



CHRIST IS THE
ANSWER MINISTRIES
[CITAM]

2017

FINANCIAL STATEMENTS



**CHRIST IS THE ANSWER MINISTRIES (CITAM)****AUDITED FINANCIAL STATEMENTS****AS AT 31 DECEMBER 2017**

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KKCO East Africa
Certified Public Accountants
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CHRIST IS THE ANSWER MINISTRIES (CITAM)

DEACON BOARD MEMBERS	:	Rev. Dr. David Oginde	- Bishop
	:	Rev. Ken Kimiywe	- Deputy Bishop
	:	Dr. Faith Thuita	- Secretary
	:	Mr. Apollo Apamo	- Treasurer
	:	Mr. Mourice Ouma	
	:	Ms. Elizabeth Oyombe	
	:	Dr. Catherine Lengewa	
	:	Dr. Martin Kiogora	
	:	Mrs. Caroline Wambugu	
	:	Prof. Paul K. Mbugua	
	:	Mr. Selvaraj Chelliah	
	:	Eng. Reuben Maritim	
	:	Mr. Nelson Kuria	
	:	Rev. Elias Mwaura	- Director for Administration (Ex-officio)
REGISTERED ADDRESS	:	Christ Is The Answer Ministries 2nd Parklands Avenue P. O. Box 42254 - 00100 NAIROBI	
PRINCIPAL BANKERS	:	Co-operative Bank of Kenya Ltd University Way Branch P. O. Box 48231-00100 NAIROBI	
	:	KCB Bank Kenya Ltd. Sarit Centre Branch P. O. Box 14959-00800 NAIROBI	
	:	Stanbic Bank Kenya Ltd Waiyaki Way Branch P. O. Box 30550 NAIROBI	
LEGAL ADVISORS	:	P. C. Onduso & Co. Advocates Devsons Court 2nd Floor, Hurlingham P. O. Box 12853-00100 NAIROBI	
INDEPENDENT AUDITORS	:	KKCO East Africa Certified Public Accountants of Kenya	



**CHRIST IS THE ANSWER MINISTRIES (CITAM)****Report of the Deacon Board**

The Deacon Board has pleasure in presenting its report together with the audited financial statements for the year ended 31st December 2017.

REGISTRATION

CITAM is registered under the Kenyan Societies Act under Certificate Number 8870.

DEACON BOARD MEMBERS

The names of the members who served during the year and upto the date of this report are set out on page 165.

Changes during the year were as follows:-

Dr. Martin Kiogora	- Joined on 29/04/2017
Mrs. Caroline Wambugu	- Joined on 29/04/2017
Mrs. Phyllis Mutua	- Term ended on 29/04/2017
Prof. Abraham Waithima	- Term ended on 29/04/2017
Eng. Francis Djirackor	- Term ended on 29/04/2017

PRINCIPAL ACTIVITY

The principal activity of the Ministry is to know God and make Him known through evangelism and discipleship.

RESULTS

The results for the year are set out on page 175.

INDEPENDENT AUDITORS

The auditors, KKCO East Africa, Certified Public Accountants, were appointed on April 29, 2017 and have expressed their willingness to continue in office.

By Order of the Deacon Board

13.4.2018

Date

Secretary



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Report of the Treasurer

Financial Performance

The ministry recorded an improved financial performance in the year 2017. This was in the backdrop of an extended electioneering period which materially impacted the local economic environment and consequently resulted in a marginal negative impact on giving by members during that period.

Total revenue during the year under review recorded an impressive growth of 22% to Kshs 1.83 billion up from Kshs 1.5 billion in 2016. This was majorly attributable to; increased Tithe and offerings, special giving towards church planting and other projects, introduction of new businesses, donations from new partners and new Assemblies increased giving.

Total expenses grew by 14% to Kshs 1.21 billion up from Kshs 1.1 billion in 2016. This was attributed to growth in staff expenses due to engagement of staff in the new Assemblies and units, increased finance charges as a result of additional loans and increased tithe allocation/mission support. The ministry however generated more income than expenses resulting to a positive jaws ratio of 8%. This is remarkable given that inflation rates hit one of the highest level during the year.

Capital Expenditure grew by 67% to Kshs 543 million up from Kshs 326 million. This was due to construction of CITAM Ngong sanctuary and equipping the same with furniture, fittings and equipment, expansion of Kadolta Resort, purchase of pieces of land for CITAM Kapsabet and CITAM Rongai, relocation of the new Assemblies to the pieces of land and purchase of Motor vehicles for the Assemblies.

The ministries surplus before CAPEX stood at Kshs 631.3 million up from Kshs 361.9 million in 2016 resulting to an increase of Kshs 269.4 billion (74%).

The ministry re-valued its properties (Land and Buildings) during the year. As a result, the ministry's Asset base grew from Kshs 3.5 billion to Kshs 12.3 billion (250%).

2017 Financial Outlook

The table below summarises the overall financial performance for the last five(5) years.

	2017 Millions	2016 Millions	2015 Millions	2014 Millions	2013 Millions
Total Assets	12,255	3,503	3,056	2,764	2,444
Total Revenue	1,829	1,493	1,296	1,085	1,031
Tithe & Offerings	1,334	1,089	946	799	738
Total Expenses	1,212	1,068	873	887	788
Surplus before CAPEX	631	362	392	234	248

Growth in percentage (%)

	2016-2017 % growth
Total Assets	250%
Total Revenue	22%
Tithe & Offerings	22%
Total Expenses	14%
Surplus before CAPEX	74%

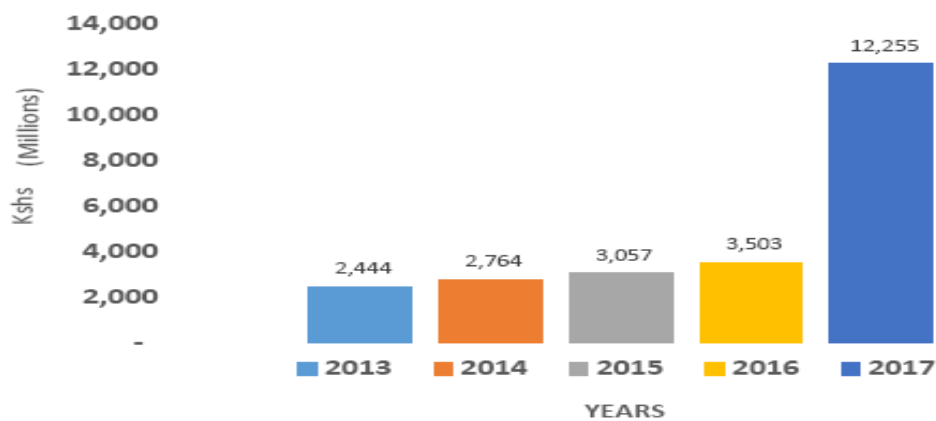




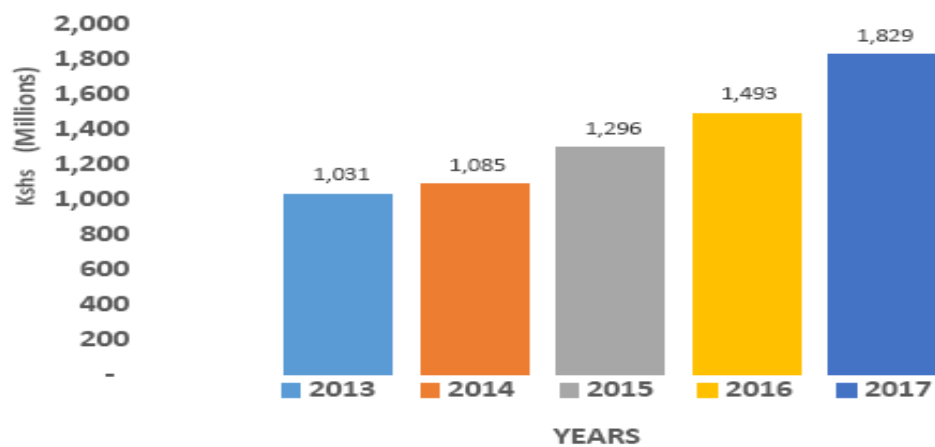
CHRIST IS THE ANSWER MINISTRIES (CITAM)

Report of the Treasurer..../(Contd.)

