EDUCAFRICA FOUNDATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2016

Prepared By:
Muthengi & Associates,
Certified Public Accountants of Kenya
P.O. Box 5845-00100, Nairobi

CONTENTS

ORGANIZATION INFORMATION

Board of Governors

Chairperson	: Matias Saenz
Secretary	: Isidora Mellado
Treasurer	: Michael ochola
Member	: Marcos Ramirez
Member	: Rodrigo Casarejos

Registered Office	: Madonna House
	: Westlands
	: Ground Floor Room A05
	: P.O Box 51140
	: Nairobi.
Auditors	: Muthengi & Associates,
	: Certified Public Accountants,
	: P.O. Box 5845-00100
	: Nairobi
Legal Advisors	: Anthony Gakuru
	: Kaplan and Stratton Advocates Nairobi
Principal Bankers	: NIC Bank

REPORT OF THE BOARD OF GOVERNORS

The Governors submit their report and the audited financial statements for the period ended 31st December 2016, which disclose the state of affairs of the organisation.

PRINCIPAL ACTIVITY

The principal activity of the organisation is to alleviate poverty and promote access to education among the needy

RESULTS

The organisation results for the year is as shown on the Comprehensive Income Statement .

BOARD MEMBERS

The members who held office during the year and up to the date of this report are shown on page 1.

In accordance with the NGO's Act, 1990, no board member is due for retirement by rotation.

AUDITORS

The Organisation's auditors, Muthengi & Associates have indicated their willingness to continue in office in accordance with the NGO,s Act 1990.

BY ORDER OF THE BOARD

ADMINISTRATOR
NAIROBI

24th February 2017

STATEMENT OF BOARD OF GOVERNORS' RESPONSIBILITIES

The Kenyan NGO's Act 1990, requires the Board of Governors to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the organisation as at the end of the financial year and of its operating results for that year. It also requires the Governors to ensure that the organisation maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the organisation. The Governors are also responsible for safeguarding the assets of the organisation.

The Governors accept responsibility for the Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan NGO's Act, 1990. The Governors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the organistion as at 31st December 2016 and of its operating results for the year then ended. The Governors further accept responsibility for the maintenance of accounting records which have been relied upon in the preparation of the Financial Statements, as well as on the adequacy of the systems of internal financial controls.

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

Approved by the board of governors on **24th February 2017** and signed on its behalf by:

Chairman **Signature:………………………………**

Treasurer **Signature:………………………………**

Board Member **Signature:………………………………**

STATEMENT OF COMPREHENSIVE INCOME

	Note	2016 Shs
INCOME		
Donations	**1a**	7,881,627
Grants	**1b**	123,400
Other Income	**1c**	5,948
Total Income		**8,010,974**
EXPENDITURE		
Direct Costs	**2a**	1,839,852
Administration Expenses	**2b**	1,252,500
Operating Expenses	**2c**	46,100
Finance Cost	**2d**	36,120
Total Expenditure		**3,174,572**
Operating (Deficit)/Surplus		**4,836,402**
Purchase of Asset	**3**	(3,566,500)
(DEFICIT)/SURPLUS FOR THE YEAR		**1,269,902**

STATEMENT OF FINANCIAL POSITION

		2016
ASSETS	**Note**	**Shs**
Non-Current Assets		
Property, Plant and Equipment	**3**	7,438,813
		7,438,813
Current Assets		
Cash & Bank Balances	**4**	879,402
		879,402
TOTAL ASSETS		**8,318,214**
CAPITAL & LIABILITIES		
Capital		
Capital Fund		3,513,313
General Fund		1,269,902
		4,783,214
Current Liabilities		
Trade & Other Payables	**5**	3,535,000
		3,535,000
TOTAL CAPITAL & LIABILITIES		**8,318,214**

The financial statements on pages 5 to 17 were approved for issue by the board of directors on **24th February, 2016** and were signed on its behalf by:

