at initial recognition.

#### - Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all the organization's financial assets.

The organization's financial assets which includes cash and bank balances, due from related parties and sundry debtors fall into the following category:

- Available-for-sale: financial assets that are held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate. Such assets are classified as non-current assets except where the management intends to dispose the assets within 12 months of the date of this report. Subsequent to initial recognition,

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

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

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in the income and expenditure account under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will

The amount of the impairment loss is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

Subsequent recoveries of amounts previously written off/impaired are credited to the income and expenditure account in the year in which they occur.

Gains and losses on disposal of assets whose changes in fair value were initially recognised in equity, the gains/losses are recognised in the reserve, where the fair values were initially recognised. Any resultant surplus/deficit after the transfer of the gains/losses are transferred to retained earnings.

## 1 Summary of significant accounting policies (continued)

## f) Financial instruments (continued)

- Financial liabilities

The organization's financial liabilities falls in the following categories

Other financial liabilities: These are initially measured at fair value and subsequently

measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the redemption

value is recognised as interest expense in profit or loss under finance costs.

All financial liabilities are classified as current liabilities unless the organization has an unconditional right to defer settlement of the liability for at least 12 months after the date of the report.

Financial liabilities are derecognised when, and only when, the organization's obligations are discharged, cancelled or expired.

## - Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## g) Retirement benefits costs

### h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

# 1 Summary of significant accounting policies (continued)

## i) Accounting for leases

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

761,462.00	401,608.00	0.00 0.00 1,656,000.00	3,039,070.00	3,039,070.00 0.00 498.00 0.00	498	7,165,455
761,462	401,608	1,656,000	3,019,070			6,601,642
			20,000	498	498	563,813 251,731
General Expenses	Rent Travelling Expenses - incl Foreign	Worksnop/Conference Expenses Depreciation Staff Costs	TOTAL ADMINSTRATIVE EXPENSES	EXPENSES Bank charges Loan interest	Insurance TOTAL FINANCIAL EXPENSES	TOTAL EXPENDITURE SURPLUS

CARITAS KITUI
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
Note 2b Detaild Income and expenditure continued

	Trocaire Irish Aid	Development Main	Brooke - Donkey welfare	CAFOD Energy Advocay	MISEREOR	Partnership KSHS	FASTENOPFER CARBON COOK STOVE KSHS	KALRO KSHS	KEN 1170 KSHS	CAFOD IFSP KEN 696 KSHS	TOTAL KSHS
INCOME Grants Other ncome	8,009,420	7,513,020	23,257,513	1.122.931	7,838,400	2.096.250	13,131,392	8,690,538	33,925,675	7,573,800	<b>102,426,739</b> 22,417,643
TOTAL INCOME	8,393,930	7,513,020	34,430,159	1,122,931	7,966,687	2,096,250	13,131,392	8,690,538	33,925,675	7,573,800	124,844,382
EXPENDITURE PROGRAMME EXPENDITURE											
Advocacy Direct Project implementat 4,028,057	4,028,057		26,264,781	482,005	5,185,395		443,336 8,254,143	3,876,015	32,558,190	854,000 3,358,181	1,297,336 84,006,766 913,361
M&E Project Support costs	727,524		4,405,888		435,171	864,963 343,866	2,926,661 271,043			1,266,519	5,058,143 6,183,492
Ulrect Project staff costs TOTAL PROGRAMME	7,915,872		5,519,904	493,385 975,390	5,620,566	1,208,829	11,895,183	3,876,015	32,558,190	5,478,700	8,260,219 105,719,317
ADMINISTRATIVE EXPENDITURE Salaries and Wages	1 173 550			81 415	4 512 726	1 950 916	3 943 483	1 089 000	5.370.497	2.583.956	20.705.543
Rent General admin	24,000 153,700	3,425,993		71,450	) 	65,950	1,243,377			210,515	375,624 5,885,649
Audit Bank Charges Insurance	11,050	384,894 34,138			11,300		26,930	15,518	10,360	2,650	111,946
TOTAL ADMINISTRATIVE TOTAL EXPENDITURE SURPLUS/DEFICIT	1,362,300 9,278,172 (884,242)	3,845,025 3,845,025 3,667,994	36,190,573 (1,760,414)	152,865 1,128,255 (5,324)	4,524,026 10,144,592 (2,177,905)	2,016,866 3,225,695 (1,129,445)	5,213,790 17,108,973 (3,977,580)	1,104,518 4,980,533 3,710,005	6,447,145 39,005,334 (5,079,659)	2,870,201 8,348,901 (775,101)	27,536,736 133,256,053 (8,036,047)