

**CHOICE FOR LIFE NETWORK COMMUNITY BASED
ORGANIZATION**

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2020

AUDITORS

MUK & ASSOCIATES

Certified Public Accountants

P.O. BOX 1963 – 30100

Tel: 0721 267 559

ELDORET

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CFLN COMMUNITY BASED ORGANIZATION INFORMATION

MANAGEMENT COMMITTEE OFFICIALS

1. William Kubondo – Director / Chairperson
2. Laban Okalo – Secretary
3. Wilmina Gadi - Treasurer
4. Esther Sungu – Member
5. Joan Muganda – Member
6. Eunice Mutimba - Member
7. Mary Andayi – Member
8. Josphine Namayi – Member

OTHERS

9. Selina Andayi – Social Worker – Kisa Centre
10. Idah Albert Ngure – Social Worker - Shimanyiro Centre
11. Lucas Oketch– Social Worker – Kakamega Centre

REGISTERED OFFICE

: C/o Choice for Life Network CBO
: P.O. Box 1455 -50100
: Kakamega. Kenya
: Tel: 0723 709 195

AUDITORS

: MUK & Associates
: Certified Public Accountants
: P.O. Box 1963 – 30100
: Eldoret. Kenya.
: 0721 267 559

BANKERS

: Cooperative Bank of Kenya Ltd
: Kakamega Branch

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DIRECTOR'S REPORT

The Management Committee submits their report and the Audited Financial Statements for the year ended 31st December 2020 which disclose the state of affairs of the Community Based Organization.

INCORPORATION

The organization is incorporated in Kenya under the Ministry of East African Community, Labour and Social Protection under the Office of the Sub County Development Officer (Kakamega County) as a Community Based Organization. Certificate No. KAK/C/SCDO/CBO/010/2017.

PRINCIPAL ACTIVITIES

The Principal Activities of the Community Based Organization are to advance access to education and employment for vulnerable children in Kakamega through a long term holistic approach which includes financial support for education, empowerment and training, child protection and being responsive to health care and compassionate relief needs; to improving the quality of life and poverty alleviation within the Community and to relieve poverty and mitigate the impact of HIV/AIDS. This is done through Projects in the three main centres of operation in Kakamega Town, Shimanyiro and Kisa.

RESULTS

The results of the year ended 31st December 2020 are set out on page 8 to 15. The organization recorded revenue of Kshs. 2,509,922.00 this being income from Grants by Fair Aid Germany (Donations), of Kshs. 2, 447,865.00, income from Projects of Kshs. 62,057.00.

MANAGEMENT COMMITTEE

The Management Committee Members who held office during the year and to the date of this report are as shown on page 3. Staff supporting the project are also listed.

AUDITORS

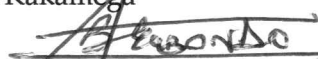
The Auditors, MUK & Associates CPA (K) were appointed the Community Based Organization Auditors in accordance with the requirements of International Financial Reporting Standards and the requirements of the Kenya Company's Act 2015.

They have expressed their willingness to continue in office in accordance with the above requirements and present themselves for reappointment.

BY ORDER OF THE MANAGEMENT COMMITTEE

DIRECTOR / CHAIRPERSON

Kakamega


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Statement of the Management Committee Responsibilities for Financial Statement

The Kenyan Companies Act requires the Management Committee to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Community Based Organization (CBO) as at the end of the financial year and its profit or loss for that year. It also requires the Management Committee to ensure that the Community Based Organization maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the CBO. The Management Committee is responsible for safeguarding the assets of the Community Based Organization.

The Management Committee accepts responsibility for the presentation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

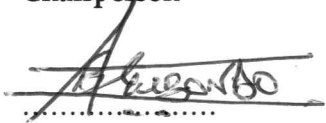
- i. Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The Management Committee is of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Community Based Organization as at 31st December 2020 and of its financial performance for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015. The Management Committee further confirms the accuracy and completeness of the results maintained by the Community Based Organization which has been relied upon in the preparation of the Financial Statements.

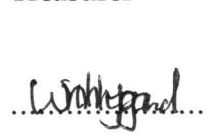
Nothing has come to the attention of the Management Committee to indicate that the Community Based Organization will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Management Committee on 05/02/2021 and signed on its behalf by:

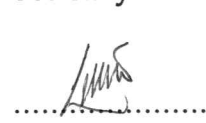
Chairperson



Treasurer



Secretary



CHOICE FOR LIFE NETWORK COMMUNITY BASED ORGANIZATION

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REPORT OF THE INDEPENDENT AUDITORS

TO THE STAKEHOLDERS OF CHOICE FOR LIFE NETWORK COMMUNITY BASED ORGANIZATION.

