

Children of Watamu Trustee Report 2023 - 2024

Registration No: 1098731

Address: Watamu, Kilifi County, Kenya

Trustees:

Dave Hayward – Non Executive Director & Chairman

Rose Pendo - Director

Chloe Groves – Treasurer

Velma Kazungu – School Administrator

Silas Karisa

Dawn-Heather White

Peter Reid

Philip Marshall

Grace Dunbar

Introduction

The Children of Watamu Happy House is registered as a Children's Home with the Charity Commission for England and Wales. The Home is also registered as a Charitable Children's Institution (CCI) in the Republic of Kenya CS No 000573. The Happy House was established in March 2010 by Sue and Dave Hayward who were regular visitors to Watamu. Within a few months of opening the number of children living in the Happy House was 104 but, through extensive work with the local community and in tracing members of extended family, this number has been reduced to an average of 50 children at any one time. Some of the children have been abandoned, some have lost parents through illness, some have been abused and some were referred by local children's groups and communities as mothers could not afford to feed them and their children were at risk of starving.

In keeping with the National Care Reform Strategy for Children in Kenya 2022 – 2032, the Happy House continues to provide a safe, secure and homely environment while attempting to repatriate children back into local communities, where possible. The Happy House also established the Happy House School which is attended by both Happy House children plus fee paying students which further helps with community integration as the children develop networks outside of their home.

Structure

The Happy House Trustees meet on a quarterly basis. As four of the Trustees are based in Watamu and four are based in the United Kingdom, meetings take place via zoom and then minutes are emailed to the group within a few days. There are standing agenda items which include Financial Updates, Governance Issues, and progress reports on the annual Development Plan and annual Quality Improvement Plan. The Director, Non-Executive Director and School Administrator are also members of the local Management Board and they meet on a weekly basis.

There were some changes to the Trust Board during the year with the sad demise of Mr Paul Hatch and the resignation of Mr Chris Franklin. Mr Philip Marshall, a previous visitor and supporter of the Happy House and experienced Trustee, was welcomed to the Trust Board and attended his first Trust Board meeting in January 2024.

Activities and Objectives

The Development Plan 2023 - 2024 had five Key Aims which addressed Finance, Documentation, development of the Junior Secondary School, Quality Improvement and the National Care Reform Strategy for Children 2022 – 2032. The Key Aims were:

1. To separate the Happy House and School budgets to ensure tax is appropriately paid where applicable.
2. To update all legal documentation, Policy & Procedures and registrations.
3. To complete and monitor a School Development Plan and Quality Improvement Plan.
4. To develop and monitor a Quality Improvement Plan 2023 – 2024 for the Happy House.
5. To identify relevant sections of the National Care Reform Strategy for Children in Kenya 2022 – 2032 and begin the implementation of key reforms.

As noted, Key Aim 4 was to agree and implement a Quality Improvement Plan 2023 – 2024. The actions in the Improvement Plan included:

1. Evaluation of the Moving On Group
2. File audit of the three most recently admitted children
3. File audit of the young people discharged in the last 12 months
4. Improve use of media to heighten the profile of the Happy House
5. Establishment of a Health & Safety file to monitor implementation of the recommendations of the Sanitation report and other regular maintenance checks.

Achievements and Performance

The majority of the Aims listed in the Development Plan have been realised. There continues to be a delay in receiving the Re-Registration Certificate despite regular contact with the Children's Office. The Certificate has been promised many times but has not been sent although the Children's Office continues to refer children to the facility.

In the absence of any Inspections by the Children's Office in 2023 – 2024, the Trustees carried out a series of Audits against the targets in the Quality Improvement Plan to ensure standards outlined in the National Standards for Best Practice in Charitable Children's Institutions April 2013 are met. Each of the UK based Trustees visited the Happy House during the year and, as well as carrying out audits, they participated in Kids Club meetings, attended meetings with staff from the Home and the School and spent time talking with individual children and staff. While the outcome of the visits was positive, some areas for improvement were identified, most specifically in record keeping based on the results of the file audits. An action plan will be included and monitored through the 2024 – 2025 Development Plan. However, it was also acknowledged that the workload for the social worker was onerous given the fact there are over fifty children with many of them preparing to transition so an additional part-time social worker has been employed to ensure standards are maintained.

