

The enemy doesn't fear us
going to church every week
he fears us having a close
and powerful relationship
with God

Joyce Meyer



FINANCIAL

STATEMENTS

CHRIST IS THE ANSWER MINISTRIES (CITAM)

AUDITED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2019

CONTENTS:	P a g e
Report of the Deacon Board	1 - 2
Report of the Treasurer	3 - 10
Statement of Corporate Governance	11 - 14
Statement of the Deacon Board Responsibilities	15
Report of the Independent Auditors	16 - 17
Statement of Comprehensive Income	18
Statement of Financial Position	19
Statement of Changes in Funds	20
Statement of Cash Flows	21
Notes to the Financial Statements	22 - 42

KKCO East Africa
Certified Public Accountants
P. O. Box 46335 - 00100
NAIROBI
Email: audit@kkcoeastafrika.com
Website: www.kkcoeastafrika.com



CHRIST IS THE ANSWER MINISTRIES (CITAM)

DEACON BOARD MEMBERS

: Rev. Dr. David Oginde	- Presiding Bishop
: Rev. Dr. John Karita	- Deputy Bishop
: Mr. Martin Munyu	- Secretary
: Mrs. Caroline Wambugu	- Treasurer
: Mr. David Kitur	
: Mr. Caleb Mutali	
: Dr. Martin Kiogora	
: Prof. Paul K. Mbugua	
: Mr. Richard Arina	
: Mrs. Unny Nzioka	
: Mr. George Asoyo	
: Mrs. Christine Ojera	
: Mrs. Catherine Wahome	
: Mr. Abraham Irudhayaraj	
: Dr. Faith Thuita	
: 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 2019.

REGISTRATION

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

PRINCIPAL ACTIVITY

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

FINANCIAL PERFORMANCE OVERVIEW

The Treasurer's report for the year is on pages 3 to 10.

RESULTS

The results for the year are set out on page 18.

CITAM CORPORATE GOVERNANCE

The statement of Corporate Governance is set out on pages 11 to 14.

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 1.

Changes during the year were as follows

Joined on 27/04/2019

- Rev. Dr John Karita
- Mr. David Kitur
- Mr. Caleb Mutali
- Mr. Richard Arina
- Mrs. Unny Nzioka
- Mr. Abraham Irudhayaraj

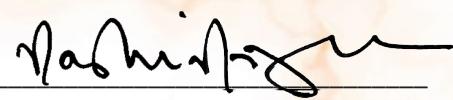
Term ended on 27/04/2019

- Rev. Kennedy Kimiywe
- Dr. Faith Thuita
- Ms. Elizabeth Oyombe
- Dr. Catherine Lengewa
- Mr. Selvaraj Chelliah
- Mr. Nelson Kuria

INDEPENDENT AUDITORS

The auditors, KKCO East Africa, Certified Public Accountants, have expressed their willingness to continue in office.

By Order of the Deacon Board



Secretary

March 5, 2020

Date

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Report of the Treasurer

2019 FINANCIAL PERFORMANCE OVERVIEW

INCOME

The ministry recorded an impressive financial performance in the year ending December 31, 2019 against a backdrop of several economic challenges experienced during the year in the country.

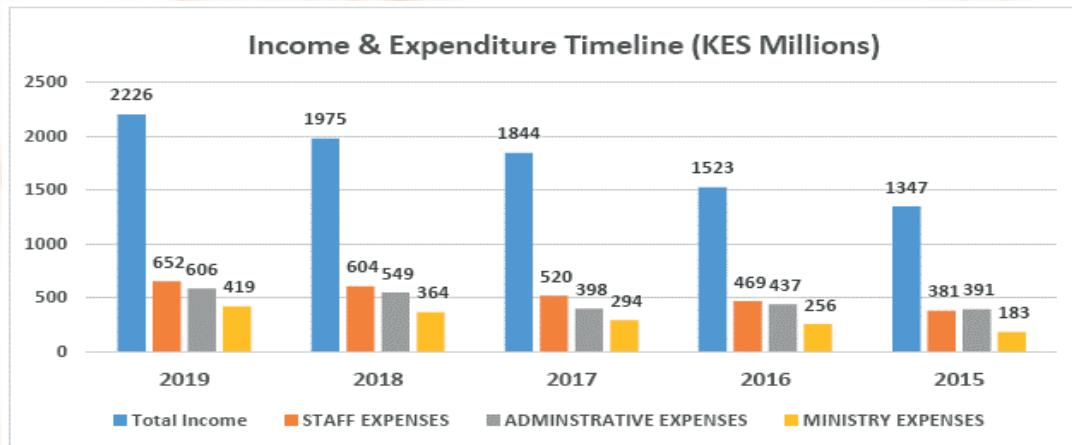
Total income in the year 2019 stood at KES 2.23 billion up from KES 1.97 billion representing a 13% growth in income. This was majorly due to; income from the new church plants, special giving towards the 7 church plants, continued improved performance of business units and outreach ministries specifically the Hope Media.

Tithes and offerings remained the highest contributor to the total income of the ministry at 65%. Projects/business units and Outreach ministries recorded a remarkable growth in income in the year under review compared to year 2018. This was attributable to increased enrolment in our schools due the improved pupils' performance in the KCPE for the past 2 years hence creating higher demand for products and services offered by the catering and Transport units of the ministry.

Total assemblies' income grew by 10% with most of the Assemblies recording income growth in 2019 compared to 2018. 52% of this growth in income was as a result of the church plant contributions by the existing Assemblies.

Below is the analysis of total income for the last five (5) years

	2019 Millions	2018 Millions	2017 Millions	2016 Millions	2015 Millions
Assemblies Income (Note 4)	1,714	1,556	1,482	1,223	1,016
Projects Income (Note 5)	400	301	253	218	222
Outreach ministries Income (Note 6)	109	108	94	52	57
Together we can do more (Note 7)	3	9	15	30	50
Total Income	2,226	1,974	1,844	1,523	1,346



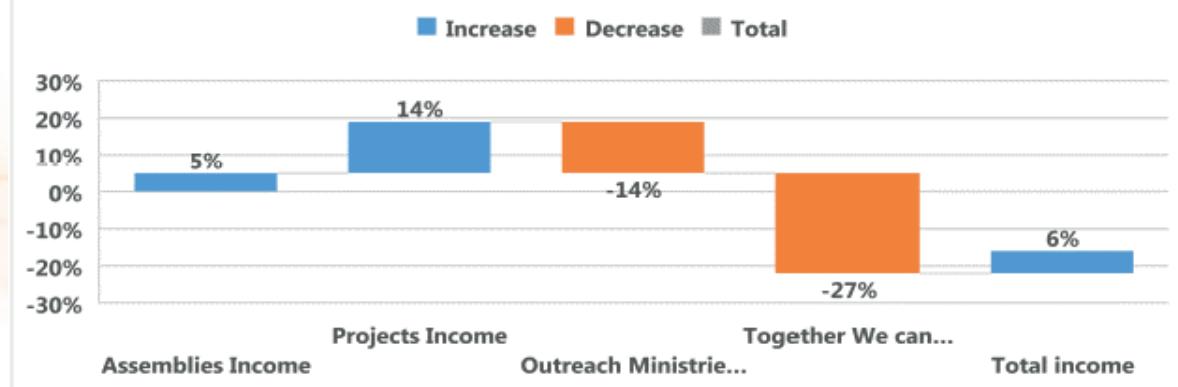
CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

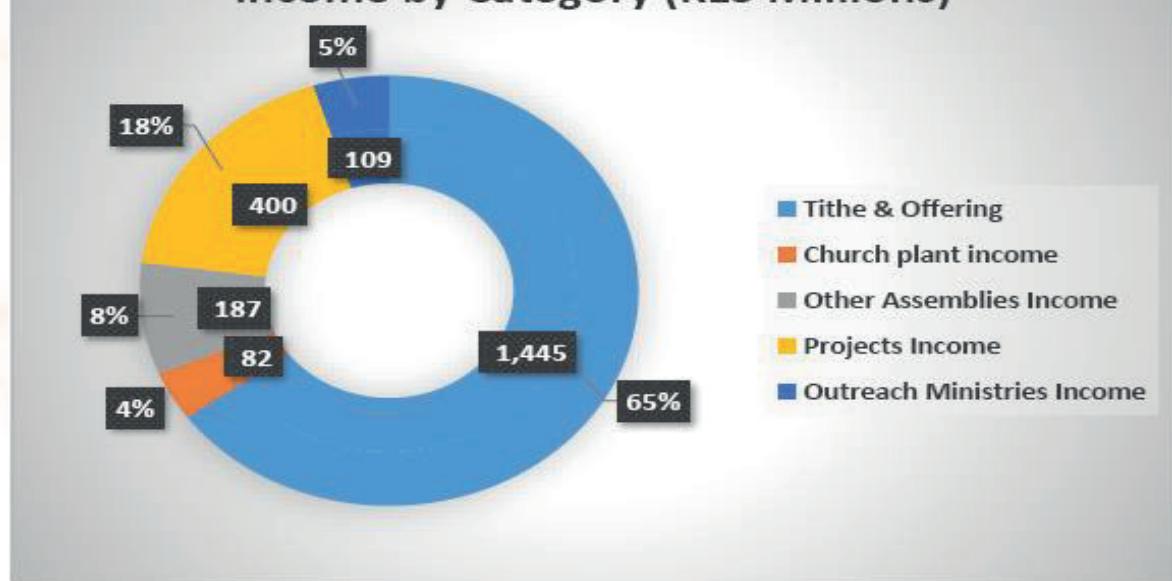
Year on Year percentage growth in Income

	2018 - 2019	2017-2018
Assemblies Income	10%	5%
Projects Income	33%	19%
Outreach ministries Income	1%	15%
Together we can do more	-67%	-40%
Total	13%	7%

Percentage Change in Income 2019 over 2018



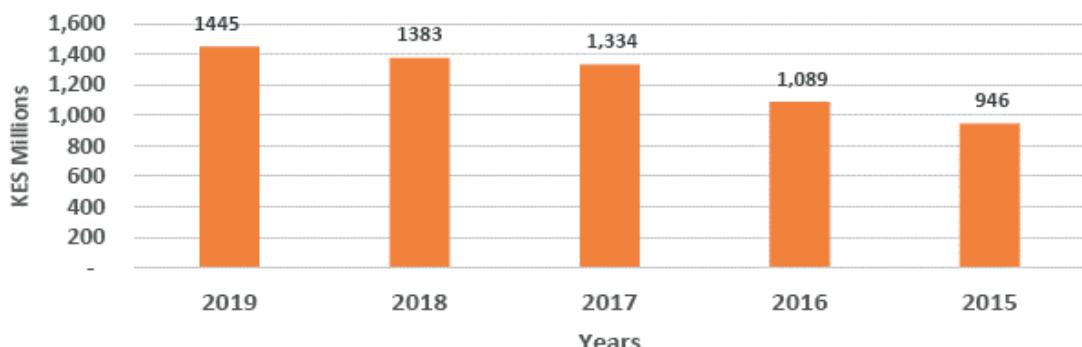
Income by Category (KES Millions)



CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

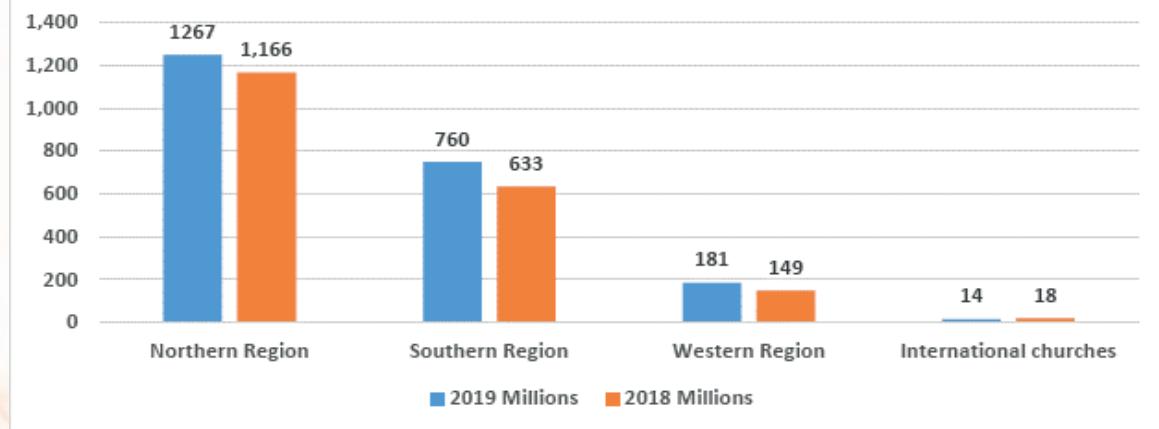
Tithe & Offering Timeline (KES Millions)



Below is an analysis of total income by region

	2019 KES Millions	2018 KES Millions
Northern Region	1,267	1,166
Southern Region	760	633
Western Region	181	149
International churches	14	18

Income by Region 2018 -2019 (KES Millions)



Expenditure

Total expenditure for the year 2019 stood at KES 1.68 billion up from KES 1.52 billion reported in 2018 representing an increase in expenditure of KES 160 million (11%). All expense categories increased during the year mainly driven by new assemblies, new staff engagements in Assemblies and units and finance costs for new finance covenants.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

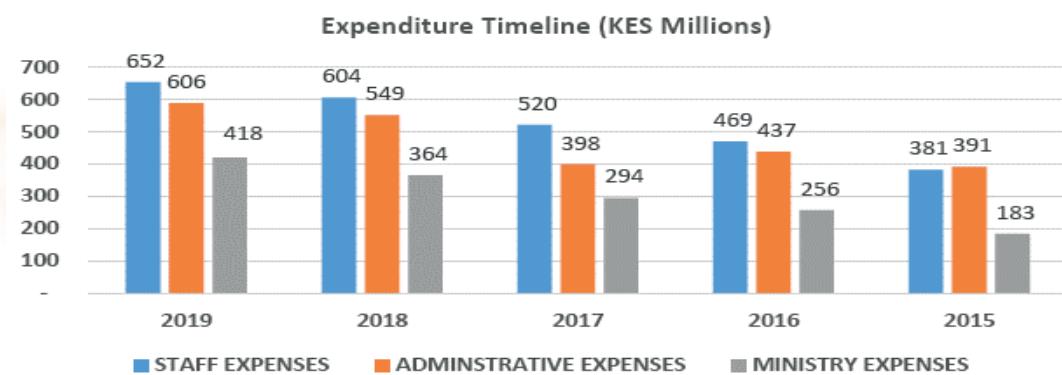
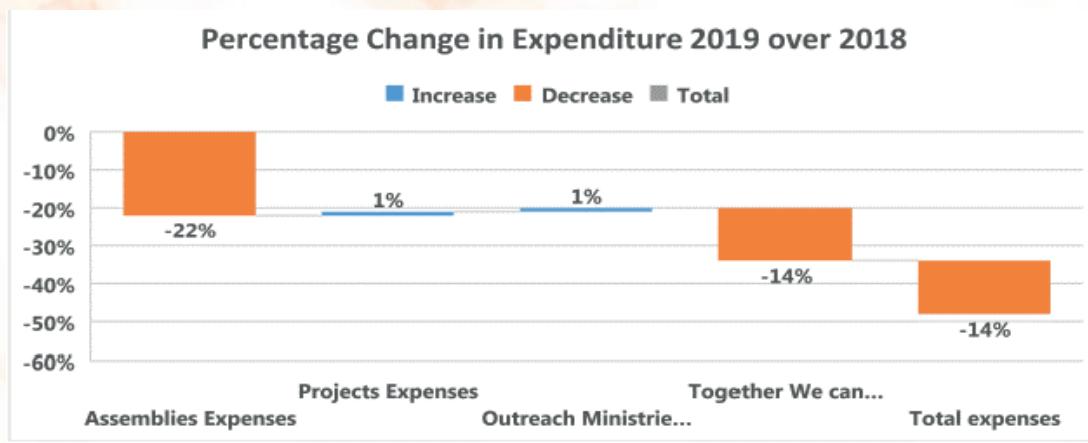
Report of the Treasurer..../(Contd.)

Below is an analysis of the total expenses for the last five (5) years

	2019 KES Millions	2018 KES Millions	2017 KES Millions	2016 KES Millions	2015 KES Millions
Assemblies Expenses (Note 4)	1,182	1,072	811	758	607
Projects Expenses (Note 5)	319	281	248	212	178
Outreach ministries Expenses (Note 6)	176	164	153	97	84
Together we can do more (Note 7)	0.009	0.08	0.33	0.9	4.4
Totals	1,677	1,517	1,212	1,068	873

Year on Year percentage growth in Expenses

	2018 - 2019	2017-2018
Assemblies Expenses	10%	32%
Projects Expenses	14%	13%
Outreach ministries Expenses	8%	7%
Together we can do more Exp	-89%	-75%
Totals	11%	25%



CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

Staff expenses stood at KES 652 million up from KES 604 million reported in 2018 representing 8% increase. This was majorly attributed to staff promotions and engagement in the new assemblies, which consequently increases other staff benefits, and severance pay/exgratia paid to the final group of disengaged staff of Buru Buru senior school.

Administrative expenses stood at KES 606 million up from KES 549 million in 2018 representing a 10% increase. This was majorly due to additional finance charges due to new loans, additional rental charges for rented premises for the new Assemblies, increased general infrastructure costs for renovating the leased premises for our new Assemblies, CITAM @ 60 celebrations costs, increased Leadership retreats for planning , provision for bad debts and increased motor vehicle running costs due to additional school buses and Assemblies pool vehicles. The provision for bad debts was made in compliance with IFRS 9.

Ministry expenses stood at KES 418 million up from KES 364 million in 2018 representing 15% increase. This was due to; ministry costs for the new Assemblies, increased cost for printing Safari books, increased children church expenses (DVBS), Missions and outreach expenses, and support to Pan Africa University.

Below is the analysis of Expenses by Category for last five (5) years

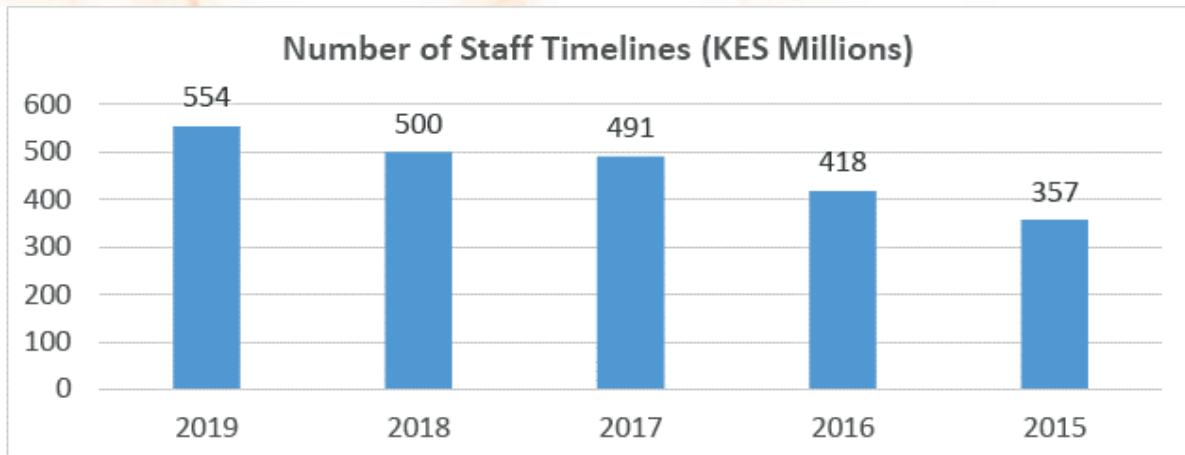
Expenditure category	2019 KES Millions	2018 KES Millions	2017 KES Millions	2016 KES Millions	2015 KES Millions
Staff Expenses	652	604	521	469	223
Administrative expenses	606	549	398	343	201
Ministry expenses	418	364	294	256	183
Capital Expenditure	327	312	543	327	208

Staff, Assemblies and unit numbers for the last five (5) years

	2019	2018	2017	2016	2015
Number of staff	554	500	491	418	357
Number of Assemblies	28	21	19	18	15
Number of Schools	8	8	8	8	8
Number of other units	18	17	16	12	9
Number of Outreach ministries	6	9	9	4	4

