



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. Maurice 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 ministry's 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 |

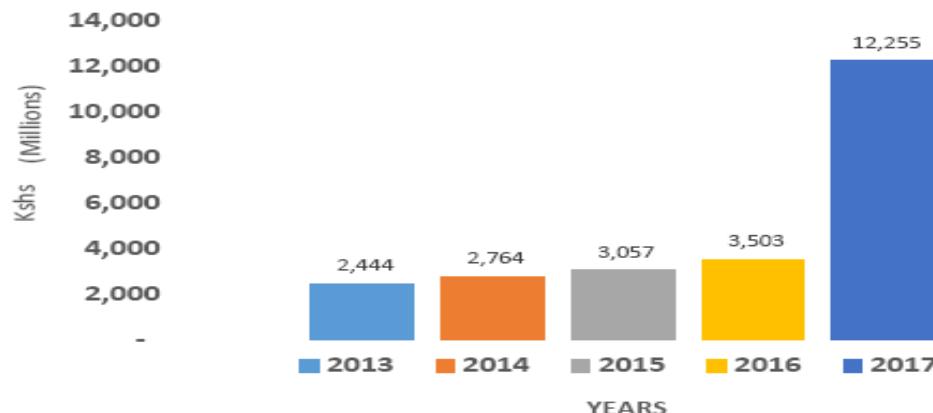
Growth in percentage (%)

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

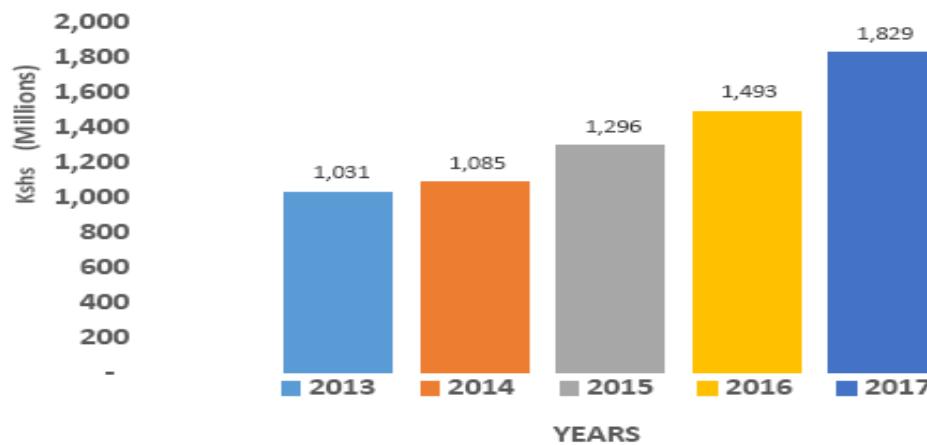
CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