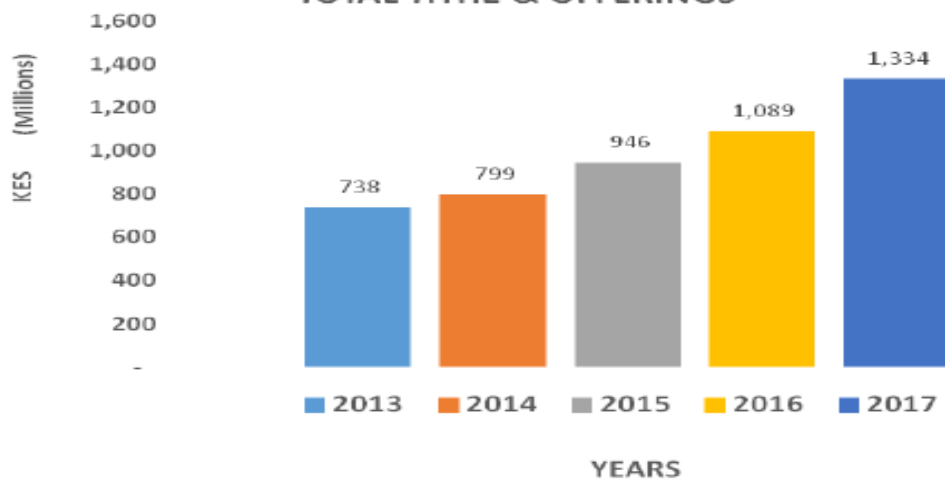
TOTAL ASSETS



TOTAL REVENUE



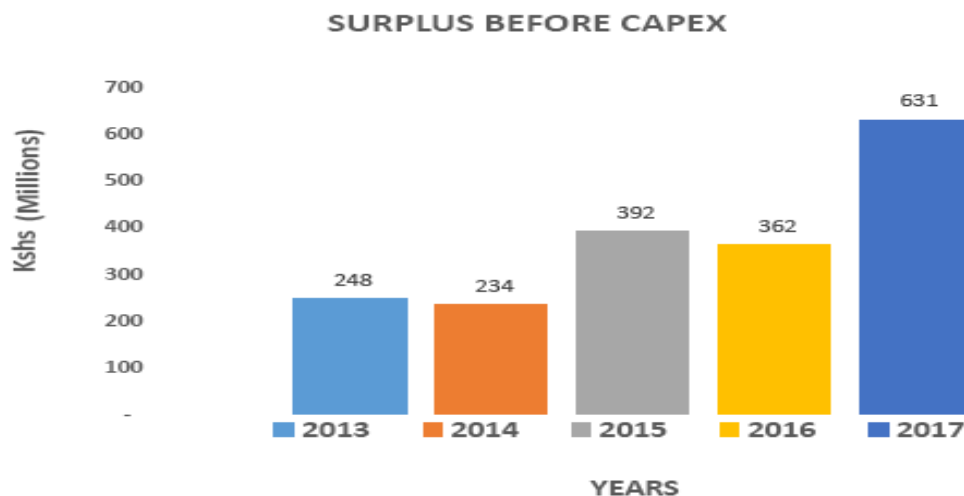
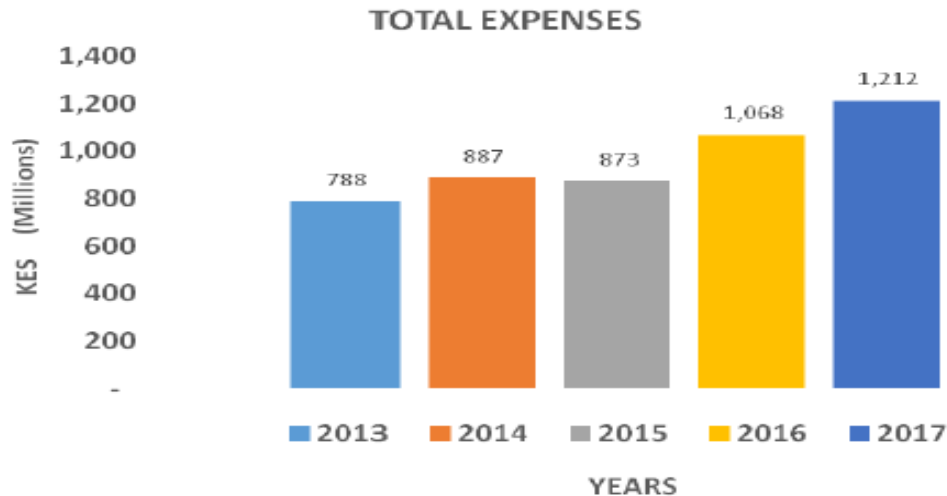
TOTAL TITHE & OFFERINGS





CHRIST IS THE ANSWER MINISTRIES (CITAM)

Report of the Treasurer..../(Contd.)



Conclusion

On behalf of the Deacon Board, Management and Staff of CITAM, we thank the Almighty God for this far He has brought us. We would like to thank CITAM members, friends of CITAM, stakeholders and partners for your support, entrusting us with your resources to fulfil the Great commission.

May God bless and reward you All.

Church Treasurer



**CHRIST IS THE ANSWER MINISTRIES (CITAM)****Statement of Corporate Governance**

CITAM has set up strong Corporate Governance structures in order to direct, manage and control the affairs of the ministry. The structures have been set with a primary objective of enhancing prosperity and corporate accountability with the ultimate objective of realising the ministry's long-term values and vision. A detailed ministry structure is well stipulated in the Church constitution.

Annual General Meeting (AGM)

CITAM holds an Annual General Meeting once every year. The purpose of an AGM is to give members a report on the church activities and finances for the previous year, to allow time for members to ask questions, and to elect members the church governing body for the coming year. The AGM also appoints the auditor for the following year.

Annual Delegates conference (ADC)

This is a forum where every CITAM branch is represented and all matters relating to church and branches are discussed extensively for Board's action. The responsibility is to provide general guidance of the vision and mission of the church. Election of Deacon Board members takes place during ADC place as well as nomination of church Elders.

Deacon Board

The Deacon Board serves and provides oversight to the church in matters pertaining to its administrative, financial and business affairs. It executes its responsibilities through Board sub-committees and management that it creates from time to time. The responsibility of daily operations is delegated to a management team appointed by the board. A clear segregation of duties between the board and management is always maintained. The Deacon board makes all operations policy decisions while management implements the decision of the board. The Deacon Board meets at least quarterly in a year but additional meetings may be held on need basis. The sub-committees meet regularly to deliberate on issues that fall under their mandate.

Deacon Board sub-committees during the year

		Number of	
	Committees	members	Chaired by:
1	Finance committee	8	Deacon Apollo Apamo
2	Audit & Risk Management committee	6	Deacon Nelson Kuria
3	Human Resources Committee	8	Dr. Faith Thuita
4	ICT committee	6	Deacon Selvaraj Chelliah
5	Media Board/Caretaker Committee	5	Dr Catherine Lengewa
6	Business Management Committee	10	Bro John Njuguna
7	Building Committee	9	Eng. Reuben Maritim
8	Legal Committee	6	Deacon Mourice Ouma
9	CITAM Children Centre Committee	9	Prof. Paul Mbugua



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Statement of Corporate Governance..../(Contd.)