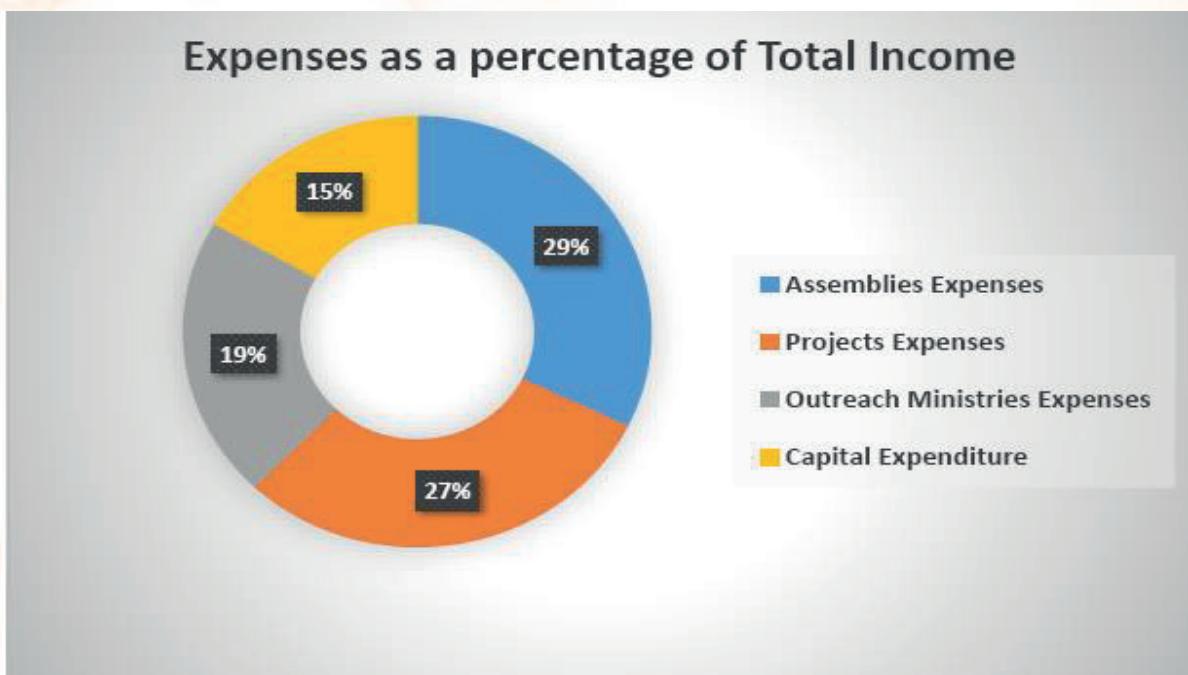
CHRIST IS THE ANSWER MINISTRIES (CITAM)

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



Total expenses expressed as a percentage of the total income for the last five (5) years .

Expenditure category	2019	2018	2017	2016	2015
Staff Expenses	29%	31%	28%	31%	29%
Administrative expenses	27%	28%	22%	23%	24%
Ministry expenses	19%	18%	16%	17%	14%
Capital Expenditure	15%	16%	29%	21%	15%



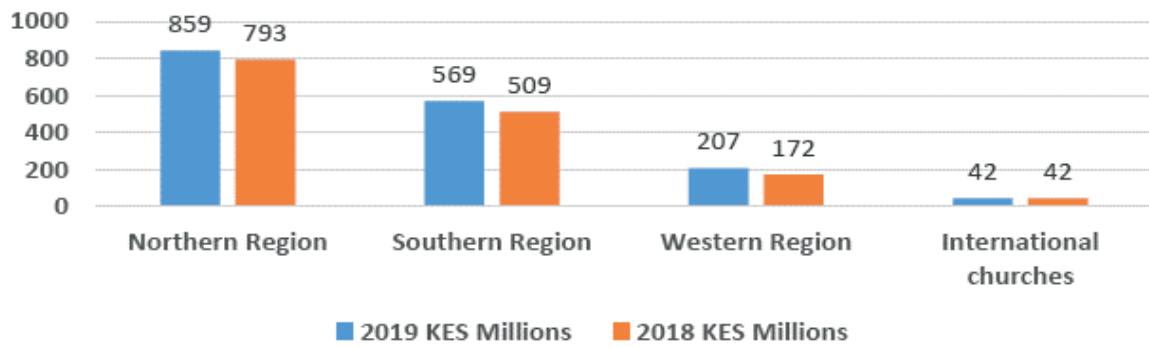
CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

Below is the analysis of the expenses per region

	2019 KES Millions	2018 KES Millions
Northern Region	859	793
Southern Region	569	509
Western Region	207	172
International churches	42	42

Expenditure by Region (KES Millions)

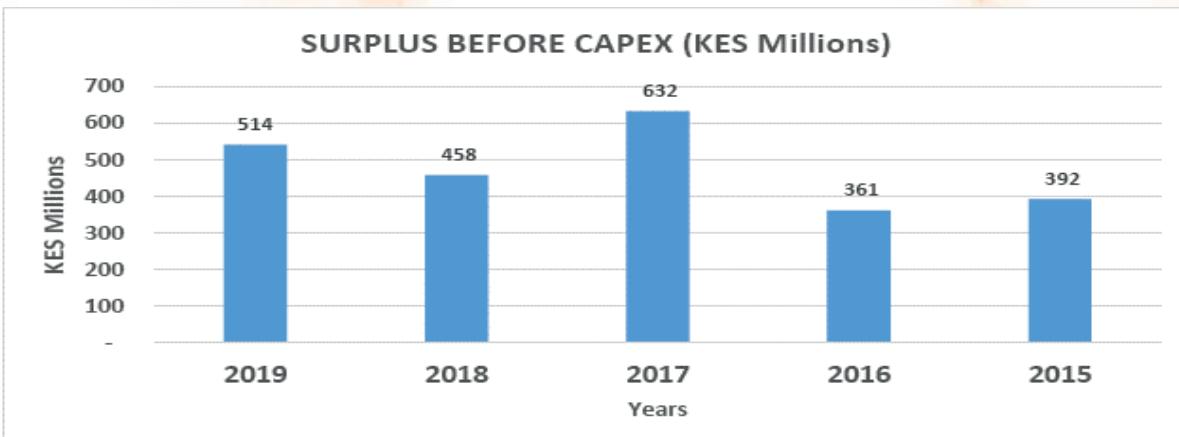


Total comprehensive income

Surplus before Capital Expenditure stood at KES 514million up from KES 458 million in 2018 representing an increase of 12%. This was majorly due to increased income from Assemblies and projects.

Net surplus after capital expenditure was KES 187million up from KES 145million reported in 2018. This represents 29% increase in net surplus.

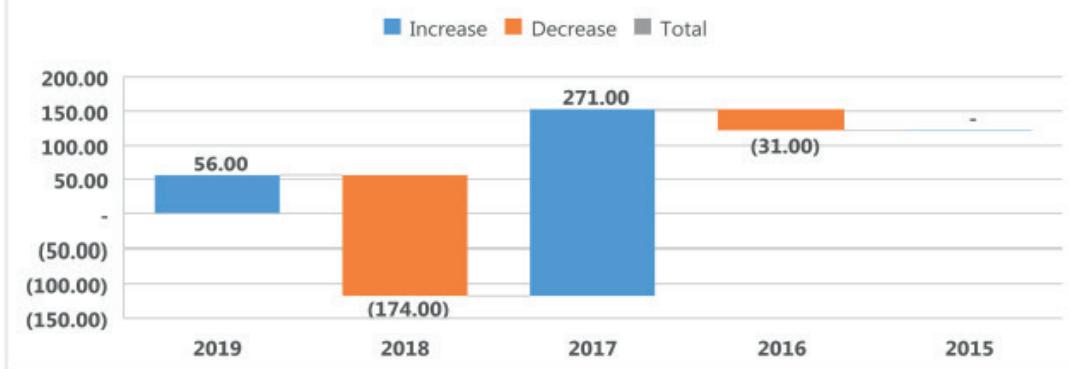
Below is the analysis of surplus before capital expenditure for the past 5 years



CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

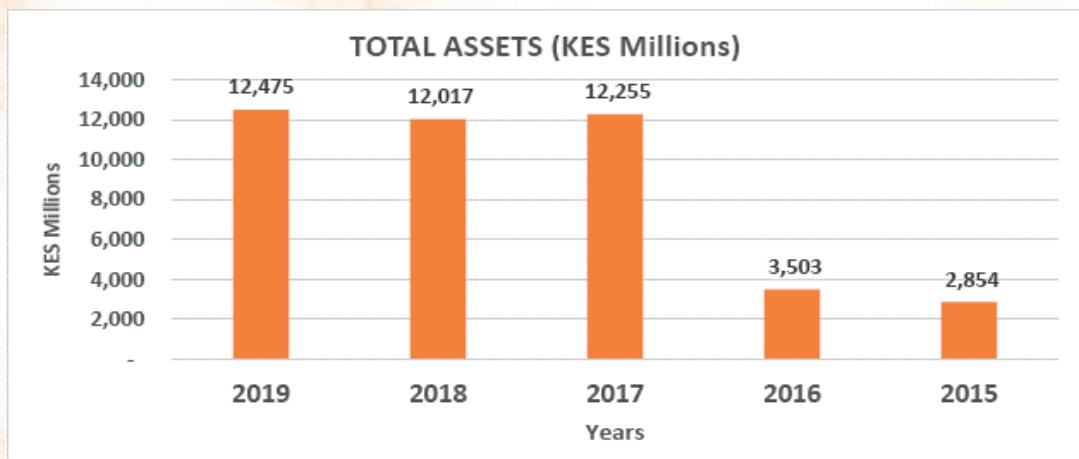
Change in Surplus Timeline (KES Millions)



Capital expenditure

Capital expenditure increased by 5% to KES 327 million up from KES 313 million. This was due to completion of CITAM Kisumu sanctuary, installation of Hope media transmitters, purchase of new school buses and purchase of new Assemblies equipment and furniture.

Below is the analysis of total assets for the last five (5) years

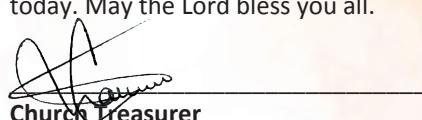


Conclusion

On behalf of the Deacon Board, we are grateful to God for giving us a successful year once again.

We also register our appreciation to all CITAM congregants and partners for their faithful giving and embracing the vision and mission of the ministry. May the Lord bless you all and meet each one you at the point of your needs.

We thank all the staff for giving your services through-out the year to achieve what we are seeing today. May the Lord bless you all.



Church Treasurer

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Statement of Corporate Governance

Christ Is The Answer Ministries (CITAM) continues to strengthen and uphold high standards of Corporate Governance in order to direct, manage and control the affairs of the ministry. Governance structures have been set with a primary objective of enhancing prosperity, sustainability and corporate accountability with the ultimate objective of realising the ministry's long-term values and vision. CITAM also strives to ensure that all its affairs are done with commitment, integrity, transparency and accountability which are not only the principles of good governance but also form part of the core values of the ministry. CITAM has a broad and detailed governance structure which is well stipulated in the Church constitution.

Prior to 2019 the governance CITAM structure had the AGM as the apex decision making organ, seconded by the ADC followed by the Bishop assisted by the Deputy Bishop, then the Deacon Board and the Elders Council, and the Assembly advisory Committees.

However as at 27th April 2019, members sitting at the Annual General Meeting, in exercise of their mandate amended the constitution in essence changing the governance structure of the Church. The amendments largely looked into decentralization and regionalization of Ministry. The new governance structure of the Ministry therefore is as follows:

Annual Delegates Conference (ADC)

This is the supreme decision-making body of the ministry. Its attendance is capped at 1200 delegates drawn from all assemblies. All the decisions made at the RAGM's are ratified during the ADC. The purpose of the ADC is to give delegates a report on the church activities and finances for the previous year. Delegates are allowed to ask questions; elect members of the church governing body and also appoint the auditor for the following year.