Report on the Financial Statements

We have audited the accompanying Financial Statements of Choice For Life Network Community Based Organization, set out on pages 8 to 15, which comprise the Statements of Financial Position as at 31st December 2020, and the Profit and Loss Account, Statement of Comprehensive Incomes, for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Committee's Responsibility for the Financial Statements

The Management Committee are responsible for the preparation of financial statements that give a true and fair view in accordance with international Financial Reporting Standards and the requirements of the Companies Act 2015, and for such internal control as the Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Community Based Organization's preparation and fair presentation of Financial Statements 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 Management Committee's Internal Control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting policies used and reasonableness of accounting estimates made by the officials of the Management Committee, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CHOICE FOR LIFE NETWORK COMMUNITY BASED ORGANIZATION
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OPINION

In our opinion, the accompanying the **Financial Statements** give a **True and Fair view** of the state of the **Management Committee's financial affairs** at **31st December 2020** and of its Financial Performance for the year then ended in accordance with International Financing Reporting Standards and the Kenyan Companies Act 2015.

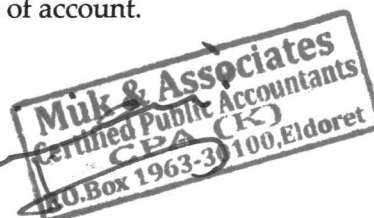
REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenyan Companies Act 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 Community Based Organization, so far as appears from our examination of those books; and
- iii. The Community Based Organization's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of account.

MUK & Associates
Certified Public Accountants (K)
ELDORET

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CHOICE FOR LIFE NETWORK COMMUNITY BASED ORGANIZATION
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FOR THE YEAR ENDED 31ST DECEMBER 2020

		<u>KSHS</u>	<u>KSHS</u>
<u>INCOME</u>	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
Fair Aid Grants (Donations)	3	2,447,865.00	2,994,109.25
<u>OTHER INCOMES</u>			
Income from Projects	3	62,057.00	54,296.45
TOTAL INCOMES		<u>2,509,922.00</u>	<u>3,048,405.70</u>
<u>EXPENDITURE</u>			
Bank Charges	4	5,982.00	5,448.00
University Fees	6	61,600.00	114,000.00
Secondary School Fees	7	405,700.00	893,146.00
Primary School Levies	8	60,360.00	72,250.00
Transport	9	28,600.00	30,830.00
Operational Expenses	10	128,450.00	13,900.00
Lunch Programme	11	257,200.00	309,000.00
Medical Expenses	12	75,300.00	49,200.00
Stipend for Social Workers & Coordinators	13	504,000.00	604,000.00
Tuition Expenses	27	113,600.00	0.00
Salary	14	428,000.00	468,000.00
Emergency Kitty	15	54,874.35	50,000.00
Office Expenses	16	8,000.00	18,964.35
Uniform Expenses	17	43,700.00	1,500.00
Office Rent and Electricity	18	159,000.00	139,000.00
Youth Project Expenses	19	150,000.00	0.00
Widows Activities Facilities		0.00	13,800.00
Audit Fees (Including Provisions)	20	15,000.00	10,000.00
TOTAL EXPENDITURE		<u>2,499,366.35</u>	<u>3,042,038.35</u>
SURPLUS (DEFICIT) FOR THE YEAR		<u>10,555.65</u>	<u>6,367.35</u>

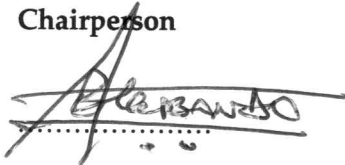
CHOICE FOR LIFE NETWORK COMMUNITY BASED ORGANIZATION
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STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31ST DECEMBER 2020