One of the actions from the 2023 – 2024 Development Plan was to employ an Accountant and this has been achieved. Since her appointment, all the Financial Policy & Procedures have been updated and approved through the Board of Trustees meetings. These include The Internal Control Document which covers Petty Cash, Procurement and Purchasing, Financial Records, Stock Taking, Capitalization Policy, Property Plant and Equipment and Stock Taking. An Anti Fraud, Bribery and Corruption Policy and Reserve Policy have also been introduced.

A target for 2023 – 2024 was to secure additional funding and build on a recently purchased site. This was a high priority due to the number of young people aged 16 years plus who would need to transition to other accommodation as they were still at school. One of the biggest achievements for the Happy House was to build the first

bungalow and successfully transfer four young men into their new accommodation. They continue to receive support from the Happy House and the transition has been very positive. The other children have been to visit the accommodation which is within walking distance of the Happy House and moving on to semi-independence is now seen as a positive experience. Plans are in place to further develop the site so further fund-raising will be required in 2024 – 2025 to facilitate this.

A plot of land attached to the school to develop sporting facilities has been secured and Sponsors are involved in taking this forward in 2024 – 2025. Two Trustees carried out a Quality Audit at the school and some areas for improvement were identified and included in an Action Plan agreed with the General Manager and Head Teacher. Several of the targets for improvement had been met by the end of the 2023 school year and any outstanding targets have been included in the School Development Plan for 2024 which will be monitored through the weekly meetings with the management team.

Assets and Budget

Funding comes from established sponsors plus one-off payments as a result of fund-raising activities. Details are included in the published Accounts and are monitored by the Board of Trustees. The main targets for fund raising in 2023 – 2024 were for the development of the semi-independent living accommodation and also the replacement of the Happy House roof.

Challenges and Restraints

One of the main challenges for the Happy House has been trying to implement the National Strategy with limited support, guidance or involvement from the Children's Office. The Happy House is committed to providing a safe, homely environment and to ensuring that the ethos of the Home is in keeping with strategic direction. This is being achieved by setting our own Aims which are monitored by the Board of Trustees and focussing on key areas such as Exit Planning.

Finance will always be a challenge for a small organisation and the Happy House is dependent on continuing Sponsorship for ongoing costs and fund raising campaigns for one-off expenses. This year one of the larger expenses was for the replacement of the roof of the Happy House at a cost of 8,600 Sterling. The original roof was made of the local material makuti but, as it was 15 years old and well beyond its expected lifespan, it

started to leak during the rainy season. The makuti was replaced with a more permanent material.

A new group of children are reaching 18 years old but are still in full time education. We need to raise enough money to build a second bungalow but also, as the Happy House continues to pay all the utilities and food bills for the semi-independent accommodation, we are reliant on sponsors continuing to support a young person once they have moved out of the main Happy House. Fortunately the Sponsors of the four young men who moved to the semi-independent accommodation were agreeable to this.

Future Plans

Plans for this year include continuing to fundraise for stage two of the Semi Independent Living Accommodation and focussing on preparing the older children for reintegration into the community where possible. The school will be working on the development of the sports facilities. Quality Audits will continue to be carried out based on the standards for Charitable Children's Institutions. Succession planning and composition of the Trust Board will be addressed this year. This actions will be included in the Development Plan 2024 - 2025 and will be reported on in next year's Trustee Report.

David Hayward

Chairman

March 2024

Sue Hayward - Happy House

Annual Report and Financial Statements - Y/E 31/12/2023

At an average exchange rate of 171 Kenyan Schillings to the £ Sterling

Income and Expenditure Account - Y/E 31/12/2023

	2023 £	2022 £
Donations Received	120,234	153,123
Less: Expenditure	(81,538)	(158,903)
Operating (Deficit) / Surplus	<u>38,696</u>	<u>(5,780)</u>

Statement of Reserves

Year ended 31 December 2022

	2022 £	2022 £
Accumulated Fund Balance Brought Forward	212,505	209,688
(Deficit)/Surplus for the Year	38,696	(5,780)
Exchange difference	(56,444)	8,597
Transfer to reserves	(32,193)	
Prior Year Adjustments		
Accumulated Fund Balance Carried Forward	<u>162,564</u>	<u>212,505</u>