Regional Annual General Meetings (RAGM's).

CITAM established three (3) regions in which assemblies and units within each of the region are clustered together. Each region holds a general meeting once a year. All matters relating to region are discussed extensively at the RAGM and decisions made ratified at the ADC. The members ratify the delegates elected at the assembly to the ADC. Nominated Deacon Board members from the assemblies are presented at the RAGM, but election is carried in the ADC. Each region is led by a regional overseer and a deputy regional overseer. Currently the three (3) regions are; Northern, Western and Southern Regions.

Deacon Board

The Deacon Board overall responsibility is to provide leadership in administrative, business and legal matters, ensure effective governance and fiduciary oversight of the ministry. The Deacon Board is also responsible for establishment of the ministry's strategy and policies, monitoring and reviewing the performance of the ministry in their areas of mandate and ensuring that the internal controls are adequate and strong to safe guard the ministry's resources.

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. This is aimed at receiving relevant information in order to make timely decisions affecting the ministry.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

A total of twelve (12) Deacon Board meetings were held during the year.

The table below shows the number of Deacon Board meetings held during the year and the attendance of individual members

Members	No. of meetings attended	Remarks
Bishop Dr. David Oginde	12	Chairman
Bishop John Karita	6	Vice -Chairman-Joined on 27.04.2019
Mrs. Caroline Wambugu	12	Church Treasurer
Mr. Martin Munyu	12	Church Secretary
Prof. Paul Mbugua	12	Member
Dr. Martin Kiogora	11	Member
Bishop Kennedy Kimiywe	4	Term ended on 27.04.2019
Ms. Elizabeth Oyombe	4	Term ended on 27.04.2019
Dr. Catherine Lengewa	5	Term ended on 27.04.2019
Mr. Selvaraj Chelliah	5	Term ended on 27.04.2019
Mr. Nelson Kuria	3	Term ended on 27.04.2019
Mr. George Asoyo	11	Member
Mrs. Christine Ojera	12	Member
Mrs. Catherine Wahome	10	Member
Mr. David Kitur	8	Joined on 27.04.2019
Mr. Caleb Mutali	8	Joined on 27.04.2019
Mr. Richard Arina	8	Joined on 27.04.2019
Mrs. Unny Nzioka	8	Joined on 27.04.2019
Mr. Abraham Irudhayaraj	10	Joined on 27.04.2019
Dr. Faith Thuita	11	Co-opted Member
Rev. Elias Githuka	10	Ex-officio

Composition of the Deacon Board

The Deacon Board comprises of the Presiding Bishop and the Deputy Bishop as the chairman and deputy chairman respectively, the Director For Administration, not more than 12 elected members and 3 co-opted members where necessary, for smooth and efficient running of the church business. The members are nominated at the Assembly level but are elected at the supreme organ of the Ministry which is the ADC.

The Board members have a wide range of skills and experience and each bring independent judgement and considerable knowledge which may be useful and helpful in the board discussions.

Delegation of Authority

The Deacon Board has eight (9) Sub committees with delegated authorities. The committees assist the Board in discharging its responsibilities. The committees have clear defined roles and terms of reference. The sub-committees meet regularly to deliberate on issues that fall under their mandate.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

The table below shows the Deacon Board Sub Committees and the respective chairperson during the year.

	Committees	Number of	Number of	Chaired by:
		members	meetings	
1	Finance committee	7	7	Deacon Caroline Wambugu
2	Audit & Risk Management committee	7	4	Deacon Prof. Paul Mbugua
3	Human Resources Committee	6	3	Deacon Martin Munyu
4	ICT committee	4	2	Deacon David Kitur
5	Media Board/Caretaker Committee	7	3	Deacon Abraham Raj
6	Business Management Committee	9	4	Deacon David Kitur
7	Building Committee	6	4	Deacon Dr. Martin Kiogora
8	Legal Committee	4	4	Deacon Martin Munyu
9	CITAM Children Centre Committee	8	1	Deacon Christine Ojera

In addressing certain unique needs that face the Ministry, the Board may constitute ad hoc Committees, or Taskforces to address the said issues.

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. They perform all the duties as detailed in the constitution.

The Elders' Council meet at least four (4) times a year but the Presiding Bishop may convene more meetings on need basis. A total of ten (16) meetings were held during the year.

The Table below shows the Elders' Council meetings held during the year and the attendance of individual Elders.

	Elder	No. of meetings attended	Comment
1	Bishop Dr. David Oginde	16	Chairman
2	Bishop Dr. John Karita	11	Vice Chairman joined 27.04.2019
3	Bishop Kennedy Kimiywe	5	Term ended on 27.04.2019
4	Elder John Migiro	4	Elder
5	Elder Dennis Cheruiyot	6	Term ended on 27.04.2019
6	Elder Prof. Geoffrey Kihara	16	Elder
7	Elder Pius Cokumu	16	Elder
8	Elder Marcellina M'mwirichia	15	Elder
9	Elder Teresia Biu	16	Joined on 29.04.2018
10	Elder FCPA Don Odera	14	Joined on 29.04.2018
11	Rev. Elias Githuka	15	Ex-officio

CHRIST IS THE ANSWER MINISTRIES (CITAM)

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

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.

Compliance statement

CITAM ministry is guided by the Registrar of Societies Act, 2012 and all other laws and regulations relevant to its operations.

Internal controls

It is the responsibility of the Deacon Board to ensure that a system of internal control that provides reasonable assurance of effective and efficient operations in the ministry is maintained. The ministry has internal control policies and procedures which the Deacon Board has reviewed and are satisfied that appropriate procedures are in place. The business of the church is therefore conducted within this framework and is 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 2019

The Deacon Board is required to prepare financial statements for each financial year that give a true and fair view of the financial position of the Ministry as at the end of the financial year and of its surplus or deficit for that year. It also requires the Board to ensure that the Ministry keeps proper accounting records that: (a) show and explain the transactions of the Ministry (b) disclose, with reasonable accuracy, the financial position of the Ministry; and (c) enable the Deacon Board to ensure that every financial statement required to be prepared complies with the requirements of the Kenyan Societies Act.

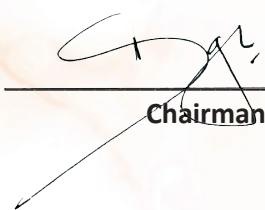
The Deacon Board accepts responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standard and in the manner required by the Kenyan Societies Act. They also accept responsibility for:

- i) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii) Selecting suitable accounting policies and applying them consistently; 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 acknowledges that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Deacon Board on **March 5, 2020** and signed on its behalf by:-



Chairman



Treasurer

Report of the Independent Auditors
to the members of Christ Is The Answer Ministries
on the financial statements for the year ended 31st December 2019

Opinion

We have audited the financial statements of **Christ Is The Answer Ministries (CITAM)** set out on pages 18 to 42, which comprise the statement of financial position as at December 31, 2019, 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, 2019, 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.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Report of the Independent Auditors

to the members of Christ Is The Answer Ministries

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.

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

March 6, 2020

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 2019

ASSEMBLIES INCOME	Note	2019	Restated 2018 (Note 28)	Reported 2018 Kshs
		Kshs	Kshs	
Tithes and offerings	9	1,445,001,027	1,382,688,451	1,364,713,757
Fundraising and donations		111,848,402	97,678,061	93,850,012
Church plant contributions		82,238,496	-	-
Ministries and departments		34,544,995	39,682,437	44,138,562
Sale of books		19,279,516	19,720,941	19,720,941
Rental income		15,154,185	9,408,101	9,408,101
Interest income		5,467,046	3,701,984	3,701,984
Other income		800,635	3,919,948	3,919,948
Total assemblies income	4	<u>1,714,334,302</u>	<u>1,556,799,923</u>	<u>1,539,453,305</u>
ASSEMBLIES EXPENSES				
Staff costs		375,049,108	337,521,194	326,178,959
Administration costs		388,594,881	371,105,603	355,625,323
Ministries costs		418,157,585	363,690,640	335,443,177
Total assemblies expenditure	4	<u>1,181,801,574</u>	<u>1,072,317,437</u>	<u>1,017,247,459</u>
SURPLUS BEFORE PROJECTS AND CAPITAL EXPENDITURE		<u>532,532,728</u>	<u>484,482,486</u>	<u>522,205,846</u>
Projects net income	5	78,977,445	20,448,273	20,448,273
Special outreach activities net expenses	6	(65,527,187)	(55,599,487)	(55,599,487)
Together We Can do More-net income	8	3,065,847	8,682,702	8,682,702
Church plant contributions deferred	9	(34,828,017)	-	-
		<u>(18,311,912)</u>	<u>(26,468,512)</u>	<u>(26,468,512)</u>
SURPLUS BEFORE CAPITAL EXPENDITURE		<u>514,220,816</u>	<u>458,013,974</u>	<u>495,737,334</u>
Capital expenditure	10	(327,225,035)	(312,696,951)	(312,696,951)
SURPLUS FOR THE YEAR		Kshs <u>186,995,781</u>	<u>145,317,023</u>	<u>183,040,383</u>

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Statement of Financial Position

as at 31st December 2019

ASSETS	Note	2019 Kshs	Restated	Reported
			2018 (Note 28) Kshs	2018 Kshs
Non-current Assets				
Property and equipment	11	5,821,904,057	5,630,285,190	5,630,285,190
Right of use assets	12	71,653,030	12,268,116	-
Biological assets	13	444,000	432,000	432,000
Work in progress	14	55,496,761	44,975,825	44,975,825
Prepaid operating lease rentals	15	5,625,866,902	5,636,073,727	5,636,073,727
Intangible assets	16	8,105,913	11,989,067	11,989,067
Long term investments	17	100,000	100,000	100,000
Due from related parties	18	464,633,647	485,395,010	807,610,246
		<u>12,048,204,310</u>	<u>11,821,518,935</u>	<u>12,131,466,055</u>
Current Assets				
Inventories	19	31,076,334	20,410,161	20,410,161
Trade and other receivables	20	113,034,025	71,377,163	71,377,163
Fixed deposits	21 (a)	166,848,497	25,183,499	25,183,499
Cash and bank balances	21 (b)	116,578,354	78,947,456	78,947,456
		<u>427,537,210</u>	<u>195,918,279</u>	<u>195,918,279</u>
TOTAL ASSETS		Kshs <u>12,475,741,520</u>	<u>12,017,437,214</u>	<u>12,327,384,334</u>
FUNDS AND LIABILITIES				
Funds				
Capital fund		11,511,817,633	11,323,958,809	11,323,958,809
General fund		143,242,653	95,422,913	403,309,279
Reserve fund		92,246,630	62,195,589	62,195,589
Designated fund	22	117,264,403	87,937,699	103,226,274
		<u>11,864,571,319</u>	<u>11,569,515,010</u>	<u>11,892,689,951</u>
Non-current liabilities				
Borrowings	23	261,924,324	255,070,875	255,070,875
Lease liabilities	25	56,950,370	7,991,603	-
		<u>318,874,694</u>	<u>263,062,478</u>	<u>255,070,875</u>
Current liabilities				
Trade and other payables	24	174,620,777	96,464,346	96,464,346
Borrowings	23	97,475,953	83,159,162	83,159,162
Lease liabilities	25	20,198,777	5,236,218	-
		<u>292,295,507</u>	<u>184,859,726</u>	<u>179,623,508</u>
TOTAL FUNDS AND LIABILITIES		Kshs <u>12,475,741,520</u>	<u>12,017,437,214</u>	<u>12,327,384,334</u>

