

ZOE MINISTRY KENYA PROGRAMME
SPECIAL PURPOSE FINANCIAL REPORT
FOR THE PERIOD 1 JANUARY 2020 TO 31 DECEMBER 2020

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GLOSSARY OF ABBREVIATIONS

CBK	:	Central Bank of Kenya
FAS	:	Fund Accountability Statement
IESBA	:	International Ethics Standards Board for Accountants
ISA	:	International Standards of Auditing
KShs	:	Kenya Shillings
NGO	:	Non - Governmental Organization
US	:	United States
US\$:	United States Dollar

1. INTRODUCTION

1.1. BACKGROUND OF ZOE MINISTRY KENYA

ZOE is a Christian humanitarian organization dedicated to fighting poverty and social injustice. It has its headquarters in North Carolina, United States. ZOE places special emphasis on investing in orphans and other vulnerable children through empowerment initiatives. The experience shows that their empowerment benefits whole communities. ZOE is registered in Kenya as an NGO with its objective being to increase orphans and vulnerable children's household income, reduce malnutrition and improve living conditions through the empowerment to be self-reliant.

ZOE has program in Rwanda, Zambia, Zimbabwe, Malawi, Liberia, India and Guatemala reaching to more than 40,000 orphans with life-saving poverty-fighting programs, including economic empowerment, education, food security, psycho-social support, and clean water and livelihood skills.

MISSION AND STATUS

ZOE Ministry was founded in 2004 as a mission of the North Carolina Conference of United Methodist Church. It addresses empowerment programs developed as a three year model where orphans and vulnerable children move from abject poverty to complete self-reliance. It is active in Kenya, Rwanda, Zimbabwe, Malawi, Liberia, India and Guatemala.

The mission of ZOE Ministry is to enable orphans and vulnerable children help themselves through interventions that enable children develop a culture of self reliance.

GENERAL INFORMATION

Principal Place of Business

ZOE Ministry Kenya
P.O BOX 465-60600
Maua-Meru
Kenya

Bankers

Barclays Bank of Kenya
P.O BOX 798-60600
Maua-Meru
Kenya

Kenya Commercial Bank Ltd
P.O Box 178 - 60200
Maua-Meru
Kenya

1.2. OBJECTIVE AND SCOPE OF AUDIT

Ernst & Young LLP was engaged by ZOE Ministry Kenya to carry out the audit of the ZOE Ministry Programme for the period 1 January 2020 to 31 December 2020.

The objectives of this assignment were to:

- ▶ Audit the Programme Financial Report and express an opinion as to whether the report presents fairly, in all material respects, the funding received and costs incurred for the period 1 January 2020 to 31 December 2020 and is prepared in accordance with the basis of accounting described in Note 4.2.1 of this report;
- ▶ Review the internal control structure in order to determine whether the programme's management have put in place satisfactory controls aimed at preventing, detecting, reducing or eliminating errors and irregularities; and
- ▶ Test compliance with the reporting requirements to the ZOE Ministry Head Office, applicable laws and regulations as part of obtaining reasonable assurance about whether the Financial Report is free of material misstatements and report on any identified material instances of non-compliance.

1.3. AUDIT APPROACH

In order to cover the scope of the audit of the ZOE Ministry Programme for the period 1 January 2020 to 31 December 2020, we performed the audit in accordance with the International Standards on Auditing (ISA).

In the course of our audit, we performed the following procedures:

- ▶ Assessed the risks of material misstatement of the special purpose financial report, whether due to fraud or error, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- ▶ Evaluated the appropriateness of accounting policies used and the reasonableness of related disclosures made by the management;
- ▶ Reviewed the internal control structure and the controls in place to ensure that programme funds and resources were utilized on programme activities;
- ▶ Reviewed the fund accountability statement of ZOE Ministry Kenya (ZOE) and ensured that programme funds and resources were utilized on budgeted activities and were fully accounted for;
- ▶ Checked on compliance with the reporting requirements to the ZOE Ministry Head Office and the applicable laws and regulations; and,
- ▶ Documented our findings, observation and recommendations.

2. STATEMENT OF THE PROGRAMME MANAGEMENT'S RESPONSIBILITIES

ZOE Ministry Kenya's management is responsible for the preparation and fair presentation of the Fund Accountability Statement of the ZOE Ministry Programme for the period 1 January 2020 to 31 December 2020 which includes the following:

- ▶ Fund Accountability Statement submitted by the project management to the Head Office for the period 1 January 2020 to 31 December 2020.
- ▶ An overview of the Fund Accountability Statement including a summary of significant accounting policies in accordance with the basis of accounting set out in the Report.