	<u>NOTE</u>	<u>KSHS</u> <u>2020</u>	<u>KSHS</u> <u>2019</u>
<u>NON CURRENT ASSETS</u>			
Land and Buildings	21	3,100,000.00	3,100,000.00
Furniture and Fittings	22	68,500.00	68,500.00
Computers & Printer	23	80,000.00	80,000.00
Sewing Machine	24	28,000.00	28,000.00
Tents	25	48,000.00	48,000.00
TOTAL NON-CURRENT ASSETS		<u>3,324,500.00</u>	<u>3,324,500.00</u>
<u>CURRENT ASSETS</u>			
Cash at in Hand and at Bank	5	24,992.05	20,803.75
<u>CURRENT LIABILITIES</u>			
Provision for Audit Fee	20	0.00	0.00
NET CURRENT ASSETS		<u>24,992.05</u>	<u>20,803.75</u>
TOTAL ASSETS		<u>3,349,492.05</u>	<u>3,345,303.75</u>
FINANCED BY:			
Equity Funds	26	3,338,936.40	3,338,936.40
Surplus		<u>10,555.65</u>	<u>6,367.35</u>
TOTAL EQUITY		<u>3,349,492.05</u>	<u>3,345,303.75</u>

The Financial Statements on Page 8 to 14 were approved on *P.S. / .02/2021* by the following on behalf of the Management Committee and certified correct.

Chairperson



Treasurer



Secretary



The notes on page 10 to 14 form an integral part of the Financial Statements.

Report of the Auditors – Page 6 – 7

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NOTES TO ACCOUNTS

The Accounting Policies and the Notes on pages 10 to 14 form an integral part of the Financial Statements.

Report of the Auditors – Page 6 – 7

The financial statements have been prepared in accordance with the International Reporting Standards (IFRS) adhering to the International Accounting Standards.

1. Basis of Preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets. The principal accounting policies adopted in the preparation of these financial statements are set out below:

Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Translations in foreign currencies during the year are translated at the rates ruling at the dates of the transactions. The resulting gains and losses are dealt with in the income statement.

Property, Plant and Equipment

All property, plant and equipment are initially recorded at cost. All other property, plant and equipment are stated at historical cost.

Employee entitlements

Employees' entitlement to annual leave is recognized when it accrues to employees. A provision is not made since the payment is in form of a stipend.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Organization's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities within the next financial year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates including expectations of future events that are believed to be reasonable under the circumstances.

The estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

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2. Risk Management

Choice For Life Network CBO is supposed to arrange for financial risk and financial liabilities. It has to ensure that its revenue is adequate to funds its operations and be able to meet the cost of its projects.

a) Capital Risk Management

Choice For Life Network CBO does not have a permanent capital base, or any permanent capital to meet its operations having to depend on the grants (donations) received and income generated from projects like the hire of tents.

The Management Committee needs to build up in consultation an adequate acceptance capital base for the Organization's operations. This might be through creation of reserves and revolving funds.

b) Liquidity Risk Management

The need to keep liquid assets adequate to meet operational requirements and payments to stakeholders is a permanent risk. This is worsened by the need to continue financing its projects with no assured sustainable income from other projects.

With capital accumulation yet to be achieved, liquidity management is a permanent risk for the several years in the future.

3. Gross Income	2019	2020
	Kshs.	Kshs.
Grants (Donations)	2,994,109.25	2,447,865.00
Project Income	54,296.45	54,930.00
Other Income	<u>0.00</u>	<u>7,127.00</u>
Total Incomes	<u>3,048,405.70</u>	<u>2,509,922.00</u>

4. Bank Charges

These amounts were verified from the Bank Statements as indicated.

5. Cash at Bank

Cooperative Bank **942.05**

This is the amount on the Bank Statement as at 31st December 2020. This is the amount at the Bank by the end of year as confirmed from the Bank Statements in the various accounts and subsequent reconciliation.

6. University and College Fees

These were amounts paid as support and maintenance for students who are in Universities and Colleges who were beneficiaries of the CFLN CBO.

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7. Secondary School Fees

These are the aggregate amount of money paid for various students in secondary schools as indicated in the various expenditure reports of the three terms. All receipts and fee structures should be well maintained in designated files.

8. Primary School Levies

These were amounts paid for students in various primary schools. The main problem is lack of supporting document attributed to schools not issuing receipts especially for the small amounts. Social workers should develop lists which are signed and stamped.

9. Transport

This is the amount utilized to facilitate the staff in monitoring the children's activities in school and attending meetings as required from time to time for the Social workers.

10. Operational Expenses

These amounts represent an aggregate of the money spent in various forums including, outreach activities, student counseling, motivational and academic days as well as get-together for all the three Centres.

11. Lunch Programme

These are amounts set aside to support the feeding programme for the various orphans.

12. Medical expenses

These represent the amount of money utilized to pay for medication of the widows and include contributions for burial in the event of death.