The financial statements on pages 18 to 42 were approved by the Deacon Board on **March 5, 2020** and signed on its behalf by:-


Chairman


Treasurer

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Statement of Changes in Funds

as at 31st December 2019

	Capital Fund Kshs	General Fund Kshs	Reserve Fund Kshs	Designated (Fund Note 22) Kshs	Total Kshs
At 1 January 2018	11,224,662,199	257,751,143	37,408,722	106,743,354	11,626,565,418
Fixed assets additions	364,446,530	-	-	-	364,446,530
Biological assets	432,000	-	-	-	432,000
Depreciation	(142,798,894)	-	-	-	(142,798,894)
Amortization - Leasehold property	(117,940,327)	-	-	-	(117,940,327)
Amortization - Intangible assets	(4,842,699)	-	-	-	(4,842,699)
Receipts during the year	-	-	-	39,491,960	39,491,960
Payments during the year	-	-	-	(179,480,416)	(179,480,416)
Capital expenditure funded by term loan	-	(12,695,380)	-	-	(12,695,380)
10% tithe allocation	-	-	-	136,471,376	136,471,376
Transfers to reserve fund	-	(24,786,867)	24,786,867	-	-
Surplus for the year	-	183,040,383	-	-	183,040,383
AT 31 DECEMBER 2018	11,323,958,809	403,309,279	62,195,589	103,226,274	11,892,689,951
At 1 January (as previously reported)	11,323,958,809	403,309,279	62,195,589	103,226,274	11,892,689,951
Prior year adjustment (Note 28)	-	(307,886,366)	-	(15,288,575)	(323,174,941)
As restated	11,323,958,809	95,422,913	62,195,589	87,937,699	11,569,515,010
Fixed assets additions (Note 11)	470,460,652	-	-	-	470,460,652
Biological assets (Note 13)	12,000	-	-	-	12,000
Depreciation (Note 11)	(156,682,807)	-	-	-	(156,682,807)
Amortization - Leasehold property (Note 15)	(122,047,867)	-	-	-	(122,047,867)
Amortization - Intangible assets (Note 16)	(3,883,154)	-	-	-	(3,883,154)
Receipts during the year	-	-	4,340,000	346,270,093	350,610,093
Payments during the year	-	-	-	(461,443,491)	(461,443,491)
10% tithe allocation	-	-	-	144,500,102	144,500,102
Capital expenditure funded by term loan	-	(113,465,000)	-	-	(113,465,000)
Transfers to reserve fund	-	(25,711,041)	25,711,041	-	-
Surplus for the year	-	186,995,781	-	-	186,995,781
AT 31 DECEMBER 2019	11,511,817,633	143,242,653	92,246,630	117,264,403	11,864,571,319

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Statement of Cash Flows

for the year ended 31st December 2019

	Restated		Reported
	2019 Kshs	2018 Kshs	2018 Kshs
CASH FLOWS FROM OPERATIONS			
Surplus for the year	186,995,781	145,317,023	183,040,383
Adjustments for:			
Capital expenditure	327,225,035	312,696,951	312,696,951
Depreciation of right of use asset	13,673,493	3,505,176	-
Changes in operating assets and liabilities			
Increase in inventories	(10,666,173)	(5,267,766)	(5,267,766)
(Increase) / Decrease in trade and other receivables	(41,656,862)	83,538,650	83,538,650
Increase/(Decrease) in trade and other payables	78,156,431	(124,531,753)	(124,531,753)
Cash flows from operating activities	553,727,705	415,258,281	449,476,465
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(279,429,183)	(220,297,373)	(220,297,373)
Additions to work in progress	(49,610,811)	(95,886,639)	(95,886,639)
Additions to operating lease	(111,841,042)	(5,775,711)	(5,775,711)
Purchase of intangible assets	-	(2,797,608)	(2,797,608)
Biological assets	(12,000)	(432,000)	(432,000)
Redemption of treasury bonds	-	2,000,000	2,000,000
Increase due to related parties	20,761,363	(13,381,580)	(64,940,036)
Cash flows used in investing activities	(420,131,673)	(336,570,911)	(388,129,367)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in borrowings	21,170,240	(68,709,607)	(68,709,607)
Increase in reserve fund	4,340,000	-	-
Payments of principal portion of the lease liability	(9,137,080)	(2,545,471)	-
Movement in designated funds	29,326,704	(18,311,881)	(3,517,080)
Cash flows from /(used in) financing activities	45,699,864	(89,566,959)	(72,226,687)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year	179,295,896	(10,879,589)	(10,879,589)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 21)	Kshs	283,426,851	104,130,955
			104,130,955

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019

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

One new Standard, one new Interpretation and a number of Amendments to standards became effective for the first time in the financial year beginning 1st January 2019 and have been adopted by the Ministry. Neither the Amendments nor the Interpretation has had an effect on the Ministry's financial statements, but the new Standard has had an impact, as follows:

IFRS 16 Leases

- From 1st January 2019, to comply with IFRS 16, Leases , which replaced IAS 17, Leases , the Ministry now recognises lease liabilities relating to leases under which the Ministry is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1st January 2019 and leases of low value items). Such liabilities have been measured at 1st January 2019 at the present value of the remaining lease payments discounted using the Ministry's incremental borrowing rate as at 1st January 2019. Corresponding right-of-use assets have been recognised, measured as if the Ministry's new accounting policy had been applied since the commencement of each lease but discounted using the Ministry's incremental borrowing rate as at 1st January 2019. Comparative amounts have been restated to conform to changes in presentation in the current year.

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

The Ministry has not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1st January 2019, and the Deacon Board does not plan to apply any of them until they become effective.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019

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.

Notes to the Financial Statementsfor the year ended 31st December 2019.... / (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%
Computers & IT Equipment	30%
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 2019.... / (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 2019.... / (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 Mission fund

The 10% tithe allocation is used for mission fund including CITAM Namibia.

1.26 Taxation

No tax provisions are made in these financial statements. The Ministry obtained a tax exemption letter on 5th November 2019. The exemption certificate however is yet to be obtained as the Kenya Revenue Authority (KRA) is in the process of updating its systems for generating certificates.

1.27 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.

1.28 Biological assets

Biological assets are measured at fair value less estimated point of sale costs.

Any changes to the fair value are recognised in the profit or loss in the year which they arise.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All costs incurred relating to biological assets are recognised in profit or loss in the year in which they are incurred.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019.... / (Contd)

1.29 Long term leases

On the commencement date of each lease (excluding leases with a term, on commencement, of 12months or less and leases for which the underlying asset is of low value) the Ministry recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Ministry is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Ministry's incremental borrowing rate is used.

For leases that contain non-lease components, the Ministry allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

1.30 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 2019.... / (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 25.

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 2019.... / (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 2019 is made up as follows:-

	2019 Kshs	2018 Kshs
Cash and cash equivalents	283,426,851	104,130,955
Trade and other receivables	<u>113,034,025</u>	<u>71,377,163</u>
	Kshs <u>396,460,876</u>	Kshs <u>175,508,118</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	2019 Kshs	2018 Kshs
Borrowings	359,400,277	338,230,037
Trade and other payables	174,620,777	96,464,346
Lease liabilities	<u>77,149,147</u>	<u>13,227,821</u>
Total financial liabilities	Kshs <u>611,170,201</u>	Kshs <u>447,922,204</u>

Notes to the Financial Statements

for the year ended 31st December 2019.... / (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 2019.../(Contd)