Programme management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Fund Accountability Statement that is free of material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The programme management is of the opinion that the Fund Accountability Statement presents fairly the state of the financial affairs of the programme and of its sources and uses of funds. The management further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial report.

The Fund Accountability Statement was approved by the project management on 30/03/2021 and signed on its behalf by:



Board Chairman
ZOE Ministry, Kenya



Board Secretary & Country Director
ZOE Ministry, Kenya

3. REPORT OF INDEPENDENT AUDITORS

To the Board Members of
ZOE Ministry Kenya
Nairobi, Kenya

Opinion

We have audited the Special Purpose Financial Report of the ZOE Ministry Kenya Programme for the period 01 January 2020 to 31 December 2020, which comprise Fund Accountability Statements and the notes, including a summary of significant accounting policies set out on pages 7 to 10.

In our opinion, the Special Purpose Financial Report presents fairly, in all material respects, the funding received, and costs incurred for the period 1 January 2020 to 31 December 2020 and is prepared in accordance with the basis of accounting described in Note 4.2.1 of this report.

Basis of 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 Special Purpose Financial Report section of our report. We are independent of the organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and have fulfilled our other ethical responsibilities in accordance with IESBA Code, and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw your attention to Note 4.2.1 of the Special Purpose Financial Report, which describes the basis of accounting. The Special Purpose Financial Report is prepared to assist ZOE Ministry Kenya management to comply with its financial reporting requirements. As a result, the Special Purpose Financial Report may not be suitable for another purpose. Our report is intended solely for ZOE Ministry Kenya and ZOE Ministry Head Office and should not be distributed to other parties other than to ZOE Ministry Kenya and ZOE Ministry Head Office. Our opinion is not modified in respect of this matter.

Other Information

The management is responsible for the other information. The other information comprises the Introduction section on pages 1 and 2. Other information does not include the Special Purpose Financial Report and our auditor's report thereon.

Our opinion on the Special Purpose Financial Report 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 Special Purpose Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Special Purpose Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

REPORT OF INDEPENDENT AUDITORS (Continued)

Responsibilities of the Management for the Special Purpose Financial Report

The management responsible for the preparation and fair presentation of the Special Purpose Financial Report in accordance with accounting policies described in Note 4.2.1 and for such internal control as the management determine is necessary to enable the preparation of Special Purpose Financial Report that is free from material misstatement, whether due to fraud or error.

In preparing the Special Purpose Financial Report, the management is responsible for assessing the programme'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 management either intend to liquidate the project or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the project's financial statement processes.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Report

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Report as a whole is 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 report.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's 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 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 report 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 Programme to cease to continue as a going concern.

REPORT OF INDEPENDENT AUDITORS (Continued)

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management 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 auditor's report is CPA Tom Nyakoe, Practicing Certificate No. P/2283.



Nairobi, Kenya

31 March.....2021

ZOE MINISTRY KENYA PROGRAMME
SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

4. SPECIAL PURPOSE FINANCIAL REPORT

4.1 FUND ACCOUNTABILITY STATEMENT

	Notes	2020 KShs	2019 KShs
Income			
Grant income	4.2.2	111,430,168	112,606,787
Interest income		-	18
Children contributions		-	1,946,370
Realised exchange gain	4.2.3	<u>950,798</u>	<u>-</u>
Total Income		<u>112,380,966</u>	<u>114,553,175</u>
Expenditure			
Administration		5,436,012	6,555,316
Group Formation and training		4,964,425	4,814,035
Education		2,461,050	3,152,000
Vocational Training		12,967,200	16,106,700
Spiritual Cultivation		68,000	704,330
Transportation		7,438,521	5,273,055
Agriculture		4,419,009	6,434,770
Micro Grants		31,362,550	28,144,400
Health & Hygiene		7,238,890.00	4,648,060
Home construction		6,506,670.00	4,581,504
Child Rights		137,850.00	1,563,980
Other Expenses		1,941,800.00	14,155,348
Children Contribution		-	1,946,370
Staff Salaries		24,276,473	22,048,759
Realised Exchange loss		<u>-</u>	<u>46,895</u>
Total Expenditure		<u>109,218,450</u>	<u>120,175,522</u>
Surplus/(deficit) for the year		3,162,516	(5,622,347)
Fund balance at 1 January		<u>(4,607,742)</u>	<u>1,014,605</u>
Fund balance at 31 December	4.2.4	<u>(1,445,226)</u>	<u>(4,607,742)</u>
Represented by:			
Cash and Bank Balances	4.2.5	807,691	301,936
Accounts payable	4.2.6	(2,254,229)	(5,001,310)
Accounts receivable		<u>1,312</u>	<u>91,632</u>
Fund Balance carried forward		<u>(1,445,226)</u>	<u>(4,607,742)</u>