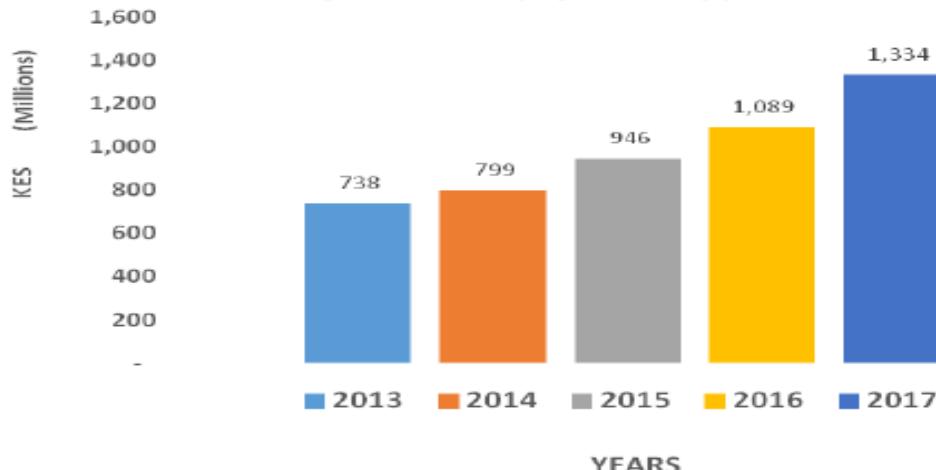
TOTAL ASSETS



TOTAL REVENUE



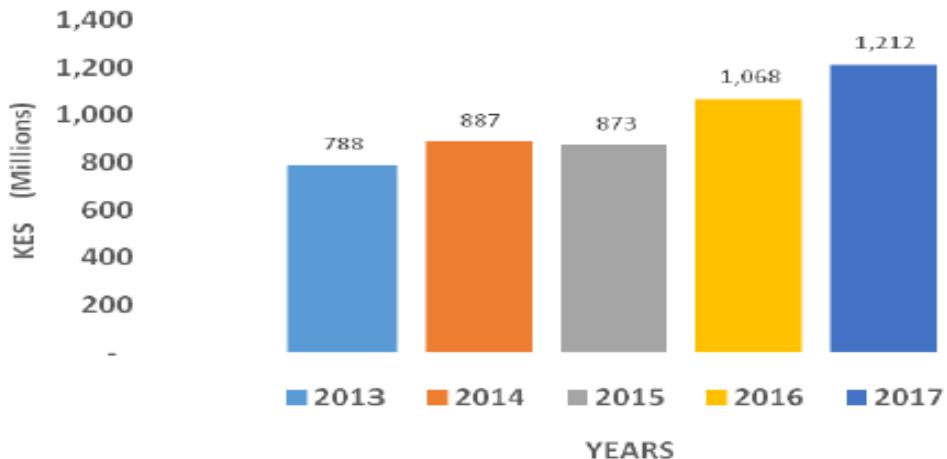
TOTAL TITHE & OFFERINGS



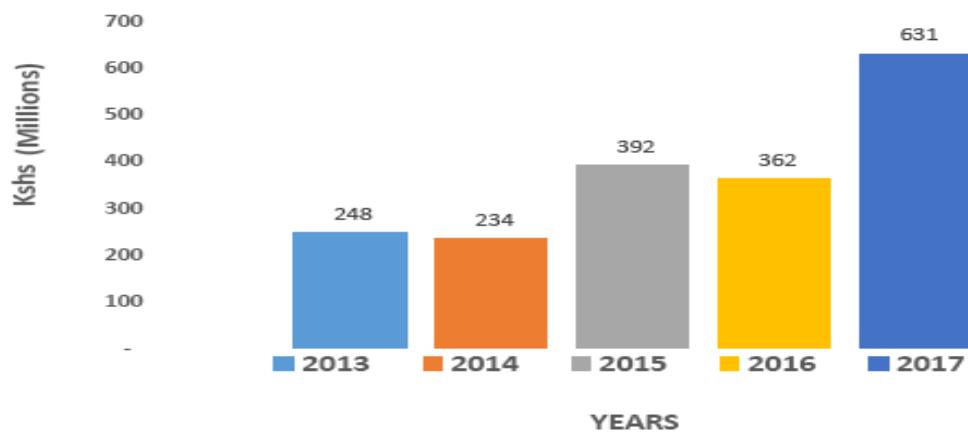
CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

TOTAL EXPENSES



SURPLUS BEFORE CAPEX



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 Maurice 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 Auditorsto 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

Apru 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

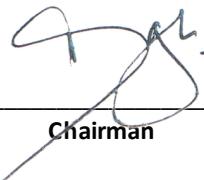
| | Note | Restated | | Reported |
|--|------|------------------------|------------------------|------------------------|
| | | 2017 Kshs | 2016 (Note 21) Kshs | 2016 (Note 21) Kshs |
| ASSEMBLIES INCOME | | | | |
| Tithes and offerings | | 1,334,021,499 | 1,089,394,294 | 1,096,142,688 |
| Ministries 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 | 1,482,016,540 | 1,222,644,614 | 1,235,442,224 |
| 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 | | 281,065,295 | 255,874,209 | 259,422,208 |
| Total expenditure | 4 | 810,678,510 | 758,351,140 | 791,394,267 |
| 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 | 14,525,605 | (63,733,320) | (63,733,320) |
| | | (40,004,065) | (102,346,673) | (102,346,673) |
| SURPLUS BEFORE CAPITAL EXPENDITURE | | 631,333,965 | 361,946,801 | 341,701,284 |
| Capital expenditure | 8 | (543,162,327) | (326,594,472) | (347,034,498) |
| SURPLUS FOR THE YEAR | | Kshs 88,171,638 | 35,352,329 | (5,333,214) |

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Statement of Financial Positionas at 31st December 2017