4.0 ASSEMBLIES INCOME AND EXPENDITURE	2019			2018		
	Income Kshs	Expenditure Kshs	Surplus/ (Deficit) Kshs	Income Kshs	Expenditure Kshs	Surplus/ (Deficit) Kshs
Head Office	112,796,949	331,791,065	(218,994,116)	88,427,162	298,022,800	(209,595,638)
CITAM Valley Road	433,768,108	124,155,944	309,612,164	418,480,227	116,073,420	302,406,807
CITAM Woodley	197,206,005	61,508,062	135,697,943	194,392,814	60,108,212	134,284,602
CITAM Karen	176,707,287	68,943,432	107,763,855	161,819,023	62,575,267	99,243,756
CITAM Parklands	70,121,447	41,726,417	28,395,030	67,269,900	43,958,091	23,311,809
CITAM Kisumu	35,282,886	35,709,475	(426,589)	35,671,568	33,140,739	2,530,829
CITAM Ngong	89,190,921	54,261,335	34,929,586	81,562,217	52,726,680	28,835,537
CITAM Buruburu	124,228,704	58,349,655	65,879,049	108,691,032	55,855,564	52,835,468
CITAM Thika Road	115,621,034	51,641,812	63,979,222	109,891,607	50,837,958	59,053,649
CITAM Nakuru	40,394,326	29,337,584	11,056,742	35,109,356	25,842,752	9,266,604
CITAM Eldoret	25,945,514	24,880,812	1,064,702	23,210,627	26,769,203	(3,558,576)
CITAM Athi River	62,171,718	32,300,087	29,871,631	64,222,447	35,651,447	28,571,000
CITAM Kapsabet	5,147,331	11,220,781	(6,073,450)	4,164,697	11,672,534	(7,507,837)
CITAM Thika Town	44,834,298	28,991,657	15,842,641	47,074,850	36,878,107	10,196,743
CITAM Embakasi	57,547,596	42,784,138	14,763,458	45,019,298	40,993,287	4,026,011
CITAM Rongai	33,285,362	32,844,487	440,875	27,976,883	27,120,445	856,438
CITAM Clay City	27,721,374	23,152,525	4,568,849	18,159,381	23,236,678	(5,077,297)
CITAM Nyeri	8,248,640	19,475,502	(11,226,862)	5,010,057	19,435,617	(14,425,560)
CITAM Meru	6,155,678	20,000,962	(13,845,284)	3,300,159	12,309,722	(9,009,563)
CITAM USA	10,521,527	19,652,473	(9,130,946)	14,493,669	20,440,946	(5,947,277)
CITAM Romania	2,733,703	20,465,205	(17,731,502)	2,852,949	18,667,968	(15,815,019)
CITAM Kisii	3,621,003	5,220,775	(1,599,772)	-	-	-
CITAM Naivasha	1,753,938	5,639,114	(3,885,176)	-	-	-
CITAM Kikuyu	10,552,234	10,506,405	45,829	-	-	-
CITAM Kangundo road	3,963,406	10,490,236	(6,526,830)	-	-	-
CITAM Kiambu road	1,632,100	3,512,965	(1,880,865)	-	-	-
CITAM Kitengela	11,071,112	7,678,799	3,392,313	-	-	-
CITAM Mombasa	2,110,101	5,559,870	(3,449,769)	-	-	-
	Kshs	1,714,334,302	1,181,801,574	532,532,728	1,556,799,923	1,072,317,437
						484,482,486
5.0 PROJECTS INCOME AND EXPENDITURE	Surplus/ (Deficit)			Surplus/ (Deficit)		
	Income Kshs	Expenditure Kshs	Kshs	Income Kshs	Expenditure Kshs	Kshs
CITAM Schools Woodley	100,436,262	76,298,242	24,138,020	80,805,827	68,385,090	12,420,737
CITAM Schools Buruburu Primary	41,546,863	41,874,355	(327,492)	31,932,166	38,112,236	(6,180,070)
CITAM Schools Kisumu	24,750,057	32,452,072	(7,702,015)	20,603,905	27,201,709	(6,597,804)
CITAM Schools Ngong	31,028,699	23,212,003	7,816,696	23,030,128	16,850,592	6,179,536
CITAM Schools Nakuru	11,306,300	10,720,262	586,038	6,879,091	8,130,011	(1,250,920)
CITAM Schools Athi River	10,378,100	10,834,470	(456,370)	5,063,274	6,120,698	(1,057,424)
CITAM Schools Eldoret	9,162,774	14,921,149	(5,758,375)	5,033,878	7,033,331	(1,999,453)
CITAM Schools Woodley Transport	11,921,371	8,765,813	3,155,558	10,008,686	7,074,002	2,934,684
CITAM Schools Buruburu Transport	9,856,400	7,142,222	2,714,178	8,936,880	6,128,908	2,807,972
CITAM Schools Kisumu Transport	5,269,032	4,887,992	381,040	3,256,402	3,989,338	(732,936)
CITAM Schools Ngong Transport	10,196,150	6,418,417	3,777,733	5,920,700	5,055,856	864,844
Woodley Catering	20,551,353	9,800,366	10,750,987	16,446,455	8,786,713	7,659,742
Buruburu Catering	16,426,481	7,118,602	9,307,879	10,398,214	7,728,240	2,669,974
Valley Road Catering	15,457,781	9,595,443	5,862,338	13,264,076	5,804,543	7,459,533
Kisumu Catering	6,240,537	3,927,166	2,313,371	5,114,090	4,411,841	702,249
Ngong Catering	13,350,829	4,232,959	9,117,870	7,313,623	2,468,581	4,845,042
Parklands Catering	11,159,229	6,283,850	4,875,379	9,148,953	4,916,293	4,232,660
Nakuru Catering	3,628,632	1,783,044	1,845,588	3,244,980	1,490,544	1,754,436
Creative Department	12,691,325	5,447,789	7,243,536	7,752,224	3,480,267	4,271,957
Kiserian Carpentry	1,653,624	360,461	1,293,163	179,495	15,599	163,896
CITAM Outfitters	5,897,948	1,793,239	4,104,709	2,541,408	1,559,514	981,894
Hope Recording Studio	811,345	1,802,504	(991,159)	1,447,159	1,045,539	401,620
CITAM Kadolita Resort	25,963,925	20,662,898	5,301,027	18,833,451	16,484,842	2,348,609
	Kshs	399,685,017	310,335,318	89,349,699	297,155,065	252,274,287
CITAM Schools Buruburu High (i)	-	10,372,254	(10,372,254)	4,195,130	28,627,635	(24,432,505)
	Kshs	399,685,017	320,707,572	78,977,445	301,350,195	280,901,922
						20,448,273

(i) Operations at Buruburu High School were discontinued in FY2018. The expenditure incurred during the year mostly related to post employment benefits to former employees/staff.

5.1 Breakdown of the projects expenses

Staff costs	195,945,404	187,323,297		
Administrative costs	124,762,168	93,578,625		
	Kshs	320,707,572		
			Kshs	280,901,922

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019.../(Contd)

6.0	SPECIAL OUTREACH INCOME AND EXPENDITURE	2019			2018		
		Income Kshs	Expenditure Kshs	(Deficit) Kshs	Income Kshs	Expenditure Kshs	(Deficit) Kshs
	Hope FM	66,019,069	84,658,882	(18,639,813)	61,320,131	78,263,913	(16,943,782)
	Hope TV	11,780,942	25,669,945	(13,889,003)	12,926,774	21,699,937	(8,773,163)
	CITAM Children Centre Kiserian	2,593,822	26,429,336	(23,835,514)	2,618,614	25,403,091	(22,784,477)
	Children Centre Kiserian School	769,326	9,932,183	(9,162,857)	919,684	8,017,749	(7,098,065)
	Heavens Gate & Hells Flames	18,131,166	18,131,166	-	21,939,145	21,939,145	-
	ERDO Project	9,591,013	9,591,013	-	8,344,421	8,344,421	-
		108,885,338	174,412,525	(65,527,187)	108,068,769	163,668,256	(55,599,487)
6.1	Breakdown of the outreach expenses						
	Staff costs		81,645,747			78,775,950	
	Administrative costs		92,647,778			84,346,075	
	Ministry expenses		119,000			546,230	
			174,412,525			163,668,255	
7.0	REGIONAL INCOME STATEMENTS						
(a)	NORTHERN REGION						
		Income Kshs	Expenditure Kshs	Surplus/ (Deficit) Kshs	Income Kshs	Expenditure Kshs	Surplus/ (Deficit) Kshs
	CITAM Head Office	73,025,609	217,888,439	(144,862,830)	59,454,967	200,665,628	(141,210,661)
	CITAM Valley Road	433,768,108	124,155,944	309,612,164	418,480,227	116,073,420	302,406,807
	CITAM Woodley	197,206,005	61,508,062	135,697,943	194,392,814	60,108,212	134,284,602
	CITAM Thika Road	115,621,034	51,641,812	63,979,222	109,891,607	50,837,958	59,053,649
	CITAM Clay City	27,721,374	23,152,525	4,568,849	18,159,381	23,236,678	(5,077,297)
	CITAM Thika Town	44,834,298	28,991,657	15,842,641	47,074,850	36,878,107	10,196,743
	CITAM Parklands	70,121,447	41,726,417	28,395,030	67,269,900	43,958,091	23,311,809
	CITAM Meru	6,155,678	20,000,962	(13,845,284)	3,300,159	12,309,722	(9,009,563)
	CITAM Nyeri	8,248,640	19,475,502	(11,226,862)	5,010,057	19,435,617	(14,425,560)
	CITAM Kikuyu	10,552,234	10,506,405	45,829	-	-	-
	CITAM Kiambu Road	1,632,100	3,512,965	(1,880,865)	-	-	-
	CITAM Schools Woodley	100,436,262	76,298,242	24,138,020	80,805,827	68,385,090	12,420,737
	CITAM Catering Unit Valley Road	15,457,781	9,595,443	5,862,338	13,264,076	5,804,543	7,459,533
	CITAM Catering Unit Woodley	20,551,353	9,800,366	10,750,987	16,446,455	8,786,713	7,659,742
	CITAM Catering Unit Parklands	11,159,229	6,283,850	4,875,379	9,148,953	4,916,293	4,232,660
	CITAM Transport Unit Woodley	11,921,371	8,765,813	3,155,558	10,008,686	7,074,002	2,934,684
	CITAM Hope Recording Studio	811,345	1,802,504	(991,159)	1,447,159	1,045,539	401,620
	CITAM Hope Creatives	12,691,325	5,447,789	7,243,536	7,752,224	3,480,267	4,271,957
	CITAM Hope FM	66,019,069	84,658,882	(18,639,813)	61,320,131	78,263,913	(16,943,782)
	CITAM Hope TV	11,780,942	25,669,945	(13,889,003)	12,926,774	21,699,937	(8,773,163)
	CITAM Heavens Gate and Hells Flame	18,131,166	18,131,166	-	21,939,145	21,939,145	-
	ERDO Food Relief Project	9,591,013	9,591,013	-	8,344,421	8,344,421	-
		1,267,437,383	858,605,703	408,831,680	1,166,437,813	793,243,296	373,194,517
(b)	SOUTHERN REGION						
		Income Kshs	Expenditure Kshs	Surplus/ (Deficit) Kshs	Income Kshs	Expenditure Kshs	Surplus/ (Deficit) Kshs
	CITAM Head Office	30,221,767	85,414,337	(55,192,570)	21,514,450	72,225,305	(50,710,855)
	CITAM Ngong	89,190,921	54,261,335	34,929,586	81,562,217	52,726,680	28,835,537
	CITAM Athi River	62,171,718	32,300,087	29,871,631	64,222,447	35,651,447	28,571,000
	CITAM Buru Buru	124,228,704	58,349,655	65,879,049	108,691,032	55,855,564	52,835,468
	CITAM Rongai	33,285,362	32,844,487	440,875	27,976,883	27,120,445	856,438
	CITAM Karen	176,707,287	68,943,432	107,763,855	161,819,023	62,575,267	99,243,756
	CITAM Embakasi	57,547,596	42,784,138	14,763,458	45,019,298	40,499,513	4,519,785
	CITAM Kangundo Road	3,963,406	10,490,236	(6,526,830)	-	-	-
	CITAM Kitengela	11,071,112	7,678,799	3,392,313	-	-	-
	CITAM Mombasa	2,110,101	5,559,870	(3,449,769)	-	-	-
	CITAM Schools Buruburu Primary	41,546,863	41,874,355	(327,492)	31,932,166	38,112,236	(6,180,070)
	CITAM Schools Buruburu High School	-	10,372,254	(10,372,254)	4,195,130	28,627,635	(24,432,505)
	CITAM Schools Ngong	31,028,699	23,212,003	7,816,696	23,030,128	16,850,592	6,179,536
	CITAM Schools Athi River	10,378,100	10,834,470	(456,370)	5,063,274	6,120,698	(1,057,424)
	CITAM Catering Unit Ngong	13,350,829	4,232,959	9,117,870	7,313,623	2,468,581	4,845,042
	CITAM Catering Unit Buruburu	16,426,481	7,118,602	9,307,879	10,398,214	7,728,240	2,669,974
	CITAM Transport Unit Buruburu Primary	9,856,400	7,142,222	2,714,178	8,936,880	6,128,908	2,807,972
	CITAM Schools Ngong Transport	10,196,150	6,418,417	3,777,733	5,920,700	5,055,856	864,844
	CITAM Kadolta Resort	25,963,925	20,662,898	5,301,027	18,833,451	16,484,842	2,348,609
	CITAM Kiserian Carpentry	1,653,624	360,461	1,293,163	179,495	15,599	163,896
	CITAM Outfitters	5,897,948	1,793,239	4,104,709	2,541,408	1,559,514	981,894
	CITAM Kiserian Children Center	2,593,822	26,429,336	(23,835,514)	2,618,614	25,403,091	(22,784,477)
	CITAM Schools Kiserian	769,326	9,932,183	(9,162,857)	919,684	8,017,749	(7,098,065)
		760,160,141	569,009,775	191,150,366	632,688,117	509,227,762	123,460,355