Detailed Income and Expenditure Account - Y/E 31/12/2023

	2022	2022
	£	£
Donations Received	114,398	72,063
Other income	5,837	81,060
	<u>120,235</u>	<u>153,123</u>
Expenditure:		
Motor Running Expenditure	3,560	15,599
Telephone, Postage and Internet	1,138	2,965
Repairs and Maintenance	4,891	8,054
Food Programme	11,893	23,778
Water and Electricity	2,088	3,004
Transport	846	1,360
Salaries and Wages	27,559	77,188
Director's Expenses	2,548	1,302
Entertainment	314	582
Printing and Stationery	929	3,777
Garden Expenses	771	482
Students' Utilities	3,302	1,804
Medical Expenses	548	441
Legal & Expenses	1,784	2,581
Bank Charges	327	443
Security	0	397
Bookkeeping & Accountancy Fees	439	685
Cleaning and Sanitation	1,354	365
Generator Expenses	0	0
Books and Learning Materials	0	3,229
School Fees	11,065	2,833
Rent and rates	819	959
Miscellaneous	(1)	133
License and permits	0	131
Foreign exchange loss	0	5
Depreciation	5,363	6,806
	<u>81,537</u>	<u>158,903</u>
(Deficit) / Surplus for the Year	<u>38,698</u>	<u>(5,780)</u>

Sue Hayward - Happy House
Statement of Financial Position - Y/E 31/12/2023

Closing rate 199

	<u>Notes</u>	2023 £	2022 £
Non-Current Assets			
Property, Plant and Equipment		152,986	189,533
Current Assets			
Cash and Bank	2	5,406	17,102
Other Receivables	3	4,549	6,158
		<u>9,955</u>	<u>23,260</u>
Current Liabilities	4	377	288
Net Assets		<u>162,564</u>	<u>212,505</u>
Financed by:			
Accumulated Funds		<u>162,564</u>	<u>212,505</u>

Notes to the Financial Statements

2 Cash and Bank			
Cash in Hand		91	119
Cash at Bank		5,315	16,983
		<u>5,406</u>	<u>17,102</u>
3 Receivables			
Other Receivables		4,549	6,158
		<u>4,549</u>	<u>6,158</u>
4 Current Liabilities			
Other creditors		377	288
		<u>377</u>	<u>288</u>

CHILDREN OF WATAMU
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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The following page does not form an integral part of these financial statements

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ORGANISATION INFORMATION

BOARD OF TRUSTEES

: Ms. R. Pendo
: Mr. David Hayward
: Mr. Peter Reid
: Ms. Grace Dunbur
: Mrs. Chloe Grove
: Mrs. Velma Kazungu
: Mr. Silas Karisa
: Mrs. Dawn Heather White
: Mr. Philip Marshall

REGISTERED OFFICE

: Children of Watamu
: P.O. Box 796 - 80202
: Watamu, Kenya

INDEPENDENT AUDITOR

: Monda & Associates
: Certified Public Accountants
: P. O. Box 16826 - 80100
: Mombasa, Kenya

MAIN DONOR

: Blackpool Soroptimists
: United Kingdom

PRINCIPAL BANKER

: NCBA Bank PLC
: Malindi, Kenya

REPORT OF THE BOARD OF TRUSTEES

The organisation is governed by its by-laws. The organisation was registered with the Non-Governmental Organisation's Co-ordination's Act, 1990 in 2008.

The chairperson is responsible for the general policy guidelines relating to the affairs of the organisation provided in the constitution.

PRINCIPAL ACTIVITY

Children of Watamu organisation aims to provide health care, improve hygiene, food-security and education in Watamu, Malindi - Kenya.

Children of Watamu organisation aims to provide health care and hygiene, food-security and education to destitute children in Watamu, Kenya.

The Board of Trustees meets four times a year. The chairman is responsible for the general policy guidelines relation to the affairs of the organisation provided in the constitution.

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

RESULTS

	2023	2022
	Shs	Shs
Transferred to general reserves.	<u>6,616,986</u>	<u>(843,886)</u>

BOARD OF TRUSTEES

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

STATEMENT AS TO DISCLOSURE TO THE ORGANIZATION'S AUDITOR

With respect to each Board of Trustees member at the time this report was approved:

- (a) there is, so far as the person is aware, no relevant audit information of which the organisation's auditor is unaware; and
- (b) the person has taken all the steps that the person ought to have taken as a board member so as to be aware of any relevant audit information and to establish that the organization's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

Monda & Associates continues in office in accordance with the organisation's constitution and the NGO's Co-odination Act, 1990. The Board of Trustess monitor the effectiveness, objectivity and independence of the auditor. The members also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of Shs. 75,000 has been charged to income and expenditure in the year.

