

Tanari Trust
Financial statements
For the year ended 31st December 2017

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Trust Information

Trustees

1. **Nicholas Simani** - Chairman - Nairobi Baptist
2. **Alfred Aluvaala** – Treasurer, Buruburu Baptist Church
3. **Pastor Wanjiru Gicheche** - Secretary, Nairobi Chapel
4. **Justice Richard Mwongo** - Nairobi Baptist Church
5. **Pastor Nick Korir** - Nairobi Chapel
6. **Joel Yego** - Kileleshwa Covenant Community Church
7. **Mr. Francis Mwanzia** - Karen Community Church
8. **Prof. Mbaabu Mathiu** - Karen Community Church
9. **Pastor George Warui** - Kileleshwa Covenant Community Church
10. **Florence Mutiso** - Buruburu Baptist Church

Principal Office

Nairobi Baptist Church Court
L.R.No: LR 209/3012/5
Ngong Road
P.O. Box 2095-00200
Nairobi,
Kenya.

Bankers

I & M Bank Limited
2nd Ngong Avenue Branch
P.O. BOX 30238-00100
Nairobi,
Kenya.

Auditors

Ernest and Martin Associates
P. O. Box 21180 – 00505
Nairobi

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Report of the trustees

The trustees submit their report together with the audited financial statements for the year ended 31st December 2017, which disclose the state of affairs of the trust.

Principal activities

The principal activities of the trust are the advancement of religion, social concern and relief of poverty and distress of people who are resident of Kenya and elsewhere.

Results and dividends

The net (deficit)/surplus for the year of Shs (932,356) (2016: Shs 3,438,887) has been added to/deducted from general fund.

Trustees

The trustees who held office during the year and to the date of this report are set out on page 1.

Auditor

During the year, Ernest and Martin Associates was appointed as the trust auditor and has expressed its willingness to continue in office.

By order of the board of trustees



Secretary

Nairobi 25th May 2018

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Statement of trustees responsibilities

The trustees have prepared the financial statements for the year that give a true and fair view of the state of affairs of the trust as at the end of the financial year and of its operating results for that year. The trustees ensure that the trust maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the trust.

The trustees accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept 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 judgments that are reasonable in the circumstances.

The trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the trust as at 31st December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

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

Approved by the board of trustees on **25th May 2018** and signed on its behalf by:

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Chairman



Treasurer

Independent Auditor's Report

To the members of Tanari Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tanari Trust, which comprise the statement of financial position as at 31st December 2017, and the statement of income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis of qualification

- i. The trust did not charge VAT, for the services it renders i.e. camping and youth empowerment through seminars. We were not availed with any reason to justify not registering for VAT and charging for the same.
- ii. The trust has outstanding receivables amounting to Kshs 3,026,420 which relate to the year 2016 and has remained largely uncollected and there was do documentary evidence to support this amount.
- iii. The trust has outstanding payables amounting to Kshs 1,070,099 which relate to the year 2016 and has remained largely unpaid and there was do documentary evidence to support this amount.
- iv. The trust owns and occupies land, Camp Malta which is still in the name of the original donor, as such claim to title by the trust may be questionable.

In our opinion, except for the effect on the financial statements of the matters described in the basis for qualified opinion paragraph, the accompanying financial statements give a true and fair view of the financial position of the trust as at 31st December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for small and medium sized entities (IFRS for SMEs).

Basis for Opinion

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

Responsibilities of Trustees and Those Charged with Governance for the Financial Statements

Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs and for such internal control as trustees determines 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, trustees are responsible for assessing the trust ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless trustees either intends to liquidate the trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the trust financial reporting process.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of trustee 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 Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tanari Trust

Financial statements

For the year ended 31st December 2017

Independent Auditor's Report (continued)

Report on other legal requirements

We report to you, based on our audit, that:

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. in our opinion proper books of account have been kept by the trust, so far as appears from our examination of those books; and
- iii. the trust balance sheet and statement of income and expenditure are in agreement with the books of account.

Emphasis of Matter

Without qualifying our report we draw attention to in Note 2 (e) Income tax to the financial statements which states that the trust has not provided for income tax on its surplus since it has applied for income tax exemption with Kenya Revenue Authority and the trustees are trusting that it will be successful.

The engagement partner responsible for the audit resulting in this independent auditor's report was

CPA Ernest Muguku Muriu, Practicing Certificate No. 1584

Certified Public Accountants

Nairobi

25/5/2018

Tanari Trust
Financial statements
For the year ended 31st December 2017
Statement of Income & Expenditure

	Notes	2017 Kshs	2016 Kshs
Income			
Ministry Activities	4	11,901,283	15,391,685
Founder Churches Contributions	5	220,000	220,000
Other Income	6	89,301	303,923
		<hr/>	<hr/>
		12,210,584	15,915,608
Expenditure			
Administrative expenses	7	(7,778,051)	(7,760,171)
Ministry Expenses	8	(5,364,889)	(4,716,550)
		<hr/>	<hr/>
Net(Deficit)/Surplus for the Year		(932,356)	3,438,887