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019.../(Contd)

	2019			2018		
	Income Kshs	Expenditure Kshs	Surplus/ (Deficit) Kshs	Income Kshs	Expenditure Kshs	Surplus/ (Deficit) Kshs
c) WESTERN REGION						
CITAM Head Office	8,802,001	26,256,470	(17,454,469)	6,616,764	22,467,582	(15,850,818)
CITAM Kisumu	35,282,886	35,709,475	(426,589)	35,671,568	33,140,739	2,530,829
CITAM Eldoret	25,945,514	24,880,812	1,064,702	23,210,627	26,769,203	(3,558,576)
CITAM Kapsabet	5,147,331	11,220,781	(6,073,450)	4,164,697	11,672,534	(7,507,837)
CITAM Nakuru	40,394,326	29,337,584	11,056,742	35,109,356	25,842,752	9,266,604
CITAM Kisii	3,621,003	5,220,775	(1,599,772)	-	-	-
CITAM Naivasha	1,753,938	5,639,114	(3,885,176)	-	-	-
CITAM Schools Kisumu	24,750,057	32,452,072	(7,702,015)	20,603,905	27,201,709	(6,597,804)
CITAM Schools Nakuru	11,306,300	10,720,262	586,038	6,879,091	8,130,011	(1,250,920)
CITAM Schools Eldoret	9,162,774	14,921,149	(5,758,375)	5,033,878	7,033,331	(1,999,453)
CITAM Catering Unit Kisumu	6,240,537	3,927,166	2,313,371	5,114,090	4,411,841	702,249
CITAM Catering Unit Nakuru	3,628,632	1,783,044	1,845,588	3,244,980	1,490,544	1,754,436
CITAM Transport Unit Kisumu	5,269,032	4,887,992	381,040	3,256,402	3,989,338	(732,936)
	<u>181,304,331</u>	<u>206,956,696</u>	<u>(25,652,365)</u>	<u>148,905,358</u>	<u>172,149,584</u>	<u>(23,244,226)</u>
(d) INTERNATIONAL ASSEMBLIES						
	<u>Income Kshs</u>	<u>Expenditure Kshs</u>	<u>(Deficit) Kshs</u>	<u>Income Kshs</u>	<u>Expenditure Kshs</u>	<u>(Deficit) Kshs</u>
CITAM Head Office	747,572	2,231,819	(1,484,247)	840,980	2,664,284	(1,823,304)
CITAM USA	10,521,527	19,652,473	(9,130,946)	14,493,669	20,440,946	(5,947,277)
CITAM Romania	2,733,703	20,465,205	(17,731,502)	2,852,949	18,667,968	(15,815,019)
	<u>14,002,802</u>	<u>42,349,497</u>	<u>(28,346,695)</u>	<u>18,187,598</u>	<u>41,773,198</u>	<u>(23,585,600)</u>
8.0 TOGETHER WE CAN DO MORE (TWM)					<u>2019 Kshs</u>	<u>2018 Kshs</u>
Income					3,074,824	8,764,370
Expenditure					(8,977)	(81,668)
NET INCOME					<u>3,065,847</u>	<u>8,682,702</u>
9.0 CHURCH PLANT CONTRIBUTIONS DEFERRED						
Contributing Assembly					<u>Supported Assembly</u>	<u>Total</u>
					<u>Received Kshs</u>	<u>Expensed Kshs</u>
Buruburu					Kangundo Road	4,475,296
Embakasi					Kangundo Road	4,795,155
						<u>9,270,451</u>
						<u>(9,295,121)</u>
Thika road					Kiambu Road	4,471,098
Parklands					Kiambu Road	5,216,501
Thika town					Kiambu Road	2,281,423
Clay city					Kiambu Road	972,364
						<u>12,941,386</u>
						<u>(9,558,995)</u>
Woodley					Kikuyu	7,402,956
Ngong					Kikuyu	4,156,987
Meru					Kikuyu	16,874
						<u>11,576,817</u>
						<u>(6,171,641)</u>
Kisumu					Kisii	2,594,764
Eldoret					Kisii	1,526,479
Kapsabet					Kisii	1,261,867
						<u>5,383,110</u>
						<u>(5,222,332)</u>
Karen					Kitengela	9,871,917
Athi river					Kitengela	5,632,522
Rongai					Kitengela	2,406,791
						<u>17,911,230</u>
						<u>(7,951,738)</u>
Direct deposit					Mombasa	1,600,000
Valley road					Naivasha	20,467,498
Nakuru					Naivasha	3,021,218
Nyeri					Naivasha	66,786
						<u>23,555,502</u>
						<u>(6,847,122)</u>
TOTAL						<u>82,238,496</u>
						<u>(47,410,479)</u>
						<u>34,828,017</u>

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019.../(Contd)

	<u>2019</u> Kshs	<u>2018</u> Kshs
10.0 CAPITAL EXPENDITURE		
Furniture and equipment	125,169,701	115,710,071
Prepaid operating lease rentals	111,841,042	5,775,711
Land and buildings	104,621,138	40,856,114
Construction work in progress	49,610,811	96,089,639
Motor vehicles	39,521,130	54,457,620
Tents	19,690,659	38,060,850
Computers	17,622,140	10,698,917
Boreholes	2,587,031	-
Biological assets	12,000	432,000
Computer software/LAN	-	2,797,608
	<hr/> 470,675,652	364,878,530
Less capital expenditure funded by term loan	(113,465,000)	(12,695,380)
Less capital expenditure funded by CITAM missions fund	(24,406,574)	(31,986,199)
Less Capital expenditure funded by CITAM School's textbook fund	(5,579,043)	-
Less donated capital expenditure	<hr/> -	(7,500,000)
	<hr/> Kshs 327,225,035	312,696,951

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019,.../(Contd)

11.0 PROPERTY AND EQUIPMENT		Freehold Land				Buildings				Furniture & fittings				Equipment				Computers				Total Kshs			
COST OR VALUATION		Land Kshs		Buildings Kshs		Boreholes Kshs		Motor Vehicles Kshs		Fittings Kshs		Equipment Kshs		Computers Kshs		Tents Kshs									
At 1 January 2018	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	40,856,114	-	54,457,620	18,286,399	97,423,672	10,698,917	38,060,850	259,783,572	550,680,897	-	-	550,680,897	-	(8,826,932)		
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Transfers from WIP	-	550,680,897	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
DEPRECIATION	2,086,924,750	3,091,150,111	12,067,290	199,385,754	192,750,157	636,347,042	55,857,316	102,459,874	6,376,942,294	-	-	-	-	-	-	-	-	-	-	-	-	-			
At 1 January 2018	-	-	-	-	105,144,421	104,324,360	343,490,761	30,295,206	29,430,394	612,685,142	-	-	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	-	-	(8,826,932)	-	-	-	-	(8,826,932)	-	-	-	-	-	-	-	-	-	-	-	-			
Charge for the year	-	-	-	-	36,165,329	20,203,164	60,072,783	10,988,638	15,368,980	142,798,894	-	-	-	-	-	-	-	-	-	-	-	-			
NET BOOK VALUE	At 31 DECEMBER 2018	Kshs 2,086,924,750	3,091,150,111	12,067,290	66,902,936	68,222,633	232,783,498	14,573,472	57,660,500	5,630,285,190	-	-	-	-	-	-	-	-	-	-	-	-			
COST OR VALUATION	At 1 January 2019	2,086,924,750	3,091,150,111	12,067,290	199,385,754	192,750,157	636,347,042	55,857,316	102,459,874	6,376,942,294	At 1 January 2019	-	104,621,138	2,587,031	39,521,130	37,711,935	87,457,766	17,622,140	19,690,659	309,211,799	Transfers from work in progress	-	39,089,875	-	-
DEPRECIATION	2,086,924,750	3,234,861,124	14,654,321	238,906,884	230,462,092	723,804,808	73,479,456	122,150,533	6,725,243,968	At 1 January 2019	-	-	-	-	-	-	-	-	Charge for the year	-	-	-			
NET BOOK VALUE	At 31 DECEMBER 2019	Kshs 2,086,924,750	3,234,861,124	14,654,321	62,963,504	86,080,299	254,116,019	21,130,905	61,173,135	5,821,904,057	Land and buildings were revalued in FY2017 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 2019.... / (Contd)

	<u>2019</u> Kshs	<u>2018</u> Kshs
12.0 RIGHT OF USE ASSETS		
At 1 January	15,773,292	-
Additions	<u>73,058,406</u>	<u>15,773,292</u>
	<u>88,831,698</u>	<u>15,773,292</u>
AMORTIZATION		
At 1 January	3,505,176	-
Charge for the year	<u>13,673,492</u>	<u>3,505,176</u>
	<u>17,178,668</u>	<u>3,505,176</u>
NET BOOK VALUE		
At 31 DECEMBER	<u>71,653,030</u>	<u>12,268,116</u>

The right-of-use assets relate to leased premises by the Ministry where the lease is beyond 2 years in accordance with the requirements of IFRS 16. Comparative figures have been restated as indicated on Note 28.

	Sheep, Goats		2019 Kshs	2018 Kshs
	Cattle Kshs	& Rabbits Kshs		
13.0 BIOLOGICAL ASSETS				
Carrying amount at 1 January	410,000	22,000	432,000	432,000
Acquisition during the year	10,000	8,000	18,000	-
Decrease due to deaths during the year	<u>(5,000)</u>	<u>(1,000)</u>	<u>(6,000)</u>	<u>-</u>
Carrying amount at 31st December	<u>415,000</u>	<u>29,000</u>	<u>444,000</u>	<u>432,000</u>

Biological assets comprise of cattle, goats, sheep and rabbits.