BY ORDER OF THE BOARD OF TRUSTEES

.....
Trustee

.....
Trustee

.....
Trustee

STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES

The organisation's constitution requires the management committee to prepare financial statements for each financial year which 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 surplus/deficit or loss for that year. It also requires the management committee to ensure that the organisation keeps proper accounting records that are sufficient to show and explain the transactions of the organisation; and that disclose, with reasonable accuracy, the financial position of the organisation and that enables them to prepare financial statements of the organisation that comply with the International Accounting Standard and the NGO's Co-ordination Act, 1990. The management committee are also responsible for safeguarding the assets of the organisation and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The management committee accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Accounting Standard and the NGO's Co-ordination Act, 1990 and in the manner required by the organisation's constitution. They also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgments that are reasonable in the circumstances;

The management committee are of the opinion that the financial statements give a true and fair view of the financial position of the organisation as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Accounting Standard and the NGO's Co-ordination Act, 1990.

In preparing these financial statements the management committee have assessed the organisation's ability to continue as a going concern. Nothing has come to the attention of the management committee's to indicate that the organisation will not remain a going concern for at least the next twelve months from the date of this statement.

The management committee acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

So far as each of the management committee is aware, there is no relevant audit information which the auditor is unaware of, and the management committee has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the management committee on _____ 2024 signed on its behalf by:

Trustee

Trustee

Trustee

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CHILDREN OF WATAMU

Opinion

We have audited the financial statements of Children of Watamu, set out on pages 6 to 13 which comprise the statement of financial position as at 31 December 2023, and the statement of income and expenditure and statement of changes in reserves and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the organisation's financial statements give a true and fair view of the financial position as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with International Accounting Standard and the NGO's Co-ordination Act, 1990.

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 organisation 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

Other information

The members are responsible for the other information. The other information comprises the member's report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express 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 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 members for the financial statements

The members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Accounting Standard and the NGO's Co-ordination Act, 1990, for such internal control as the members determine 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, the members are responsible for assessing the organisation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis for accounting unless the members either intend to liquidate the organisation or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the organisation's financial reporting process.

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.

.....continued on page 5

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF CHILDREN OF WATAMU (CONTINUED)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of members' 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 organisation'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 organisation 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.

Report on Other Legal and Regulatory Requirements

As required by the organisation's Constitution, 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 organisation, so far as appears from our examination of those books; and
- iii) the organisation's statement of financial position and statement of income and expenditure are in agreement with the books of account.

**Monda & Associates
Certified Public Accountants
Mombasa**

_____ 2024

STATEMENT OF INCOME AND EXPENDITURE

	Notes	2023 Shs	2022 Shs
Donations received	3	19,562,056	10,521,225
Other income	4	997,970	11,834,673
Administrative expenses		(11,461,017)	(20,321,384)
Other operating expenses		<u>(2,482,022)</u>	<u>(2,878,401)</u>
Surplus/(Deficit) before tax	5	6,616,986	(843,886)
Tax	6	<u>-</u>	<u>-</u>
Surplus/(Deficit) for the year		<u>6,616,986</u>	<u>(843,886)</u>

The notes on pages 10 to 13 form an integral part of these financial statements.

Report of the independent auditor- pages 4 to 5.

Children of Watamu
 Annual report and financial statements
 For the year ended 31 December 2023

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2023 Shs	2022 Shs
RESERVES			
General reserves		<u>32,350,239</u>	<u>31,238,241</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	7	<u>30,444,201</u>	<u>27,861,306</u>
Current assets			
Receivables	8	905,253	905,253
Cash and cash equivalents	9	<u>1,075,785</u>	<u>2,513,988</u>
		<u>1,981,038</u>	<u>3,419,241</u>
Current liabilities			
Payables	10	<u>75,000</u>	<u>42,306</u>
Net current assets		<u>1,906,038</u>	<u>3,376,935</u>
		<u>32,350,239</u>	<u>31,238,241</u>

The financial statements on pages 6 to 13 were approved and authorised for issue by the Management Committee on _____ 2024 and were signed on its behalf by:

_____ Member

_____ Member

The notes on pages 10 to 13 form an integral part of these financial statements.