Chairman **Signature:……………………………….**

Treasurer **Signature:……………………………….**

Board Member **Signature:……………………………….**

STATEMENT OF CHANGES IN ACCUMMULATED FUND

2016	Capital Fund Shs	General Fund Shs	Total Shs
Balance as at 1st January 2016	-	-	**-**
Purchase of Asset - Land	3,566,500	-	**3,566,500**
Depreciation Charge	(53,188)	-	**(53,188)**
Surplus/(Deficit) for the year	**-**	1,269,902	**1,269,902**
At 31st December 2016	**3,513,313**	**1,269,902**	**4,783,214**

CASH FLOW STATEMENT

	Note	2016 Shs
Cash flows from Operating Activities		
(Deficit)/Surplus		**1,269,902**
Adjustments for:		
(Deficit)/Surplus before Working Capital changes		**1,269,902**
Increase / (decrease) in:		
- Trade and other payables	5	3,535,000
Cash generated from Operations		**4,804,902**
Net cash generated from Operating Activities		**4,804,902**
Cash flows from Investing Activities		
Purchase of property, plant and equipment	3	(7,492,000)
Net cash (used in) Investing Activities		**(7,492,000)**
Cash flows from Financing Activities		
Accummulated funds A/c		3,566,500
Net cash generated from Financing Activities		**3,566,500**
Net (decrease) in cash and cash equivalents		**879,402**
Cash and cash equivalents at 1st January		-
Cash and cash equivalents at 31st December	4	**879,402**

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 the years presented, unless otherwise stated.

a) 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 (Shs).

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 organisation. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates .

b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goodsand/or performance of services, in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

The organisation recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for the organisation's activity as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The organisation bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

Sales of services are recognised upon delivery of service and customer acceptance.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at historical cost.All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the organisation and the cost of the item can be measured reliably. Repairs and maintenance is charged to the Statement of Comprehensive Income in the year to which it relates.

Depreciation is calculated on the reducing balance basis write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate - %
Long Leasehold Land & Buildings	Nil
Furniture & Fittings	12.5

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

d) Intangible assets

Software licence costs are stated at historical cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight line method to write down the cost of the software to its residual value over the estimated useful life using an annual rate of 30%.

e) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Kenya Shillings using the exchange rate prevailing as at that date. The resulting gains and losses from the settlement of such transactions and translations are recognised on a net basis in the Statement of Comprehensive Income in the year in which they arise.

f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. Cost comprises the cost of purchase and all other costs attributed to bring the goods to that particular condition and location. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

g) Provision for liabilities and charges

Provisions are recognised when the NGO has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

h) Retirement benefit obligations

The Organisation and the employees contribute to the National Social Security Fund, a national defined contribution scheme. Contributions are determined by local statute and the organistation's contributions are charged to the Statement of Comprehensive Income in the year to which they relate.

i) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred.

k) Taxation

Tax expense in the Statement of Comprehensive Income is the aggregate of the current income tax and deferred income tax.

Current tax

Current tax is provided on the basis of results for the year adjusted in accordance with the fiscal laws of Kenya.

Deferred tax

Deferred tax is provided in full on all temporary differences except those arising at the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

l) Financial instruments

The organisation classifies its investments into the following categories:

i) **Held-to-maturity investments** which are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has a positive intention to hold to maturity.

ii) **Loans and receivables** which are non-derivative financial assets created by the organisation by providing money or products directly to the debtor other than those with the intent to be sold immediately or in the short run.

iii) **Available-for-sale financial assets** which are assets held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates.

All financial assets are classified as non-current except those with maturities of less than 12 months from the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial assets are recognised initially using the trade date accounting which is the date the organisation commits itself to the purchase or sale and recorded at the fair value of the consideration given plus the transaction costs. Subsequently, held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method.

The directors classify financial assets as follows:

* Receivables are classified as 'loans and receivables' and are carried at amortised cost using the effective interest method.