Elders Council

The Elders council takes the responsibility for safeguarding the vision and mission of the church and oversees all spiritual matters of the church.

Trustees

All land, buildings and other immovable property, all investments and securities acquired by the CITAM are vested in a Trust of the church.

Local Advisory committee

Every Assembly has an advisory committee to support the management and coordination of the affairs of the assembly.

Board of Management (BOM)

Every school has board of management which supports the management and coordination of the affairs of the schools.

Internal controls

The ministry has systems and processes in place to ensure that the ministry's assets are safeguarded. The ministry has policies and procedures currently under review that guide the ministry's administration and strengthened by various internal controls that are monitored by the Internal Audit Department and given oversight by the Board Audit Committee.



**CHRIST IS THE ANSWER MINISTRIES (CITAM)****Statement of Deacon Board Responsibilities****for the year ended 31st December 2017**

The Deacon Board is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Ministry as at the end of the financial year and of its operating results for the year. The Deacon Board should also ensure that the Ministry keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Ministry. They are also responsible for safeguarding the assets of the Ministry and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Deacon Board accepts responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. The Deacon Board also accepts responsibility for:-

- i) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) Selecting and applying appropriate accounting policies; and
- iii) Making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Ministry's ability to continue as a going concern, the Deacon Board is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Ministry's ability to continue as a going concern.

The Deacon Board acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Deacon Board on April 4, 2018 and signed on its behalf by:-



Chairman

Treasurer



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Report of the Independent Auditors

to the members of Christ Is The Answer Ministries

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Christ Is The Answer Ministries (CITAM)** set out on pages 175 to 196, which comprise the statement of financial position as at December 31, 2017, and 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Christ Is The Answer Ministries as at December 31, 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the financial statements section of our report. We are independent of the Ministry in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Deacon Board is responsible for the other information. The other information comprises the Report of the Deacon Board, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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 performed, 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 the Deacon Board for the financial statements

The Deacon Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard and for such internal control as the Deacon Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deacon Board is responsible for assessing the Ministry'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 Deacon Board either intend to liquidate the Ministry or to cease operations, or have no realistic alternative but to do so.



**CHRIST IS THE ANSWER MINISTRIES (CITAM)****Report of the Independent Auditors****to the members of Christ Is The Answer Ministries****Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement and maintain professional skepticism throughout the audit. We also:

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

We communicate with the Deacon Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA Nimrod Kurgat (P. 1905).

Nairobi, Kenya

April 13, 2018
Date

KKCO East Africa
KKCO East Africa
Certified Public Accountants of Kenya



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Statement of Comprehensive Income

for the year ended 31st December 2017

		<u>2017</u>	<u>Restated</u>	<u>Reported</u>
		<u>2017</u>	<u>2016 (Note 21)</u>	<u>2016 (Note 21)</u>
	Note	Kshs	Kshs	Kshs
ASSEMBLIES INCOME				
Tithes and offerings		1,334,021,499	1,089,394,294	1,096,142,688
Ministries and departments		56,197,633	40,939,717	41,452,240
Fundraising and donations		58,665,788	59,488,568	65,025,261
Other income		1,376,906	707,990	707,990
Interest income		6,146,003	8,546,330	8,546,330
Sale of books		14,605,984	8,633,615	8,633,615
Rental income		11,002,727	14,934,100	14,934,100
Total income	4	<u>1,482,016,540</u>	<u>1,222,644,614</u>	<u>1,235,442,224</u>
ASSEMBLIES EXPENSES				
Staff costs		296,006,167	271,220,795	286,665,391
Administration costs		233,607,048	231,256,136	245,306,668
Ministries costs		<u>281,065,295</u>	<u>255,874,209</u>	<u>259,422,208</u>
Total expenditure	4	<u>810,678,510</u>	<u>758,351,140</u>	<u>791,394,267</u>
SURPLUS BEFORE PROJECTS AND CAPITAL EXPENDITURE		671,338,030	464,293,474	444,047,957
Projects net income	5	4,471,384	5,803,103	5,803,103
Special outreach activities net expenses	6	(59,001,054)	(44,416,456)	(44,416,456)
Together We Can do More-net income/(deficit)	7	<u>14,525,605</u>	<u>(63,733,320)</u>	<u>(63,733,320)</u>
		<u>(40,004,065)</u>	<u>(102,346,673)</u>	<u>(102,346,673)</u>
SURPLUS BEFORE CAPITAL EXPENDITURE		631,333,965	361,946,801	341,701,284
Capital expenditure	8	<u>(543,162,327)</u>	<u>(326,594,472)</u>	<u>(347,034,498)</u>
SURPLUS FOR THE YEAR	Kshs	<u>88,171,638</u>	<u>35,352,329</u>	<u>(5,333,214)</u>





CHRIST IS THE ANSWER MINISTRIES (CITAM)


Statement of Financial Positionas at 31st December 2017

ASSETS	Note	2017 Kshs	Restated 2016 (Note 21) Kshs	Reported 2016 (Note 21) Kshs
Non-current Assets				
Property and equipment	9	4,962,619,615	1,980,248,133	1,980,248,133
Work in progress	10	499,770,083	216,075,898	216,075,898
Prepaid operating lease rentals	11	5,748,238,343	418,612,693	418,612,693
Intangible assets	12	14,034,158	9,622,782	9,622,782
Long term investments	13	2,100,000	2,100,000	2,000,000
Due from related parties	14	742,670,210	639,910,232	523,169,745
		<u>11,969,432,409</u>	<u>3,266,569,738</u>	<u>3,149,729,251</u>
Current Assets				
Inventories	15	15,142,395	6,865,071	6,865,071
Trade and other receivables	16	154,915,813	127,612,323	127,612,323
Fixed deposits	17 (a)	23,635,928	22,097,133	22,097,133
Cash and bank balances	17 (b)	91,374,616	80,230,023	80,230,023
		<u>285,068,752</u>	<u>236,804,550</u>	<u>236,804,550</u>
TOTAL ASSETS		Kshs <u>12,254,501,161</u>	<u>3,503,374,288</u>	<u>3,386,533,801</u>
FUNDS AND LIABILITIES				
Funds				
Capital fund		11,224,662,199	2,624,559,506	2,624,559,506
General fund		257,751,143	345,114,933	213,676,444
Reserve fund		37,408,722	43,370,003	37,527,979
Designated fund	18	106,743,354	(6,180,777)	14,259,249
		<u>11,626,565,418</u>	<u>3,006,863,665</u>	<u>2,890,023,178</u>
LONG TERM LIABILITIES				
Borrowings	19	328,150,454	278,625,304	278,625,304
CURRENT LIABILITIES				
Trade and other payables	20	220,996,099	150,841,388	150,841,388
Borrowings	19	78,789,190	67,043,931	67,043,931
		<u>299,785,289</u>	<u>217,885,319</u>	<u>217,885,319</u>
TOTAL FUNDS AND LIABILITIES		Kshs <u>12,254,501,161</u>	<u>3,503,374,288</u>	<u>3,386,533,801</u>

The financial statements on pages 175 to 196 were approved by the Deacon Board on April 4, 2018 and signed on its behalf by:-



Chairman



Treasurer

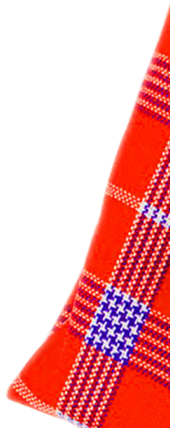


CHRIST IS THE ANSWER MINISTRIES (CITAM)