13. Stipend for Social Workers and Coordinators

These were amounts utilized to pay Coordinators and Social workers for their upkeep.

14. Salary

These amounts represent the annual amount paid to the Manager and the Watchman employed to guard the offices at Kisa Centre.

15. Emergency Kitty

This amount was indicated as savings made at the Centre as savings for any emergencies.

16. Office Expenses

These represent amounts utilized to facilitate office operations including photocopy, printing, office cleaning and related expenses for running the three centre offices.

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17. Uniform Expenses

These were amounts utilized for purchase of school uniforms for the pupils and students. The amount indicated is small since the other amount is paid together with the fees.

18. Office Rent and Electricity

These represents the annual amounts paid for the rent at the Shimanyiro and Kakamega Centres where the offices are rented.

19. Youth Project Expenses

This amount was provided to start various CFL youth economic empowerment projects (Income Generating Activities).

20. Audit Fee

This represents the provision for the amount payable for the external audit fee. The total to be paid for 2020 was only Kshs. 15,000.00

21. Land and Building

This is the land located at Kisa Centre Purchased in year 2008 at a cost of Kshs. 100,000. The Building cost a further Kshs. 3,000,000 including the electricity and furnishings. However, the land title deed is still in the owner's name that is, Josephine Namayi. The process of sub division is already completed and the transfer process is ongoing. The same is expected to be completed in due course.

22. Furniture and Fittings

These represent the valuation for about a hundred seats, three tables, chairs and other fittings held in the three offices where the offices operate. No depreciation is made.

23. Computers and Printer

These represent the valuation of three computers and a printer in the offices. (N.B.: The computers were purchased by Fair Aid Germany). No depreciation is made.

24. Sewing Machine

This was valued at the current rate and is held at the Shimanyiro Centre.

25. Tent

This is owned by the Shimanyiro Centre and is used as an income generating activity.

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26. Equity Fund

This represents the aggregate of the Assets of the organization and is an accumulated amount for items acquired over the years of a permanent nature.

27. Tuition Expenses

These are amounts utilized to pay teachers supporting the CFL Children for academic support during holidays / out of school periods.

28. Registration

Choice For Life Network CBO is registered in Kenya under the Ministry of East African Community, Labour and Social Protection as a Community Based Organization and is domiciled in Kenya.

Certificate of registration was made available for verification but renewal had not been done for the year.

29. Staff

The Community Based Organization had eight members of staff as at the end of the financial year. One is a watchman employed at the permanent office at Kisa Centre. Apart from the Manager, the rest are Coordinators and Social Workers in the three centres of operation.

30. Taxation

The organization (CBO) derives its income from Grants (Donations) which are not defined as taxable income under the Income Tax Act.

31. Currency

The Financial Statements are presented in Kenya Shillings (Kshs.).

32. Internal Control Matters

33.1 Supporting documents for expenses

We were able to vouch and confirm primary documents which supported expenses like receipts and invoices. For the missing ones, we requested that they be made available and be filed.

33.2 Segregation of Duties and management of cash

Duties were clearly segregated among the various officials and staff. A petty cash book should be maintained and always be updated in all the three centres. They are also expected to acquire a cash box for safe-keeping of the petty cash.

CHOICE FOR LIFE NETWORK COMMUNITY BASED ORGANIZATION

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33.3 Maintenance of the Cash book and the Bank Reconciliation

The Management Committee is required to maintain primary books of accounts. We noted that the cash books were not maintained and the bank reconciliation for the Community Based Organization was not balanced up to 31st December, 2020 since the transactions were few.

33. Recommendations

- CFLN CBO should continue to process the title deed for the Land at Kisa Centre.
- The Centre Coordinators and Social Workers should ensure they have all the receipts and other source documents available and filed. This will improve on the accuracy and transparency of the records. Proper books and records should be maintained.
- An asset impairment (Depreciation) policy should be put in place since the assets are currently held in the books at cost.
- Members of the Management Committee should be taken through financial management techniques and risk assessment to enhance their understanding of the financial statements and impacts of risks on the same.
- Training should be extended to the Social Workers on Book Keeping and Financial Management skills, to equip them with skills on how to maintain books of account as the principal accounting officers. This is yet to be done.
- More income generating projects should be engaged in to enhance the income of the Community Based Organization. This will act as a safeguarded to the sustainability of the affairs and projects of the Community Based Organization. The same will also increase the project incomes.