* Term, current and call deposits with banking institutions are classified as 'held-to-maturity investments' and are carried at amortised cost using the effective interest method.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (continued)

- **Financial liabilities**

The Organisation's financial liabilities which include borrowings and trade and other payables fall into the following category:

- **Financial liabilities measured at amortised cost:** These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the statement of comprehensive income under finance costs.

All financial liabilities are classified as current liabilities unless the Organisation has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Financial liabilities are derecognised when, and only when, the organisation's obligations are discharged, cancelled or expired.

m) Receivables

Receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.
A provision for impairment is recognised in the Statement of Comprehensive Income in the year when recovery of the amount due as per the original terms is considered doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the effective interest rate.

Receivables not collectable are written off against the related provisions. Subsequent recoveries of amounts previously written off are credited to the Statement of Comprehensive Income in the year of recovery.

n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, term and call deposits with banking institutions and other short-term highly liquid investments in money market instruments with maturities of three months or less from the date of acquisition net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

o) Operating leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

p) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Financial Risk Management objectives and policies

The organisation's activities expose it to a variety of financial risks including credit liquidity and interest rates risks and changes in market prices of the organisation's products. The organisation's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The organisation does not hedge any risks and has in place policies to ensure that credit is extended to customers with an established credit history.

r) Critical accounting estimates and judgements

The organisation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. 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) Property, plant and equipment

Critical estimates are required in determining the depreciation rates for property, plant and equipment. The management determines these rates of depreciation based on their assessment of the useful lives of the various items of property, plant and equipment.

ii) Intangible assets

Critical estimates are made by management in determining the amortisation rates for intangible assets. The management determines these rates of amortisation based on their assessment of the useful lives of the intangible assets.

iii) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

iv) Impairment losses on receivables

The organisation regularly reviews its receivables to assess impairment. In determining whether an impairment loss should be recorded in the profit and loss account, the organisation makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of any receivables.

NOTES TO THE FINANCIAL STATEMENTS

		2016 Shs
1	**Income**	
a)	**Donations**	
	Monto EN Dolares Fundcion	3,970,219
	Fundcion Educafrica	3,911,408
	Total Donations	**7,881,627**
b)	**Grants**	
	Spanish Speakers Association Program	123,400
	Total Grants	**123,400**
c)	**Other Income**	
	Interest Income	5,948
	Total Other Income	**5,948**
	Total Income	**8,010,974**
2	**Expenditure**	
a)	**Direct Cost**	
	School Fees	919,852
	Uniform	101,500
	Graduation Fee	28,000
	Teaching Materials	160,280
	Repairs & Maintenance	137,000
		1,346,632
	Social Activities -Futbol Mas	493,220
	Total Direct Costs	**1,839,852**
b)	**Administrative Expenses**	
	Salaries and Wages	416,000
	Rent Expeses	790,100
	Audit & Accountancy Fees	35,000
	Telephone Internet & Software renewal	11,400
	Total Administrative Expenses	**1,252,500**
c)	**Operating Expenses**	
	Water and Electricity	26,100
	Transport	20,000
	Total Operating Expenses	**46,100**
d)	**Finance Costs**	
	Bank Charges	36,120
	Total Finance Costs	**36,120**

NOTES TO THE FINANCIAL STATEMENTS

3 Property, Plant and Equipment

2016	Land	Furniture & Fittings	Total
	Nill	***12.50%***	
Balance B/f	-	-	-
Additions during the year	7,066,500	425,500	7,492,000
Total at Cost (Ksh)	**7,066,500**	**425,500**	**7,492,000**
Depreciation			
Depreciation B/f	-	-	-
Charge for the year	-	53,188	53,188
Total Depreciation	**-**	**53,188**	**53,188**
Net Book Value (Ksh)	**7,066,500**	**372,313**	**7,438,813**

	2016 Shs
4 Cash and Cash Equivalents	
Cash in Hand	-
Cash in Bank	879,402
	879,402
5 Trade and Other Payables	
Accrued Audit Fees	35,000
Other Payables (Land)	3,500,000
	3,535,000