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Statement of Financial Position

As at 31st December 2017

ASSETS	Note	2017	2016
Non-current Assets		Kshs	Kshs
Property and Equipment	9	25,839,863	25,534,805
Investments	10	284,813	1,520,144
		26,124,676	27,054,949
Current assets			
Trade and other receivables	11	3,962,376	3,988,800
Cash and Bank	12	516,109	280,620
		4,478,485	4,269,420
Total assets		30,603,161	31,324,369
FUNDS AND LIABILITIES			
Funds			
Fixed Asset Fund		6,088,019	6,516,375
Land Grant Fund		17,385,000	17,385,000
General Fund		3,598,482	4,102,483
Designated Funds		2,194,238	2,194,238
		29,265,739	30,198,096
Current liabilities			
Trade and other payables	13	1,337,422	1,126,273
Total Funds and Liabilities		30,603,161	31,324,369

The financial statements on pages 8 to 16 were approved for issue by the board of trustees on 2018 and were signed on their behalf by:

.....
Chairman

.....
Trustee

Tanari Trust
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Statement of changes in funds

	Asset Fund	Land Grant Fund	General Fund	Designated Fund	Total
Year ended 31.12.2017	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 01.01.2017	6,516,375	17,385,000	4,102,482	2,194,238	30,198,095
Depreciation charge	(428,356)		428,356	-	-
Fund balance	-		(932,356)	-	(932,356)
Balance as at 31.12.2017	6,088,019	17,385,000	3,598,482	2,194,238	29,265,739
Year ended 31.12.2016					
Balance as at 01.01.016	6,956,898	17,385,000	223,072	2,194,238	26,759,208
Depreciation charge	(440,523)	-	440,523	-	-
Fund balance	-	-	3,438,887	-	3,438,887
Balance as at 31.12.2016	6,516,375	17,385,000	4,102,482	2,194,238	30,198,095

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Statement of Cash Flows

	Note	2017	2016
		Kshs	Kshs
Cash flows from Operating Activities			
Net (deficit)/surplus for the year		(932,356)	3,438,888
Adjustments for:			
Depreciation		428,356	440,523
		<hr/>	<hr/>
Operating profit before changes in working capital:		(504,000)	3,879,411
Changes in working capital:			
Increase in trade and other payables		211,149	4,224
Increase/(decrease) in trade and other receivables		26,424	(2,831,923)
		<hr/>	<hr/>
Cash generated from operations		(266,427)	1,051,712
Cash flows from Investing Activities			
Purchase of Fixed assets		(733,415)	(1,633,432)
Transfer from/(to) Market Fund		1,235,331	(4,950)
Net cash (used in) investing activities		<hr/>	<hr/>
		501,916	(1,638,382)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		235,489	(586,670)
<u>Movement in cash and cash equivalents</u>			
At 1st January		280,620	867,290
Net movement in the period		235,489	(586,670)
At 31st December	12	<hr/> <hr/>	<hr/> <hr/>
		516,109	280,620

Accounting Policies

1. General Information

Tunari Trust is domiciled in Kenya where it is registered as a Trust under the provisions of the Trust Deed. The address of its registered office and principal place of business is Nairobi Baptist Church Court. The principal activities of the trust are the advancement of religion, social concern and relief of poverty and distress of people who are resident of Kenya and elsewhere.

2. Significant Accounting Policies

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (KShs). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

(a) Revenue recognition

Revenue from sale of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Revenue is measured at the fair value of the consideration received or receivable, net of discounts.

(b) Functional currency and translation of foreign currencies

Transactions are recorded on initial recognition in Kenya shillings, being the currency of the primary economic environment in which the trust operates (the functional currency) at the spot rate at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement or translation are recognized in profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(d) Property, Plant and Equipment including investment property and depreciation

Items of property, plant and equipment, including investment property, are measured at cost less accumulated depreciation and any accumulated impairment losses.

Investment property whose fair value can be measured reliably without undue cost or effort must be measured at fair value at each reporting date.

Freehold land is not depreciated. For all other assets, depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

Furniture & Partitions	12.5
Office Equipment	12.5
Camp Equipment & Accessories	25
Semi-Permanent Structures	20

If there is an indication that there has been a significant change in the 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 profit or loss.

Accounting Policies

(e) Income tax

No provision for corporate tax has been made in these accounts. The organization qualifies for exemption from corporation tax in Kenya under paragraph 10 of the 1st Schedule to the Income Tax Act, Cap. 470 (Laws of Kenya). The organisation is in the process of applying for income tax exemption as per the Income Tax Act.

(f) Financial assets

Trade and other receivables are initially recognised at the transaction price. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately

(g) Impairment of non financial assets

At each reporting date, property, plant and equipment, are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(h) Financial Liabilities

Financial liabilities are initially recognised at the transaction price (less 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.

(i) Employee benefits & post employment benefit obligations

The trust and the employees contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the trust's contributions are charged to income and expenditure in the year to which they relate.