Statement of Changes in Funds

as at 31st December 2017

	Capital	General	Reserve	Designated	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund Note 20)</u>	<u>Total</u>
	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 January 2016	2,277,365,490	172,361,402	19,606,402	44,837,654	2,514,170,948
Fixed assets additions	439,771,909	-	-	-	439,771,909
Disposals	(3,410,000)	-	-	-	(3,410,000)
Depreciation	(79,806,096)	-	-	-	(79,806,096)
Amortization	(11,481,797)	-	-	-	(11,481,797)
Depreciation on disposal	2,120,000	-	-	-	2,120,000
Receipts during the year	-	(29,931,531)	-	43,819,344	13,887,813
Payments during the year	-	927,441	-	(91,638,617)	(90,711,176)
Net interest income	-	-	-	364,010	364,010
10% tithe allocation	-	-	-	109,614,268	109,614,268
Fixed interest income	-	-	836,513	-	836,513
Transfers to reserve fund	-	(17,085,064)	17,085,064	-	-
Transfers to designated fund	-	92,737,410	-	(92,737,410)	-
Deficit for the year	-	(5,333,214)	-	-	(5,333,214)
AT 31 DECEMBER 2016	Kshs	2,624,559,506	213,676,444	37,527,979	14,259,249
At 1 January 2017 (as previously reported)		2,624,559,506	213,676,444	37,527,979	14,259,249
Prior year adjustment (Note 21)		-	131,438,489	5,842,024	(20,440,026)
As restated		2,624,559,506	345,114,933	43,370,003	(6,180,777)
Fixed assets additions (Note 8)		712,987,562	-	-	-
Revaluation surplus - freehold land & buildings (Note 9)		2,672,480,385	-	-	-
Revaluation surplus - leasehold property (Note 11)		5,392,962,781	-	-	-
Depreciation (Note 9)		(101,698,794)	-	-	-
Amortization - Leasehold property (Note 11)		(114,318,903)	-	-	-
Amortization - Intangible assets (Note 12)		(5,734,864)	-	-	-
Amortization adjustment on revaluation (Note 11)		43,424,526	-	-	-
Receipts during the year		-	-	-	59,638,452
Payments during the year		-	-	-	(126,613,180)
Reserve fund utilisation during the year		-	37,527,979	(37,527,979)	-
Capital expenditure funded by term loan		-	(135,000,000)	-	-
10% tithe allocation		-	-	-	133,402,150
Transfers to reserve fund		-	(31,566,698)	31,566,698	-
Transfers to designated fund		-	(46,496,709)	-	46,496,709
Surplus for the year		-	88,171,638	-	-
AT 31 DECEMBER 2017	Kshs	11,224,662,199	257,751,143	37,408,722	106,743,354
					11,626,565,418





CHRIST IS THE ANSWER MINISTRIES (CITAM)

Statement of Cash Flowsfor the year ended 31st December 2017

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
CASH FLOWS FROM OPERATIONS		
Surplus for the year	88,171,638	35,352,329
Adjustments for:		
Capital expenditure	543,162,327	326,594,472
Changes in operating assets and liabilities		
Increase in inventories	(8,277,324)	(6,383,962)
Increase in trade and other receivables	(27,303,490)	(1,647,805)
Increase in trade and other payables	70,154,711	26,651,549
Cash flows from operating activities	<u>665,907,862</u>	<u>380,566,583</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(291,217,496)	(227,917,720)
Additions to work in progress	(369,241,345)	(105,266,766)
Additions to operating lease	(7,557,246)	(10,651,528)
Purchase of intangible assets	(10,146,240)	(3,198,485)
Increase due to related parties	(102,759,978)	(51,112,685)
Cash flows used in investing activities	<u>(780,922,305)</u>	<u>(398,147,184)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Movement in borrowings	61,270,409	(66,694,901)
Increase in reserve fund	-	836,513
Movement in designated funds	66,427,422	27,389,464
Cash flows from/(used in) financing activities	<u>127,697,831</u>	<u>(38,468,924)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	12,683,388	(56,049,525)
Cash and cash equivalents at the beginning of the year	<u>102,327,156</u>	<u>158,376,681</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 17)	Kshs <u><u>115,010,544</u></u>	<u><u>102,327,156</u></u>



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2017

1.0 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 to all years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards under the historical cost convention, and are presented in the functional currency, Kenya Shillings (KShs).

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 judgement in the process of applying the accounting policies adopted by the Ministry. Although such estimates and assumptions are based on the Deacons' board best knowledge of the information available, actual results may differ from those estimates.

1.2 New and revised financial reporting standards

i) New and revised standards that have been issued but are not yet effective

The Ministry has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2017.

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.
- IFRS 9 Financial Instruments (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:
 - IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
 - For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.



**CHRIST IS THE ANSWER MINISTRIES (CITAM)****Notes to the Financial Statements****for the year ended 31st December 2017**

- For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The derecognition provisions are carried over almost unchanged from IAS 39.
- Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014) – The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business and partially if it involves assets that do not constitute a business.
- IFRS 16 Leases (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.
- Amendments to IAS 12 titled Recognition of Deferred Tax Assets (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, provide additional guidance on the estimation of future taxable profits when considering the recoverability of deferred tax assets.
- Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 201, require enhanced disclosure concerning changes in liabilities arising from financing activities.
- Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions (issued in June 2016)-The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Group’s consolidated financial statements.

The Deacons do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the ministry's financial statements.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2017

ii) Adoption of new and revised standards

The following new and revised standards have become effective for the first time in the financial year beginning 1st January 2017:

- Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014) – The amendments add guidance and clarify that (i) the use of revenue - based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. They are prospectively effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 27 titled Equity Method in Separate Financial Statements (issued in August 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to IFRS 5 (Annual Improvements to IFRSs 2012 – 2014 Cycle, issued in September 2014) - The amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.
- Amendment to IFRS 7 (Annual Improvements to IFRSs 2012 – 2014 Cycle, issued in September 2014) - The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.
- Amendments to IFRS 10, IFRS 12 and IAS 28 titled Investment Entities : Applying the Consolidation Exception (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The impact of these new and revised standards is not material.

**CHRIST IS THE ANSWER MINISTRIES (CITAM)****Notes to the Financial Statements****for the year ended 31st December 2017****1.3 Revenue recognition**

Income is recognized to the extent that it is probable that the economic benefits will flow to the ministry and the revenue can be reliably measured. Income earned by the Ministry is recognized on the following basis:

Tithes, offerings and gifts from members are recognized when received.

School fees income represents amount invoiced to the students during the year. Hope FM sales comprise the invoiced value net of value Added Tax (VAT) where necessary.

Other income earned is recognized as it accrues.

1.4 Short-term investments

Short term investments are recognized at the transaction price and subsequently measured at fair value, with changes in fair value being recognised in the statement of comprehensive income. Fair value is determined using the quoted bid price at the reporting date.

1.5 Trade and other receivables

Receivables are recognized at original invoice amount less an allowance for any uncollectible amounts. Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

1.6 Inventories

Inventories are valued at the lower of cost and net realizable value.

1.7 Financial liabilities

Financial liabilities are initially recognised at the transaction price (including transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

1.8 Trade and other payables

Trade and other payables are stated at their nominal value.

1.9 Translation of foreign currencies

Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings(functional currency) at rates ruling at the transaction dates. Monetary assets and liabilities at the balance sheet dates which are expressed in foreign currencies are translated into Kenya Shillings at exchange rates ruling at that date. The resulting differences from conversion and translation are dealt within the statement of comprehensive income in the year in which they arise.

1.10 Provisions

A provision is recognized in the statement of financial position when the Ministry has a present legal or constructive obligation as a result of past event and it is more likely than not that an outflow of economic benefit will be required to settle the obligation and it can be reliably estimated.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2017.... / (Contd)

1.11 Property and equipment

Property and equipment purchased from general fund are fully expensed in the statement of comprehensive income in the year of purchase. Those purchased from designated funds are debited to the relevant funds. For purposes of control, they are held in property and equipment and capital fund accounts, so that any change in the assets can be traced. Depreciation of the assets is reflected in both the property and equipment and capital funds accounts. The effect of this is to reduce the value of the fixed assets and capital fund as a result of diminution due to use.