The fund accountability statement was approved by the board on 30/03/2021 and signed on its behalf by:



Board Chairman
ZOE Ministry, Kenya



Board Secretary & Country Director
ZOE Ministry, Kenya

ZOE MINISTRY KENYA PROGRAMME
SPECIAL PURPOSE FINANCIAL REPORT
NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

4.2 NOTES TO THE SPECIAL PURPOSE FINANCIAL REPORT

4.2.1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the fund accountability statement are set out below. These policies have been consistently applied over the years presented unless otherwise stated:

a) Basis on accounting

The fund accountability statement is prepared on cash basis of accounting modified to accrue for expenditure incurred but not paid for as at the period end.

b) Accounting convention

The fund accountability statement has been prepared under the historical cost convention.

c) Income recognition

Receipts from donors are recognized when the funds are received.

d) Expenditure

Expenses are recognized and charged to the line items as set out in the budget when payments are made.

e) Foreign currency translation

Income is received in the functional currency (US\$) and is translated into operating currency (KShs) using the exchange rate prevailing at the date of receipt of the income.

f) Project equipment

Assets purchased through programme funds are expensed in the year of purchase in the fund accountability statement. An asset listing is maintained for purchased and donated assets.

g) Cash and bank balance

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are payable on demand and form an integral part of the cash management and are included as a component of cash and cash equivalent for the year then ended.

ZOE MINISTRY KENYA PROGRAMME
SPECIAL PURPOSE FINANCIAL REPORT
NOTES TO THE FUND ACCOUNTABILITY STATEMENT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

4.2.2 GRANT INCOME

ZOE Ministry Kenya Programme received a total of KShs.111,430,168 from ZOE Ministry US as grants in the period ended 31 December 2020 as per the below schedule:

Date received	US\$	Rate	KShs
08/01/2020	305,182	101.26	30,901,654
14/01/2020	100	101.49	10,149
16/01/2020	16,400	101.38	1,662,689
26/03/2020	189,858	105.10	19,953,525
05/05/2020	177,118	106.61	18,882,391
09/07/2020	199,719	106.96	21,362,304
06/10/2020	<u>171,954</u>	108.50	<u>18,657,456</u>
Total	<u>1,060,331</u>		<u>111,430,168</u>

4.2.3 REALIZED EXCHANGE GAIN

Zoe Ministry Kenya Programme receives funds from HQ in US\$. The amounts are expended in the functional currencies of the program i.e. KShs. The conversion of the US\$ to the reporting currency is based on the exchange rate prevailing at the date of the transaction. An exchange gain of KShs.950,798 was realized for the period ended 31 December 2020.

4.2.4 FUND BALANCE

The negative fund balance of KShs.1,445,226 represents the net of income against total expenditure incurred since inception of the programme. The negative fund balance is funded by contributions from HO subsequent to year-end.

4.2.5 CASH AND BANK BALANCES

	2020 KShs	2019 KShs
Bank Balance	805,961	299,316
Petty Cash	<u>1,730</u>	<u>2,620</u>
Total	<u>807,691</u>	<u>301,936</u>

ZOE MINISTRY KENYA PROGRAMME
SPECIAL PURPOSE FINANCIAL REPORT
NOTES TO THE FUND ACCOUNTABILITY STATEMENT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

4.2.6 ACCOUNTS PAYABLE

Cheque No.	Particulars	Amount(KShs)
2963	Staff contributions	19,000
2965	PAYE	265,742
2966	NSSF	8,000
2970	NHIF	27,700
2971	Modesty Hardware	126,115
2978	Harriet Gacheri	275,758
2980	Ann Waithera	103,680
2981	Uncleared salaries	576,778
2983	Perpetual Nkirote	150,995
2984	Mercy Kendi	284,246
2986	Purity Muthoni	271,748
2990	Doris Kendi	144,467
Total		<u>2,254,229</u>

4.2.7 CURRENCY

The fund accountability statement has been presented in Kenya Shillings (KShs).