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

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 <u>Fund</u> Kshs | General <u>Fund</u> Kshs | Reserve <u>Fund</u> Kshs | Designated <u>Fund Note 20)</u> Kshs | Total 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 | 2,890,023,178 |
| At 1 January 2017 (as previously reported) | | 2,624,559,506 | 213,676,444 | 37,527,979 | 14,259,249 | 2,890,023,178 |
| Prior year adjustment (Note 21) | | - | 131,438,489 | 5,842,024 | (20,440,026) | 116,840,487 |
| As restated | | 2,624,559,506 | 345,114,933 | 43,370,003 | (6,180,777) | 3,006,863,665 |
| Fixed assets additions (Note 8) | | 712,987,562 | - | - | - | 712,987,562 |
| Revaluation surplus - freehold land & buildings (Note 9) | | 2,672,480,385 | - | - | - | 2,672,480,385 |
| Revaluation surplus - leasehold property (Note 11) | | 5,392,962,781 | - | - | - | 5,392,962,781 |
| Depreciation (Note 9) | | (101,698,794) | - | - | - | (101,698,794) |
| Amortization - Leasehold property (Note 11) | | (114,318,903) | - | - | - | (114,318,903) |
| Amortization - Intangible assets (Note 12) | | (5,734,864) | - | - | - | (5,734,864) |
| Amortization adjustment on revaluation (Note 11) | | 43,424,526 | - | - | - | 43,424,526 |
| Receipts during the year | | - | - | - | 59,638,452 | 59,638,452 |
| Payments during the year | | - | - | - | (126,613,180) | (126,613,180) |
| Reserve fund utilisation during the year | | - | 37,527,979 | (37,527,979) | - | - |
| Capital expenditure funded by term loan | | - | (135,000,000) | - | - | (135,000,000) |
| 10% tithe allocation | | - | - | - | 133,402,150 | 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 | - | - | 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> Kshs | <u>2016</u> 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 | <u>70,154,711</u> | <u>26,651,549</u> |
| 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 | <u>(102,759,978)</u> | <u>(51,112,685)</u> |
| 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 | <u>66,427,422</u> | <u>27,389,464</u> |
| 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 | <u>12,683,388</u> | <u>(56,049,525)</u> |
| 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) | <u>Kshs 115,010,544</u> | <u>102,327,156</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 2017, 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:-

| | 2017 Kshs | 2016 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 | 2017 Kshs | 2016 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 | 2017 | | | 2016 | | |
| | Income | Expenditure | Surplus/(Deficit) | Income | Expenditure | Surplus/(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 Kadulta 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 |
| | | Kshs |
| | | 212,477,377 |

CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

| | 2017 | | | 2016 | | |
|--|----------------|---------------------|-----------------------|---------------------|---------------------|-----------------------|
| | | | Surplus/ (Deficit) | | | Surplus/ (Deficit) |
| | Income Kshs | Expenditure Kshs | Kshs | Income Kshs | Expenditure 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) | - | - | - |
| | Kshs | 94,111,051 | 153,112,105 | (59,001,054) | 52,422,352 | 96,838,808 |
| | | | | | | (44,416,456) |
| 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 | | | - | |
| | Kshs | 153,112,105 | | | 96,838,808 | |
| 7.0 TOGETHER WE CAN DO MORE (TWM) | | | | | 2017 | 2016 |
| Income | | | | | Kshs | Kshs |
| Expenditure | | | | | 14,857,660 | 29,931,531 |
| Construction WIP - Ngong sanctuary | | | | | (332,055) | (927,441) |
| | | | | | - | (92,737,410) |
| NET INCOME/(DEFICIT) | | | | Kshs | 14,525,605 | (63,733,320) |
| 8.0 CAPITAL EXPENDITURE | | | | | 2017 | 2016 |
| Land and buildings | | | | | Kshs | Kshs |
| Prepaid operating lease rentals | | | | | 158,225,690 | 2,687,667 |
| Motor vehicles | | | | | 7,557,246 | 10,651,528 |
| Construction WIP | | | | | 24,354,296 | 45,499,338 |
| Furniture and equipment | | | | | 369,241,345 | 198,004,176 |
| Tents | | | | | 131,789,887 | 128,387,372 |
| Computers | | | | | 3,111,559 | 32,246,938 |
| Computer software/LAN | | | | | 8,561,299 | 17,368,582 |
| Borehole | | | | | 10,146,240 | 3,198,485 |
| | | | | | - | 1,727,822 |
| Less capital expenditure funded by term loan | | | | | 712,987,562 | 439,771,908 |
| Less capital expenditure funded by TWM | | | | | (135,000,000) | - |
| Less capital expenditure funded by missions fund | | | | | - | (92,737,410) |
| Less donated capital expenditure | | | | | (22,148,838) | (20,440,026) |
| | | | | | (12,676,397) | - |
| | Kshs | 543,162,327 | | | 326,594,472 | |