Depreciation is calculated on a straight line basis at annual rates to write down the cost of each asset to its residual value over its estimated useful life on the following basis:

Freehold Land	Nil
Buildings	Nil
Boreholes	Nil
Motor vehicles	25.0%
Computers & IT Equipment	30.0%
Equipment	15%
Furniture & Fittings	15%
Tents	15%

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in the statement of comprehensive income.

1.12 Intangible assets

Computer software license costs and computer software are initially recognised at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by CITAM are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each license or item of software to its residual value over its estimated useful life at an annual rate of 30%.

1.13 Prepaid operating lease rentals

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and are amortized over the period of the lease.

1.14 Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income in the period which they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset.

**CHRIST IS THE ANSWER MINISTRIES (CITAM)****Notes to the Financial Statements****for the year ended 31st December 2017.... / (Contd)****1.15 Cash and cash equivalents**

Cash and Cash equivalents comprise cash at bank, cash in hand, cash held in paybills and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash and cash equivalents as defined above.

1.16 Post employment benefit obligation

The Ministry operates a defined contribution pension scheme for its staff. The assets of the pension scheme are administered by Britam American Insurance Company Ltd. The scheme is funded by contributions from both the employees and the Ministry. The Ministry's contributions to the scheme are charged to the statement of comprehensive income in the year to which they relate.

The Ministry and its employees also contribute to a statutory defined scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and the ministry's contributions are charged to the statement of comprehensive income in the year in which they relates.

1.17 Interest bearing loans and borrowings

All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowings.

1.18 Contingent liabilities

Contingent liabilities arise if there is possible obligation; or 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 of estimating the monetary value of the obligation.

1.19 Long term investments

Investments in treasury bonds are recorded at market value.

1.20 Related party balances

Related party transactions with the Ministry's related entities primarily comprise of loans and expenses paid on behalf. These are recorded at cost.

1.21 Capital fund

A capital fund is created to represent the funds invested in property and equipment. Items of property and equipment purchased are credited in the capital fund while the corresponding debit is taken to the general fund. Depreciation and amortisation are debited to the capital fund and credited to the accumulated depreciation of the respective asset.



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2017.... / (Contd)

1.22 General fund

This represents amounts which are expendable at the discretion of CITAM in furtherance of its objectives. Such funds may be held in order to finance working capital or capital investment.

1.23 Reserve fund

5% of the surplus before capital expenditure is transferred from the general fund to the reserve fund.

1.24 Designated fund

Funds held for specially defined purposes are classified as designated funds.

1.25 Taxation

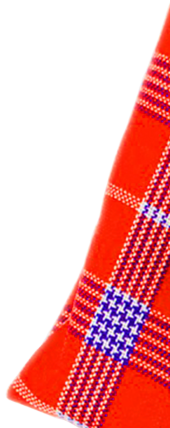
No tax provisions are made in these financial statements. The Ministry is in the process of renewing its income tax exemption certificate as per Kenya Revenue Authority (KRA) regulations.

1.26 Foreign exchange gain/loss

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income.

1.27 Comparatives

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



**CHRIST IS THE ANSWER MINISTRIES (CITAM)****Notes to the Financial Statements****for the year ended 31st December 2017.... / (Contd)****2.0 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

i) Critical accounting estimates and assumptions**Property and equipment**

Critical estimates are made by the Deacon Board in determining depreciation rates for property and equipment. The rates used are as set out in Note 1.11 on page 183.

ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Ministry's accounting policies, management has made judgements in determining:-

- a) Provisions and contingencies
- b) The classification of financial assets and leases.
- c) Whether assets are impaired.

3.0 FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

The Ministry's activities expose it to a variety of financial risks. These include market risk, credit risk, liquidity risk and the effects of changes in foreign currency rates. The Ministry's overall risk management programme focuses on the unpredictability of changes in operating environment and seeks to minimise potential adverse effects of such risks on its financial performance by setting acceptable levels of risks, but the Ministry does not hedge any risk.

a) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, and foreign exchange rates will affect the Ministry's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

i) Foreign exchange risk

The Ministry is not exposed to any significant foreign exchange risk.

ii) Price risk

The Ministry does not hold investments that would be subject to price risk.



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2017.... / (Contd)

b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as trade and other receivables. The Ministry does not have any significant concentrations of credit risk. The Ministry assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

The amount that best represents the Ministry's maximum exposure to credit risk at 31st December 2017 is made up as follows:-

	<u>2017</u> Kshs	<u>2016</u> Kshs
Cash and bank balances	115,010,544	102,327,156
Trade and other receivables	<u>154,915,813</u>	<u>127,612,323</u>
Kshs	<u>269,926,357</u>	<u>229,939,479</u>

c) Liquidity risk

The responsibility for liquidity risk management rests with the Deacon Board, who have built an appropriate liquidity risk management framework for the management of the Ministry's short, medium and long term funding and liquidity management requirements. The Ministry manages liquidity risk by maintaining enough required funds for its operation through continuous monitoring of forecast and actual cash flows.

The table below provides a contractual analysis of the Ministry's financial liabilities :-

Finance liabilities	<u>2017</u> Kshs	<u>2016</u> Kshs
Borrowings	406,939,644	345,669,235
Trade and other payables	<u>220,996,099</u>	<u>150,841,388</u>
Total financial liabilities	Kshs <u>627,935,743</u>	<u>496,510,623</u>



**CHRIST IS THE ANSWER MINISTRIES (CITAM)****Notes to the Financial Statements****for the year ended 31st December 2017.... / (Contd)****d) Exchange risk**

The Ministry 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 exposing the Ministry to the risk of incurring exchange loss. 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.

e) Operational risk

Operational risk is the risk of indirect loss arising from a wide variety of causes associated with the Ministry's processes, personnel, technology, infrastructure and external factors other than credit and liquidity risks such as those arising from legal and regulatory requirements and if generally acceptable standard.

The Ministry's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Ministry's reputation with overall cost effectiveness and to avoid any control procedures that restrict initiative and creativity in the church.

The primary responsibility of the development and implementation of controls to address operational risk is assigned to the Deacon Board.

This responsibility is supported by the development of overall Ministry's standards for the management of operational risks in the following areas:-

- Requirements for appropriate segregation of duties including the independent authorization and approval of transactions.
- Requirements for the reconciliation and monitoring transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of control and procedures.
- Requirements for the periodic assessment of operational risks faced by the institution, and adequacy of controls and procedures to address the risks identified.
- Development of contingency plans.
- Training and professional development of its personnel and
- Adherence to ethical and business standard.

Review of compliance with Ministry's standards is done on an ongoing basis.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2017...(Contd)

4.0 ASSEMBLIES INCOME AND EXPENDITURE			2017			2016
	Income	Expenditure	Surplus/ (Deficit)	Income	Expenditure	Surplus/ (Deficit)
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Head Office	73,431,176	228,271,303	(154,840,127)	41,118,689	217,098,691	(175,980,002)
CITAM Valley Road	426,751,496	107,991,662	318,759,834	365,098,385	97,701,062	267,397,323
CITAM Woodley	177,068,876	53,584,605	123,484,271	185,646,350	55,033,026	130,613,324
CITAM Karen	166,824,680	59,700,873	107,123,807	146,736,048	58,086,266	88,649,782
CITAM Parklands	73,356,266	38,285,061	35,071,205	55,649,544	35,248,953	20,400,591
CITAM Kisumu	36,395,094	28,361,663	8,033,431	31,513,525	28,477,112	3,036,413
CITAM Ngong	80,739,451	42,654,170	38,085,281	67,767,548	39,612,087	28,155,461
CITAM Kiserian	-	-	-	1,463,103	6,309,511	(4,846,408)
CITAM Buruburu	115,878,441	49,523,921	66,354,520	104,923,775	54,834,499	50,089,276
CITAM Thika Road	119,215,397	45,720,617	73,494,780	99,784,779	48,286,706	51,498,073
CITAM Nakuru	33,487,644	24,676,393	8,811,251	26,787,402	22,401,494	4,385,908
CITAM Eldoret	19,104,035	26,148,469	(7,044,434)	14,196,292	27,669,154	(13,472,862)
CITAM Athi River	64,360,060	26,862,328	37,497,732	49,703,178	24,036,329	25,666,849
CITAM Kapsabet	3,469,157	8,215,075	(4,745,918)	1,645,404	7,408,448	(5,763,044)
CITAM Thika Town	24,649,615	21,405,969	3,243,646	11,520,077	12,180,871	(660,794)
CITAM Embakasi	38,908,213	27,901,660	11,006,553	14,236,883	17,945,200	(3,708,317)
CITAM Rongai	19,677,339	19,616,266	61,073	4,853,633	6,021,732	(1,168,099)
CITAM Clay City	8,699,600	1,758,475	6,941,125	-	-	-
Kshs	1,482,016,540	810,678,510	671,338,030	1,222,644,615	758,351,141	464,293,474