With effect from 1 June 2014 the trust and employees shall contribute to the National Social Security Fund (NSSF) a national defined contribution pension scheme. Contributions are determined by local statute, presently limited to a minimum of 6% of employees' emoluments up to a maximum contribution of 1,080 per month. The trust's contributions are charged to income and expenditure in the year they relate.

3. Judgments And Key Sources Of Estimation Uncertainty

No significant judgements have had to be made by the directors in preparing these financial statements.

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Notes to the financial statements

	2017	2016
	Kshs	Kshs
4 Ministry activities		
ROPES Income	7,037,291	3,538,810
CPR Income	870,300	474,900
Lifeskills Income	397,150	7,961,900
Camping Income	2,887,892	2,877,951
Team Building Income	708,650	538,124
	<u>11,901,283</u>	<u>15,391,685</u>
5 Founder Churches Contributions		
Nairobi Baptist Church	<u>220,000</u>	<u>220,000</u>
6 Other income		
Other Income	18,430	124,360
Bank Interest	236	6,516
Investment Interest	49,635	137,047
Other Donation	21,000	36,000
	<u>89,301</u>	<u>303,923</u>
7 Administrative expenses		
Administration Staff Salaries	5,026,245	4,680,982
Rent and Utilities	937,123	711,535
Legal & Professional Fees	126,000	110,800
Audit Fee	137,280	63,800
Communication	15,350	59,820
Depreciation	428,356	440,523
Repairs & Maintenance	83,625	74,580
Staff Medical Expenses	226,490	389,507
Transport	181,331	163,743
General Office Expenses	129,544	269,141
Insurance	46,733	-
Staff Training & Retreats	265,284	260,994
Benevolent Expenses	25,000	11,490
Board and Trustees Expenses	27,995	303,600
Printing and Stationery	16,954	35,680
Subscriptions	-	22,000
Marketing Expenses	70,810	130,080
Postage	6,960	6,960
Bank Charges	26,971	24,936
	<u>7,778,051</u>	<u>7,760,171</u>

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	2017	2016
	Kshs	Kshs
8 Ministry Expenses		
Team Building Expenses	107,535	110,820
Life Skills Program Expense	104,525	1,407,948
Camping Expenses	940,402	1,037,257
Rites of Passage ExperienceS (ROPES) Expenses	3,792,416	1,784,707
Creating Positive Relationships (CPR) Expenses	420,011	375,818
	<u>5,364,889</u>	<u>4,716,550</u>
10 Investments		
Investment in Britam Unit Trust: Money Market Fund	<u>284,813</u>	<u>1,520,144</u>
11 Trade and other receivables		
Trade receivables	3,026,420	3,715,104
Withholding Tax Receivable	131,656	131,656
Other receivables	804,300	142,040
	<u>3,962,376</u>	<u>3,988,800</u>
12 Cash and cash equivalents		
The yearend cash and cash equivalents comprises of the following:		
Cash at bank	327,188	238,290
Cash in hand	188,921	42,330
	<u>516,109</u>	<u>280,620</u>
13 Trade and other payables		
Trade payables	946,431	946,431
Other payables	390,991	179,842
	<u>1,337,422</u>	<u>1,126,273</u>

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9 Property and Equipment

	Freehold Land	Buildings (WIP)	Office Equipment	Semi- Permanent Structures	Equipment & Accessories	Computers & Accessories	Books & Materials	Total
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
			12.5%	20.0%	25.0%	30.0%		
As at 01.01.2017	17,465,000	6,704,626	1,070,652	750,249	3,327,242	390,664	36,810	29,745,243
Additions	-	237,060	-	484,355	12,000	-	-	733,415
As at 31.12.2017	17,465,000	6,941,686	1,070,652	1,234,604	3,339,242	390,664	36,810	30,478,658
As at 01.01.2017	-	-	1,043,223	473,214	2,576,803	117,199	-	4,210,439
Charge for the Year	-	-	3,429	152,278	190,610	82,040	-	428,356
As at 31.12.2017	-	-	1,046,652	625,492	2,767,413	199,239	-	4,638,795
NET BOOK VALUES								
As at 31.12.2017	17,465,000	6,941,686	24,000	609,112	571,829	191,426	36,810	25,839,863
COST								
As at 01.01.2016	17,465,000	6,704,626	1,060,152	488,219	2,357,004	-	36,810	28,111,811
Additions	-	-	10,500	262,030	970,238	390,664	-	1,633,432
As at 31.12.2016	17,465,000	6,704,626	1,070,652	750,249	3,327,242	390,664	36,810	29,745,243
DEPRECIATION								
As at 01.01.2016	-	-	1,039,304	403,955	2,326,656	-	-	3,769,915
Charge for the Year	-	-	3,919	69,259	250,147	117,199	-	440,524
As at 31.12.2016	-	-	1,043,223	473,214	2,576,803	117,199	-	4,210,439
NET BOOK VALUES								
As at 31.12.2016	17,465,000	6,704,626	27,429	277,035	750,439	273,465	36,810	25,534,804