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

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

9.0 PROPERTY AND EQUIPMENT

| | <u>Freehold Land</u> Kshs | <u>Buildings</u> Kshs | <u>Boreholes</u> Kshs | <u>Motor Vehicles</u> Kshs | <u>Furniture & Fittings</u> Kshs | <u>Equipment</u> Kshs | <u>Computers</u> Kshs | <u>Tents</u> Kshs | <u>Total</u> Kshs |
|---------------------------------|------------------------------|--------------------------|--------------------------|-------------------------------|---|--------------------------|--------------------------|----------------------|----------------------|
| COST OR VALUATION | | | | | | | | | |
| 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) |
| | 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 |
| NET BOOK VALUE | | | | | | | | | |
| At 31 DECEMBER 2016 | Kshs | 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 |
| 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 |
| | Kshs | 2,086,924,750 | 2,499,613,100 | 12,067,290 | 48,610,645 | 70,139,398 | 195,432,609 | 14,863,193 | 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 Statementsfor the year ended 31st December 2017.... / (Contd)

| 10.0 WORK IN PROGRESS | Balance at | | Transfers | Balance at |
|--------------------------------|-------------|--------------------|--------------------|---------------------|
| | 01.01.2017 | Additions | | |
| | Kshs | Kshs | Kshs | Kshs |
| 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.

| 11.0 PREPAID OPERATING LEASE RENTALS | 2017 | | 2016 |
|--------------------------------------|-------------|----------------------|--------------------|
| | | Kshs | |
| 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.

| 12.0 INTANGIBLE ASSETS | 2017 | | 2016 |
|------------------------|-------------|-------------------|------------------|
| | | Kshs | |
| 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> Kshs | <u>2016</u> 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</u> | <u>2,100,000</u> |
| | | <u>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> Kshs | <u>2016</u> 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</u> | <u>742,670,210</u> |
| | | <u>742,670,210</u> | <u>639,910,232</u> |

| | | <u>Kshs</u> | <u>Kshs</u> |
|---|--|--------------------|--------------------|
| 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</u> | <u>156,853,556</u> |
| | | <u>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> Kshs | <u>2016</u> 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> Kshs | <u>Income</u> Kshs | <u>Expenditure</u> Kshs | <u>31.12.2017</u> Kshs | <u>2016</u> 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</u> | <u>34,691,950</u> | <u>(14,906,111)</u> | <u>93,665,095</u> | <u>113,450,934</u> |
| | | | | | |
| | | | | | |

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

| | | <u>Kshs</u> | <u>Kshs</u> |
|---|--|--------------------|--------------------|
| 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</u> | <u>154,915,813</u> |
| | | <u>154,915,813</u> | <u>127,612,323</u> |

| | | <u>Kshs</u> | <u>Kshs</u> |
|---------------------------------------|--|-------------------|-------------------|
| 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</u> | <u>23,635,928</u> |
| | | <u>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 | 115,010,544 | 102,327,156 |
| | | | | |
| | | | Balance at | Balance at |
| | | | 01.01.2017 | 31.12.2017 |
| | | Kshs | Kshs | Kshs |
| 18.0 DESIGNATED FUNDS | | | | |
| Alexander Tee fund | 5,250,257 | - | 406,870 | - |
| Text book fund | 23,876,863 | - | 7,710,852 | (4,856,910) |
| Mission support fund - allocation | (709,636) | - | 133,402,150 | (105,574,993) |
| 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) |
| Women's Ministry | 1,079,148 | - | - | - |
| Caution fees | 5,053,848 | - | 947,000 | (97,700) |
| | Kshs | (6,180,777) | 46,496,709 | 193,040,602 |
| | | | (126,613,180) | 106,743,354 |
| | | | | |
| 19.0 BORROWINGS | | | <u>2017</u> | <u>2016</u> |
| | | | Kshs | Kshs |
| 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 |
| | Kshs | 406,939,644 | 345,669,235 | |
| Repayment analysis | | | | |
| Repayable after the next 12 months | | Kshs | 328,150,454 | 278,625,304 |
| Repayable in the next 12 months | | Kshs | 78,789,190 | 67,043,931 |
| | | | | |
| (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. | | | | |
| 20.0 TRADE AND OTHER PAYABLES | | | <u>2017</u> | <u>2016</u> |
| | | | Kshs | Kshs |
| 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 |
| | Kshs | 220,996,099 | 150,841,388 | |

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 | | | | |
| Assets | | <u>As previously reported</u> | <u>Adjustments</u> | <u>As restated</u> |
| 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 | <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 |
|---|------------------|----------------|
| The surplus for the year is arrived at after charging:- | | |
| Provision for bad and doubtful debts | 10,924,530 | - |
| Auditors' renumeration | <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).