Report of the independent auditor- pages 4 to 5.

STATEMENT OF CHANGES IN RESERVES

	General reserves
	Shs
Year ended 31 December 2023	
At start of year	31,238,241
Transfers to reserves	(5,504,988)
Deficit for the year	<u>6,616,986</u>
At end of year	<u><u>32,350,239</u></u>
Year ended 31 December 2022	
At start of year	32,082,128
Deficit for the year	<u>(843,886)</u>
At end of year	<u><u>31,238,241</u></u>

Report of the independent auditor - pages 4 to 5

STATEMENT OF CASH FLOWS

	Notes	2023 Shs	2022 Shs
Cash flows from operating activities			
Surplus/(Deficit) for the year		6,616,986	(843,886)
Adjustments for:			
Depreciation of property, plant and equipment	7	917,105	993,634
Changes in working capital:			
Movement in trade and other payables		-	(4,386)
Movement in trade and other receivables		32,693	(44,990)
Net cash from operating activities		7,566,784	100,371
Cash flows from investing activities			
Cash paid for purchase of property, plant and equipment	7	(3,500,000)	(3,958,185)
Net cash used in investing activities		(3,500,000)	(3,958,185)
Cash flows from financing activities			
Transfers during the year		(5,504,988)	-
Cash flows from financing activities		(5,504,988)	-
Decrease in cash and cash equivalents		(1,438,203)	(3,857,814)
Movement in cash and cash equivalents			
At start of year		2,513,988	6,371,803
Decrease		(1,438,203)	(3,857,814)
At end of year	9	1,075,785	2,513,988

The notes on pages 10 to 13 form an integral part of these financial statements.

Report of the independent auditor- pages 4 to 5.

NOTES: 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.

1. General Information

Children of Watamu is a Non-Governmental Organisation registered in Kenya. The address of its registered office and its principal place of business is in Watamu, Kenya. The organisation's principal activity is to provide health care services in rural areas and to improve hygiene, food-security and education.

2. a) Basis of preparation

The financial statements of Children of Watamu have been prepared in accordance with the International Accounting Standard and the NGO's Co-ordination Act, 1990.

The preparation of financial statements in conformity with the International Accounting Standard and the the NGO's Co-ordination Act, 1990 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the organisation's accounting policies.

These financial statements comply with the requirements of the International Accounting Standard and the NGO's Co-ordination Act, 1990. The statement of profit or loss represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

Going concern

The financial performance of the organisation is set out in the members' report and in the statement of income and expenditure. The financial position of the organisation is set out in the statement of financial position.

Based on the financial performance and position of the organisation and its risk management policies, the members are of the opinion that the organisation is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) Donations recognition

Most of the donations received are from the principal donor which are recognised upon credit in the bank through swift transfers. All other donations are recognised upon receipt.

c) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. 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 amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the organisation and the cost can be reliably measured.

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property, plant and equipment (continued)

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

	Rate %
Land	0%
Motor Vehicles	25%
Motor Bikes	12.5%
Furniture & Fittings	12.5%
Machinery & Equipment	12.5%
Green House	12.5%
Computers & Accessories	30%
Text books	0%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

d) Receivables

Receivables are recognised at the transaction price.

At the end of each reporting period, the carrying amounts of 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 in the income and expenditure account.

e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and cash at bank.

f) Payables

Payables are recognised at the transaction price (including transaction costs).

g) Employee benefit obligations

The organisation and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The organisation's contribution to the defined contribution scheme are charged to profit or loss in the year to which they relate.

h) Comparatives

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

NOTES (CONTINUED)

3. Donations received	2023 Shs	2022 Shs
Donations from principal donor	19,562,056	10,521,225
Other donations	<u>997,970</u>	<u>11,834,673</u>
	<u>20,560,025</u>	<u>22,355,898</u>
4. Other donation		
Miscellaneous income	<u>-</u>	<u>905,253</u>
5. Deficit for the year		
The following items have been charged in arriving at transfers to deficit for the year:		
Staff costs	4,712,659	11,269,438
Depreciation of property, plant and equipment (Note 7)	917,105	993,634
Audit fees	<u>75,000</u>	<u>100,000</u>
6. Tax		
Current tax	<u>-</u>	<u>-</u>

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

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NOTES (CONTINUED)

7. Property, plant & equipment

Year ended 31 December 2023

Cost:

	Land & Building	Motor Vehicles	Motor Bikes	Furniture & Fittings	Machinery & Equipment	Green House	Computers & Accessories	Text Books	Total
As at 1 January 2023	26,716,453	6,430,000	95,000	3,450,099	3,310,764	1,540,000	674,300	31,910	42,248,526
Additions	3,500,000	-	-	-	-	-	-	-	3,500,000
Disposals	-	-	-	-	-	-	-	-	-

As at 31 December 2023

	30,216,453	6,430,000	95,000	3,450,099	3,310,764	1,540,000	674,300	31,910	45,748,526
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Depreciation:

As at 1 January 2023	3,276,439	5,951,140	70,008	1,545,558	1,754,275	1,134,864	654,938	-	14,387,221
On disposal	-	-	-	-	-	-	-	-	-
Charge for the year	305,186	119,715	3,124	238,068	194,561	50,642	5,809	-	917,105

As at 31 December 2023

	3,581,625	6,070,855	73,132	1,783,626	1,948,836	1,185,506	660,747	-	15,304,325
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Net book value:

As at 31 December 2023	26,634,828	359,145	21,868	1,666,473	1,361,929	354,494	13,553	31,910	30,444,201
As at 31 December 2022	23,440,014	478,860	24,992	1,904,541	1,556,490	405,136	19,362	31,910	27,861,306

NOTES (CONTINUED)

	2023 Shs	2022 Shs
8. Receivables		
Other receivables	<u>905,253</u>	<u>905,253</u>
9. Cash and cash equivalents		
Cash in hand	18,154	17,525
Cash at bank	<u>1,057,631</u>	<u>2,496,463</u>
	<u>1,075,785</u>	<u>2,513,988</u>
10. Payables		
Accrued expenses	<u>75,000</u>	<u>42,307</u>

11. Country of registration

The Organisation is constituted in Kenya under the Non-Governmental Organisations Co-ordinations Act (Cap. 134 of 1990) as a non profit-making organisation and is domiciled in Kenya.

12. Presentation currency

The financial statements are presented in Kenya Shillings (Shs).

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SCHEDULE OF EXPENDITURE	2023	2022
	Shs	Shs
1. ADMINISTRATIVE EXPENSES		
Projects		
Food program	2,033,774	3,471,564
Garden expenses	131,791	70,440
Students' utilities	564,603	263,373
Books & learning material	-	471,435
School fees	1,892,100	413,666
	<u>4,622,268</u>	<u>4,690,478</u>
Employment:		
Salaries & wages	4,712,659	11,269,438
Other administrative expenses:		
Motor running expenses	608,792	2,277,417
Telephone, postage & internet	194,550	432,945
Transport	144,750	198,495
Director's expenses	435,791	190,131
Entertainment	53,690	84,980
Printing & stationery	158,827	551,414
Medical expenses	93,773	64,385
Bank charges	55,918	64,713
Audit fees	75,000	100,000
Legal & professional fees	305,000	376,797
Foreign exchange loss	-	679
Miscellaneous	-	19,511
	<u>2,126,090</u>	<u>4,361,468</u>
Total other administrative expenses	<u>2,126,090</u>	<u>4,361,468</u>
Total administrative expenses	<u>11,461,017</u>	<u>20,321,384</u>
2. ESTABLISHMENT EXPENSES		
Repairs & maintenance	836,370	1,175,845
Water & electricity	357,037	438,597
Cleaning & Sanitation	231,510	53,270
Rent and rates	140,000	140,000
Security	-	58,000
License and permits	-	19,055
Depreciation	917,105	993,634
	<u>2,482,022</u>	<u>2,878,401</u>
Total establishment expenses	<u>2,482,022</u>	<u>2,878,401</u>

Auditors' Report

Report of the Independent Auditors to the board of trustees of Children of Watamu

We have audited the financial statements set out on pages 6 and 12. 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 and to provide a reasonable basis for our opinion. The financial statements are in agreement with the books of accounts.

Respective responsibilities of board of trustees and auditors

The board of trustees are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the organisation and of the operating results. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the board of trustees, as well as an evaluation of the overall presentation of the financial statements.

Opinion

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the organisation as at 31 December 2022 and of its results for the year then ended and comply with the International Financial Reporting Standard.



Monda & Associates
Certified Public Accountants
P. O. Box 16826 - 80100
Mombasa

25th April / 2023