5.0 PROJECTS INCOME AND EXPENDITURE			Surplus/ (Deficit)			Surplus/ (Deficit)
	Income	Expenditure	(Deficit)	Income	Expenditure	(Deficit)
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
CITAM Schools Woodley	72,193,011	63,208,303	8,984,708	68,700,001	54,715,753	13,984,248
CITAM Schools Buruburu Primary	27,871,893	35,221,563	(7,349,670)	23,681,126	33,935,856	(10,254,730)
CITAM Schools Buruburu High	20,034,840	38,045,298	(18,010,458)	24,245,023	38,769,580	(14,524,557)
CITAM Schools Kisumu	21,710,431	24,676,350	(2,965,919)	21,338,708	24,150,050	(2,811,342)
CITAM Schools Ngong	13,311,923	8,975,522	4,336,401	8,668,010	8,284,887	383,123
CITAM Schools Nakuru	4,729,750	4,941,448	(211,698)	3,782,800	2,927,069	855,731
CITAM Schools Athi River	2,456,030	3,244,792	(788,762)	925,100	2,067,281	(1,142,181)
CITAM Schools Eldoret	4,242,380	5,129,402	(887,022)	2,360,903	3,494,221	(1,133,318)
CITAM Schools Woodley Transport	7,510,906	5,846,052	1,664,854	7,095,682	6,012,559	1,083,123
CITAM Schools Buruburu Transport	5,097,825	4,722,434	375,391	4,453,259	3,300,822	1,152,437
CITAM Schools Buruburu Senior Transport	1,992,000	1,279,699	712,301	-	-	-
CITAM Schools Kisumu Transport	2,770,580	3,247,744	(477,164)	-	-	-
CITAM Schools Ngong Transport	2,311,350	1,799,782	511,568	-	-	-
Woodley Catering	13,818,468	7,510,326	6,308,142	13,528,361	7,712,465	5,815,896
Buruburu Catering	10,005,103	7,574,353	2,430,750	9,962,188	6,648,645	3,313,543
Valley Road Catering	8,371,745	5,074,745	3,297,000	8,892,579	2,482,996	6,409,583
Kisumu Catering	4,422,731	3,361,445	1,061,286	4,058,398	1,867,853	2,190,545
Ngong Catering	3,552,101	1,254,483	2,297,618	2,110,923	429,247	1,681,676
Parklands Catering	4,248,057	3,542,443	705,614	1,177,424	2,116,692	(939,268)
Nakuru Catering	1,238,131	715,362	522,769	-	-	-
Creative department	8,448,267	8,289,225	159,042	5,484,163	4,030,388	1,453,775
Carpentry and Tailoring	1,725,970	110,324	1,615,646	130,143	628,902	(498,759)
CITAM Kadolta Resort	10,991,883	10,812,896	178,987	7,685,689	8,902,111	(1,216,422)
Kshs	253,055,375	248,583,991	4,471,384	218,280,480	212,477,377	5,803,103

5.1 Breakdown of the projects expenses

Staff costs	160,074,171	145,037,061
Administrative costs	88,509,820	67,440,316
Kshs	248,583,992	212,477,377



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statementsfor the year ended 31st December 2017.../(Contd)

	2017			2016		
	Income	Expenditure	Surplus/ (Deficit)	Income	Expenditure	Surplus/ (Deficit)
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
6.0 SPECIAL OUTREACH INCOME AND EXPENDITURE						
Hope FM	48,347,668	68,815,416	(20,467,748)	48,665,161	60,594,719	(11,929,558)
Hope TV	3,893,240	14,745,183	(10,851,943)	2,549,823	9,237,344	(6,687,521)
CITAM Children Centre Kiserian	2,457,460	27,223,307	(24,765,847)	1,207,368	27,006,745	(25,799,377)
Children Centre Kiserian School	1,066,785	5,505,903	(4,439,118)	-	-	-
CITAM Outfitters	318,981	115,917	203,064	-	-	-
Heavens Gate & Hells Flames	30,249,660	28,847,373	1,402,287	-	-	-
ERDO Project	6,727,257	6,727,257	-	-	-	-
Hope Recording Studio	1,050,000	1,131,749	(81,749)	-	-	-
	<u>Kshs 94,111,051</u>	<u>153,112,105</u>	<u>(59,001,054)</u>	<u>52,422,352</u>	<u>96,838,808</u>	<u>(44,416,456)</u>
6.1 Breakdown of the outreach expenses						
Staff costs		64,381,933			52,662,782	
Administrative costs		75,798,328			44,176,026	
Ministry expenses		12,931,844			-	
	<u>Kshs</u>	<u>153,112,105</u>		<u>Kshs</u>	<u>96,838,808</u>	
7.0 TOGETHER WE CAN DO MORE (TWM)				<u>2017</u>	<u>2016</u>	
				Kshs	Kshs	
Income				14,857,660	29,931,531	
Expenditure				(332,055)	(927,441)	
Construction WIP - Ngong sanctuary				-	(92,737,410)	
NET INCOME/(DEFICIT)				<u>Kshs 14,525,605</u>	<u>(63,733,320)</u>	
8.0 CAPITAL EXPENDITURE				<u>2017</u>	<u>2016</u>	
				Kshs	Kshs	
Land and buildings				158,225,690	2,687,667	
Prepaid operating lease rentals				7,557,246	10,651,528	
Motor vehicles				24,354,296	45,499,338	
Construction WIP				369,241,345	198,004,176	
Furniture and equipment				131,789,887	128,387,372	
Tents				3,111,559	32,246,938	
Computers				8,561,299	17,368,582	
Computer software/LAN				10,146,240	3,198,485	
Borehole				-	1,727,822	
				<u>712,987,562</u>	<u>439,771,908</u>	
Less capital expenditure funded by term loan				(135,000,000)	-	
Less capital expenditure funded by TWM				-	(92,737,410)	
Less capital expenditure funded by missions fund				(22,148,838)	(20,440,026)	
Less donated capital expenditure				<u>(12,676,397)</u>	<u>-</u>	
				<u>Kshs 543,162,327</u>	<u>326,594,472</u>	

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2017..../(Contd)