The Ministry had a total of 13 cows (2018 - 12), 5 sheep (2018 - 4), 2 goats (2018 - 1) and 13 rabbits (2018 - 14) during the year. Fair value of the biological assets was determined by using market values of comparable livestock in the market.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019.... / (Contd)

14.0 WORK IN PROGRESS	Balance at			Balance at
	01.01.2019	Additions	Transfers	31.12.2019
	Kshs	Kshs	Kshs	Kshs
CITAM Ngong	-	3,587,009	-	3,587,009
CITAM Nakuru	-	607,987	-	607,987
CITAM Woodley	-	2,371,921	-	2,371,921
CITAM Thika road	-	518,988	-	518,988
CITAM Kiambu	-	659,803	-	659,803
CITAM Valley Road	-	12,242,588	-	12,242,588
CITAM Kisumu	39,089,875	316,123	(39,089,875)	316,123
CITAM Buruburu	5,885,950	24,579	-	5,910,529
CITAM Karen	-	186,111	-	186,111
CITAM Athi River	-	229,279	-	229,279
CITAM Thika town	-	999,530	-	999,530
CITAM Meru	-	14,868,972	-	14,868,972
CITAM Rongai	-	147,274	-	147,274
CITAM Kitengela	-	659,803	-	659,803
CITAM Romania	-	8,561,400	-	8,561,400
CITAM Missions	-	3,629,444	-	3,629,444
	44,975,825	49,610,811	(39,089,875)	55,496,761

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

15.0 PREPAID OPERATING LEASE RENTALS		2019	2018
		Kshs	Kshs
COST OR VALUATION			
At 1 January		5,868,332,957	5,862,557,246
Additions		111,841,042	5,775,711
		5,980,173,999	5,868,332,957
AMORTIZATION			
At 1 January		232,259,230	114,318,903
Charge for the year		122,047,867	117,940,327
		354,307,097	232,259,230
NET BOOK VALUE			
At 31 DECEMBER		5,625,866,902	5,636,073,727

(i) Leasehold land was revalued in FY2017 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.

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019.... / (Contd)

		2019	2018
		Kshs	Kshs
16.0	INTANGIBLE ASSETS		
	COST		
	At 1 January	74,944,086	72,146,478
	Additions	-	2,797,608
		<u>74,944,086</u>	<u>74,944,086</u>
	AMORTIZATION		
	At 1 January	62,955,019	58,112,320
	Charge for the year	3,883,154	4,842,699
		<u>66,838,173</u>	<u>62,955,019</u>
	NET BOOK VALUE		
	At 31 DECEMBER	<u>8,105,913</u>	<u>11,989,067</u>

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

		2019	2018
		Kshs	Kshs
17.0	LONG-TERM INVESTMENTS		
	Investment in shares - Ark Properties &	100,000	100,000
		<u>100,000</u>	<u>100,000</u>
	The Treasury bonds matured during the year.		
18.0	DUE FROM RELATED PARTIES		
	Ark Properties and	464,633,647	485,395,010
		<u>464,633,647</u>	<u>485,395,010</u>
	18 (a) Ark Properties and Investments Ltd		
	At 1 January	485,395,010	472,365,720
	(Decrease)/ Increase during the year	(20,761,363)	13,029,290
		<u>464,633,647</u>	<u>485,395,010</u>

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

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019.... / (Contd)

		2019 Kshs	2018 Kshs
19.0 INVENTORIES			
Safari books		13,724,177	10,875,274
Consumables		17,352,157	9,534,887
		<u>31,076,334</u>	<u>20,410,161</u>
20.0 TRADE AND OTHER RECEIVABLES		Kshs	Kshs
School fees debtors		13,329,880	76,937,106
CITAM Hope Media debtors		36,946,425	44,865,398
Prepayments and deposits		77,592,840	45,797,405
Staff debtors		6,664,157	7,354,331
VAT receivable		2,576,418	4,034,383
Other receivables		3,218,137	5,542,070
		<u>140,327,857</u>	<u>184,530,693</u>
Provision for bad debts		<u>(27,293,832)</u>	<u>(113,153,530)</u>
		<u>113,034,025</u>	<u>71,377,163</u>
21.0 CASH AND CASH EQUIVALENTS			
(a) Fixed deposit		Kshs	Kshs
Co-operative Bank of Kenya Ltd.		73,037,667	23,900,248
Stanbic Bank Ltd		88,810,830	1,283,251
Standard Chartered Bank Ltd.		5,000,000	-
		<u>166,848,497</u>	<u>25,183,499</u>
(b) Cash and bank balances		Kshs	Kshs
Cash at bank		74,596,032	39,051,757
Safaricom paybill account		40,878,765	38,956,534
Cash in hand		1,103,557	939,165
		<u>116,578,354</u>	<u>78,947,456</u>
Total cash and cash equivalents		<u>283,426,851</u>	<u>104,130,955</u>
22.0 DESIGNATED FUNDS		<u>Balance at</u> <u>01.01.2019</u> <u>Kshs</u>	<u>Balance at</u> <u>31.12.2019</u> <u>Kshs</u>
Alexander Tee fund		5,981,572	(160,936)
Text book fund		23,671,628	(515,800)
Mission support fund - allocation		19,615,489	(10,447,027)
Mission support fund - donations		(11,775,634)	(16,335,563)
Other development funds		42,546,674	(144,500,102)
Church plant fund		-	(6,179,988)
Women's Ministry		1,079,148	(150,200,226)
LADF		-	(269,221,398)
Staff welfare fund		-	(1,234,100)
Caution fees		6,818,822	(1,079,148)
		<u>6,818,822</u>	<u>(1,079,148)</u>
		<u>87,937,699</u>	<u>490,770,195</u>
		<u>(461,443,491)</u>	<u>117,264,403</u>

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019.... / (Contd)

	<u>2019</u> Kshs	<u>2018</u> Kshs
23.0 BORROWINGS		
Co-operative Bank of Kenya Ltd (i)	275,350,095	216,109,062
Co-operative Bank Ltd - Ark Properties and Investments Ltd (i)	76,880,490	111,031,210
NIC Bank - Bus financing (ii)	<u>7,169,692</u>	<u>11,089,765</u>
	<u>359,400,277</u>	<u>338,230,037</u>
Repayment analysis		
Non-current - repayable after the next 12 months	<u>261,924,324</u>	<u>255,070,875</u>
Current - repayable in the next 12 months	<u>97,475,953</u>	<u>83,159,162</u>
(i) The facilities at Co-operative Bank of Kenya Limited are repayable at an interest rate of 13% 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 three years at an interest rate of 13% p.a. The bank borrowings are secured over the school buses financed by the borrowings.		
24.0 TRADE AND OTHER PAYABLES		
Trade payables	125,273,732	117,252,559
Prepaid school fees	39,528,651	25,126,845
Accounts payable and accruals	8,444,722	9,461,970
Withholding tax	1,373,672	2,946,517
Other payables	<u>-</u>	<u>5,566,160</u>
Contingent creditor's write back	<u>174,620,777</u>	<u>160,354,051</u>
	<u>174,620,777</u>	<u>96,464,346</u>
25.0 LEASE LIABILITIES		
Lease liability	86,286,227	15,773,292
Payment of the principal portion of lease liability	<u>(9,137,080)</u>	<u>(2,545,471)</u>
	<u>77,149,147</u>	<u>13,227,821</u>
Spilt into:		
Non-current liability	<u>56,950,370</u>	<u>7,991,603</u>
Current liability	<u>20,198,777</u>	<u>5,236,218</u>
This relates to the right-of use assets and comparative figures have been restated as indicated on Note 28.		
26.0 CAPITAL COMMITMENTS		
Authorised and contracted	<u>157,879,882</u>	<u>71,238,121</u>
The above are capital commitments authorised and contracted as at the balance sheet date but not recognized in the financial statements.		
27.0 SURPLUS FOR THE YEAR		
The surplus for the year is arrived at after charging:-		
Finance costs	31,033,540	25,042,885
Provision for bad and doubtful debts	27,293,832	102,229,000
Auditors' renumeration	2,357,421	2,140,550
Contingent creditor's write back	<u>-</u>	<u>(63,889,705)</u>

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019.... / (Contd)

28.0 PRIOR YEAR ADJUSTMENT

The prior year adjustments related to the following:-

- (i) CITAM International Assemblies income and expenditure were previously treated as due from related parties. The accounting policy was revised during the year to report operations of International Assemblies (CITAM USA and CITAM Romania) through the Statement of Comprehensive Income. This is because CITAM has ownership in these Assemblies and the Ministry does not expect to receive back the amounts shown as due from. CITAM Namibia balances have been treated through the Mission fund.
- (ii) The balances from PAC University were previously treated as due from related party. It was established during the year that this amount is not refundable and should have been treated as a normal support to PAC University.
- (iii) During the year the Ministry changed its accounting policy on leases in compliance with IFRS 16. Right-of-use assets and lease liabilities in respect of long term operating leases have been recognized in accordance with the transition requirements of IFRS 16.

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,ii,&iii)	1,539,453,305	17,346,618	1,556,799,923
Assemblies expenses	(i,ii,&iii)	(1,017,247,459)	(55,069,978)	(1,072,317,437)
Project net income		20,448,273	-	20,448,273
Special outreach activities net expenses		(55,599,487)	-	(55,599,487)
Together we can do more net income/deficit		8,682,702	-	8,682,702
Capital expenditure		(312,696,951)	-	(312,696,951)
Surplus for the year		183,040,383	(37,723,360)	145,317,023
b) Statement of financial position				
Assets		<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
Related party balances - International Assemblies	(i)	150,854,095	(150,854,095)	-
Related party balances - PAC University	(ii)	171,361,141	(171,361,141)	-
Other non current assets		11,809,250,819	-	11,809,250,819
Right of use assets	(iii)	-	12,268,116	12,268,116
Current assets		195,918,279	-	195,918,279
Total assets		12,327,384,334	(309,947,120)	12,017,437,214
Funds and liabilities				
Capital fund		11,323,958,809	-	11,323,958,809
General fund	(i,ii,&iii)	403,309,279	(307,886,366)	95,422,913
Reserve fund		62,195,589	-	62,195,589
Designated fund	(i)	103,226,274	(15,288,575)	87,937,699
Non current liabilities		255,070,875	-	255,070,875
Lease liabilities	(iii)	-	13,227,821	13,227,821
Current liabilities		179,623,508	-	179,623,508
Total funds and liabilities		12,327,384,334	(309,947,120)	12,017,437,214

CHRIST IS THE ANSWER MINISTRIES (CITAM)

Notes to the Financial Statements

for the year ended 31st December 2019.... / (Contd)

29.0 CONTINGENT LIABILITIES

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

30.0 EVENTS AFTER REPORTING PERIOD

The Deacon Board is not aware of any matters arising after 31st December 2019 that would significantly affect operations of the Ministry.

31.0 CURRENCY

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