9.0 PROPERTY AND EQUIPMENT

COST OR VALUATION	Freehold Land Kshs	Buildings Kshs	Boreholes Kshs	Motor Vehicles Kshs	Furniture & Fittings Kshs	Equipment Kshs	Computers Kshs	Tents Kshs	Total Kshs
At 1 January 2016	167,794,799	1,379,962,779	10,339,467	85,911,432	134,049,774	320,560,095	19,228,518	29,040,527	2,146,887,391
Additions	-	2,687,667	1,727,823	45,499,338	1,864,784	126,522,588	17,368,582	32,246,938	227,917,720
Disposals	-	-	-	(2,010,000)	-	(1,400,000)	-	-	(3,410,000)
Transfers from WIP	-	119,839,370	-	-	-	-	-	-	119,839,370
	167,794,799	1,502,489,816	12,067,290	129,400,770	135,914,558	445,682,683	36,597,100	61,287,465	2,491,234,481
DEPRECIATION									
At 1 January 2016	-	-	-	70,594,231	73,849,864	264,730,759	13,547,979	10,577,419	433,300,252
Charge for the year	-	-	-	18,024,350	10,945,995	33,840,714	7,801,917	9,193,120	79,806,096
Eliminated on disposal	-	-	-	(720,000)	-	(1,400,000)	-	-	(2,120,000)
	-	-	-	87,898,581	84,795,859	297,171,473	21,349,896	19,770,539	510,986,348
NET BOOK VALUE									
At 31 DECEMBER 2016	167,794,799	1,502,489,816	12,067,290	41,502,189	51,118,699	148,511,210	15,247,204	41,516,926	1,980,248,133
COST OR VALUATION									
At 1 January 2017	167,794,799	1,502,489,816	12,067,290	129,400,770	135,914,558	445,682,683	36,597,100	61,287,465	2,491,234,481
Additions	156,924,750	1,300,940	-	24,354,296	38,549,200	93,240,687	8,561,299	3,111,559	326,042,731
Transfers from work in progress	-	85,547,160	-	-	-	-	-	-	85,547,160
Revaluation (i)	1,762,205,201	910,275,184	-	-	-	-	-	-	2,672,480,385
	2,086,924,750	2,499,613,100	12,067,290	153,755,066	174,463,758	538,923,370	45,158,399	64,399,024	5,575,304,757
DEPRECIATION									
At 1 January 2017	-	-	-	87,898,581	84,795,859	297,171,473	21,349,896	19,770,539	510,986,348
Charge for the year	-	-	-	17,245,840	19,528,501	46,319,288	8,945,310	9,659,855	101,698,794
	-	-	-	105,144,421	104,324,360	343,490,761	30,295,206	29,430,394	612,685,142
NET BOOK VALUE									
At 31 DECEMBER 2017	2,086,924,750	2,499,613,100	12,067,290	48,610,645	70,139,398	195,432,609	14,863,193	34,968,630	4,962,619,615

(i) The land and buildings were revalued during the year on an open market value basis by Capital Valuers Ltd, a professional firm of registered valuers.



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2017.... / (Contd)

	Balance at 01.01.2017	Additions	Transfers	Balance at 31.12.2017
	Kshs	Kshs	Kshs	Kshs
10.0 WORK IN PROGRESS				
CITAM Ngong	182,649,500	221,456,478	-	404,105,978
CITAM Nakuru	2,784,000	479,709	(3,263,709)	-
CITAM Parklands	-	432,175	(432,175)	-
CITAM Thika road	1,854,679	2,997,843	(4,852,522)	-
CITAM Kadolta Resort	10,677,696	78,897,459	-	89,575,155
CITAM Kiserian Children Centre	4,394,615	8,009,875	(12,404,490)	-
CITAM Valley Road	3,300,589	619,630	(3,717,219)	203,000
CITAM Schools Kisumu	4,382,869	670,530	(5,053,399)	-
CITAM Schools Woodley	-	1,416,731	(1,416,731)	-
CITAM Eldoret	-	625,927	(625,927)	-
CITAM Buruburu	5,885,950	6,102,535	(6,102,535)	5,885,950
CITAM Karen	-	205,360	(205,360)	-
CITAM Athi River	146,000	423,294	(569,294)	-
CITAM Kapsabet	-	1,741,012	(1,741,012)	-
CITAM Thika town	-	7,587,692	(7,587,692)	-
CITAM Clay City	-	5,200,020	(5,200,020)	-
CITAM Rongai	-	23,153,842	(23,153,842)	-
Missions	-	9,221,233	(9,221,233)	-
	Kshs 216,075,898	369,241,345	(85,547,160)	499,770,083

The work in progress relates to the various projects under construction.

	2017 Kshs	2016 Kshs
11.0 PREPAID OPERATING LEASE RENTALS		
COST OR VALUATION		
At 1 January	462,037,219	451,385,691
Additions	7,557,246	10,651,528
Revaluation (i)	5,392,962,781	-
	5,862,557,246	462,037,219
AMORTIZATION		
At 1 January	43,424,526	38,660,869
Eliminated on revaluation	(43,424,526)	-
Charge for the year	114,318,903	4,763,657
	114,318,903	43,424,526
NET BOOK VALUE		
At 31 DECEMBER	Kshs 5,748,238,343	418,612,693

(i) Leasehold land was revalued during the year on an open market value basis by Capital Valuers Ltd, a registered firm of professional valuers.

Leasehold land is disclosed as prepaid operating lease rentals and carried at cost less amortization over the lease period.

	2017 Kshs	2016 Kshs
12.0 INTANGIBLE ASSETS		
COST		
At 1 January	62,000,238	58,801,753
Additions	10,146,240	3,198,485
	72,146,478	62,000,238
AMORTIZATION		
At 1 January	52,377,456	45,659,316
Charge for the year	5,734,864	6,718,140
	58,112,320	52,377,456
NET BOOK VALUE		
At 31 DECEMBER	Kshs 14,034,158	9,622,782

The intangible assets relate to computer software and wide area network.



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2017.... / (Contd)

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
13.0 LONG-TERM INVESTMENTS		
Investment in shares - Ark Properties & Investments Limited	100,000	100,000
Alex Tee Treasury Bonds	2,000,000	2,000,000
	<u>Kshs 2,100,000</u>	<u>2,100,000</u>

Rev. Alexander Tee invested in twelve (12) years Government of Kenya treasury bonds and the interest earned from the bonds is used to financially support children leaving CITAM Kiserian Children Center when going either to employment or further studies. Interest earned during the year was Kshs 406,871 (2016 - Kshs 364,010).

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
14.0 DUE FROM RELATED PARTIES		
Pan African Christian University (14a)	156,853,556	137,631,049
Ark Properties and Investments Limited (14b)	472,365,720	467,587,233
CITAM International Assemblies (14c)	113,450,934	34,691,950
	<u>Kshs 742,670,210</u>	<u>639,910,232</u>

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
14 (a) Pan Africa Christian University		
At 1 January	137,631,049	116,397,255
Additions during the year	19,222,507	21,233,794
	<u>Kshs 156,853,556</u>	<u>137,631,049</u>

CITAM has 60% interest in Pan Africa Christian University (PACU) and the above amounts are the funds contributed by CITAM as at 31st December 2017.

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
14 (b) Ark Properties and Investments Ltd		
At 1 January	467,587,233	457,953,860
Additions during the year	4,778,487	9,633,373
	<u>472,365,720</u>	<u>467,587,233</u>

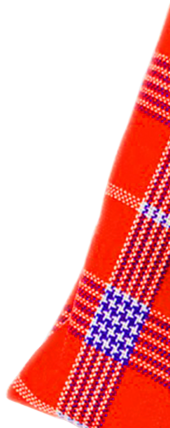
This relates to balance of loans CITAM borrowed on behalf of Ark Properties and Investments Limited. CITAM owns 99.7% directly and 0.3% indirectly (through CITAM Trustees) of Ark Properties and Investments Limited shareholding.

	<u>1.1.2017</u>	<u>Income</u>	<u>Expenditure</u>	<u>31.12.2017</u>	<u>2016</u>
	Kshs	Kshs	Kshs	Kshs	Kshs
14 (c) CITAM International Assemblies					
CITAM Romania Church	8,628,253	(5,155,565)	63,456,915	66,929,603	8,628,253
CITAM USA Church	26,063,697	(7,821,861)	20,449,799	38,691,635	26,063,697
CITAM Namibia Church	-	(1,928,685)	9,758,381	7,829,696	-
	<u>Kshs 34,691,950</u>	<u>(14,906,111)</u>	<u>93,665,095</u>	<u>113,450,934</u>	<u>34,691,950</u>

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
15.0 INVENTORIES		
Safari books	11,477,156	5,904,361
Consumables	3,665,239	960,710
	<u>Kshs 15,142,395</u>	<u>6,865,071</u>

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
16.0 TRADE AND OTHER RECEIVABLES		
School fees debtors	75,415,093	54,843,489
CITAM Hope FM debtors	40,194,266	28,100,900
Prepayments and deposits	38,264,256	36,100,876
Staff debtors	8,599,117	5,226,397
Other receivables	3,367,611	3,340,661
	165,840,343	127,612,323
Provision for bad debts	(10,924,530)	-
	<u>Kshs 154,915,813</u>	<u>127,612,323</u>

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
17.0 CASH AND CASH EQUIVALENTS		
(a) Fixed deposit		
Co-operative Bank of Kenya Ltd.	22,435,965	20,977,284
CFC Stanbic Bank Ltd	1,199,963	1,119,849
	<u>Kshs 23,635,928</u>	<u>22,097,133</u>





CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statementsfor the year ended 31st December 2017.... / (Contd)

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
(b) Cash and bank balances		
Cash at bank	54,542,923	30,457,556
Safaricom paybill account	35,716,034	44,040,633
Cash in hand	1,115,659	5,731,834
	<u>91,374,616</u>	<u>80,230,023</u>
Total cash and cash equivalents	Kshs <u>115,010,544</u>	<u>102,327,156</u>

	<u>Balance at</u> <u>01.01.2017</u>	<u>Transfers</u>	<u>Receipts</u>	<u>Payments</u>	<u>Balance at</u> <u>31.12.2017</u>
	Kshs	Kshs	Kshs	Kshs	Kshs
18.0 DESIGNATED FUNDS					
Alexander Tee fund	5,250,257	-	406,870	-	5,657,127
Text book fund	23,876,863	-	7,710,852	(4,856,910)	26,730,805
Mission support fund - allocation	(709,636)	-	133,402,150	(105,574,993)	27,117,521
Mission support fund - donations	-	-	5,997,945	(5,997,945)	-
Together we can do more	(46,496,709)	46,496,709	-	-	-
Other development funds	5,765,452	-	44,575,785	(10,085,632)	40,255,605
Women's Ministry	1,079,148	-	-	-	1,079,148
Caution fees	5,053,848	-	947,000	(97,700)	5,903,148
	<u>Kshs (6,180,777)</u>	<u>46,496,709</u>	<u>193,040,602</u>	<u>(126,613,180)</u>	<u>106,743,354</u>

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
19.0 BORROWINGS		
Co-operative Bank of Kenya Ltd (i)	261,976,377	164,901,348
Co-operative Bank Ltd - Ark Properties and Investments Ltd (i)	144,390,603	178,093,915
NIC Bank - Bus financing (ii)	572,664	2,673,972
	<u>Kshs 406,939,644</u>	<u>345,669,235</u>

Repayment analysis

Repayable after the next 12 months	<u>Kshs 328,150,454</u>	<u>278,625,304</u>
Repayable in the next 12 months	<u>Kshs 78,789,190</u>	<u>67,043,931</u>

(i) The facilities at Co-operative Bank of Kenya Limited are repayable at an interest rate of 14% p.a. Securities for the loan include existing legal charge over Kisumu municipality block LR No. 10/170, Karen land block LR No. 12409/05 and Parklands land block LR No. 209/10810/5.

(ii) The facility with NIC Bank Limited is payable over the next one (1) year. The bank borrowings are secured over the school bus financed by the borrowings.

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
20.0 TRADE AND OTHER PAYABLES		
Trade payables	146,249,470	123,143,899
Accounts payable and accruals	34,723,202	20,940,002
Direct deposits	27,136,716	-
Withholding tax	7,026,681	1,289,440
VAT payable	513,152	1,372,462
Other payables	5,346,878	4,095,585
	<u>Kshs 220,996,099</u>	<u>150,841,388</u>



CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2017.... / (Contd)

21.0 PRIOR YEAR ADJUSTMENT

The prior year adjustments related to the following:-

- (i) CITAM International Assemblies income and expenditure were previously treated through Statement of Comprehensive Income. The accounting policy was revised during the year to report operations of International Assemblies as due from/to related party transactions. This is because they are registered as separate legal entities in respective jurisdiction and the ministry expects to receive back these amounts in the future. CITAM Romania and CITAM USA balances have now been adjusted retrospectively.
- (ii) Capital expenditure incurred in the year 2016 financed by designated funds (Mission Support). This was erroneously expensed through the Statement of Comprehensive Income instead of designated funds.
- (iii) Collections and payments from Together We Can Do More (MTA) programme in the year 2012 were omitted in the books of account.

As per the International Accounting Standards (IAS 8), the above errors and changes in accounting policy have been corrected by restating each of the affected financial statement line items for prior year. The following table summarise the impact on the Ministry's financial statements.

		<u>As previously reported</u>	<u>Prior year adjustments</u>	<u>As restated</u>
		Kshs	Kshs	Kshs
a) Statement of comprehensive income				
Assemblies income	(i)	1,235,442,224	(12,797,610)	1,222,644,614
Assemblies expenses	(i)	(791,394,267)	33,043,127	(758,351,140)
Project net income		5,803,103	-	5,803,103
Special outreach activities net expenses		(44,416,456)	-	(44,416,456)
Together we can do more net income/deficit		(63,733,320)	-	(63,733,320)
Capital expenditure	(ii)	(347,034,498)	20,440,026	(326,594,472)
(Deficit)/ Surplus for the year	Kshs	(5,333,214)	40,685,543	35,352,329
b) Statement of financial position				
		<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
Assets				
Related party balances - International Assemblies	(i)	-	34,691,950	34,691,950
Related party balances - Ark Properties	(iii)	385,718,696	82,148,537	467,867,233
Other non current assets		2,764,010,555	-	2,764,010,555
Current assets		236,804,550	-	236,804,550
Total assets	Kshs	3,386,533,801	116,840,487	3,503,374,288
Funds and liabilities				
Capital fund		2,624,559,506	-	2,624,559,506
General fund	(i&ii)	213,676,444	131,438,489	345,114,933
Reserve fund	(i&ii)	37,527,979	5,842,024	43,370,003
Designated fund	(ii)	13,180,101	(20,440,026)	(7,259,925)
Non current liabilities		278,625,304	-	278,625,304
Current liabilities		218,964,467	-	218,964,467
Total funds and liabilities	Kshs	3,386,533,801	116,840,487	3,503,374,288



**CHRIST IS THE ANSWER MINISTRIES (CITAM)****Notes to the Financial Statements****for the year ended 31st December 2017.... / (Contd)**

		<u>2017</u>	<u>2016</u>
		Kshs	Kshs
22.0 CAPITAL COMMITMENTS			
Authorised and contracted	Kshs	<u>59,763,533</u>	<u>217,614,058</u>

The above are capital commitments authorised and contracted as at the balance sheet date but not recognized in the financial statements.

		Kshs	Kshs
23.0 SURPLUS FOR THE YEAR			
The surplus for the year is arrived at after charging:-			
Provision for bad and doubtful debts		10,924,530	-
Auditors' remuneration		<u>1,600,000</u>	<u>700,000</u>

24.0 CONTINGENT LIABILITIES

The Ministry has pending litigations in court. However, the Ministry does not foresee a major liability arising from the suits.

25.0 EVENTS AFTER REPORTING PERIOD

The Deacon Board are not aware of any material event which occurred after the reporting date and up to the date of this report.

26.0 CURRENCY

The financial statements are presented in Kenya shillings (Kshs).