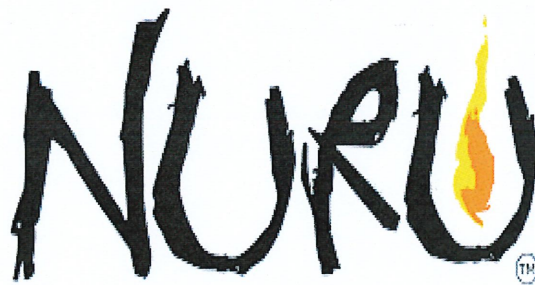


NURU INTERNATIONAL KENYA
AUDITED FINANCIAL STATEMENTS
31ST DECEMBER 2020



KKCO East Africa
Certified Public Accountants
P. O. Box 46335-00100
NAIROBI
Email: audit@kkcoeastfrica.com
Website: www.kkcoeastfrica.com

NURU INTERNATIONAL KENYA
AUDITED FINANCIAL STATEMENTS
31ST DECEMBER 2020

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NURU INTERNATIONAL KENYA

EXECUTIVE BOARD MEMBERS : Anne Mosenda - Chairperson

: Pauline Wambeti - Secretary

: Joseph Matiko - Treasurer

BOARD MEMBERS : Naomi Matiko - Member

: Leonard Oti - Member

: Kennedy Opondo - Member

: Catherine Tingo - Member

: Anastacia Masero - Member

REGISTERED OFFICE

: Isebania Station
Migori - Isebania Road
P. O. BOX 176 - 40414
Isebania
KENYA

PRINCIPAL BANKERS

: Kenya Commercial Bank Limited
Isebania Branch

: Equity Bank of Kenya Limited
Migori Branch

: Ecobank Kenya Limited
Kisii Branch

INDEPENDENT AUDITORS

: KKCO East Africa
Certified Public Accountants of Kenya

NURU INTERNATIONAL KENYA

Report of the Board

to the Members of Nuru International Kenya

The Board has pleasure in presenting its report together with the audited financial statements for the year ended 31st December 2020.

PRINCIPAL ACTIVITIES

Nuru Kenya is a registered NGO (OP.218/051/2010/092/6886) whose vision is to build resilience of smallholder agricultural communities in remote rural Kenya by eradicating extreme poverty and establishing sustainable locally owned agribusinesses. The organisation's mission is implemented through the key interventions areas in Rural Livelihoods, Cooperative and Market Linkages, Healthcare and a Leadership and Capacity building component. The Leadership program is incorporated in the model to develop and enhance the capacity of local leaders to achieve and sustain impact in a cost effective and scalable way. The leadership program is being transitioned into a Technical and Vocational Education and Training (TVET) institute. This will offer professionalized agro-based training to smallholder farmers and students. Nuru Kenya has a monitoring and evaluation (M&E) program with the goal of tracking performance of impact programs. This is aimed at increasing the efficiency and effectiveness of program implementation activities and achievement of results.

Nuru Kenya strived to achieve its objectives set out at the beginning of the implementation period notwithstanding the challenges posed by the Covid19 global pandemic. The organization adapted to operating under the set out public health protocols to mitigate the pandemic effects in order to serve the Nuru Kenya supported farmers and cooperatives. The organization had to allow staff to work from home during peak times of the pandemic. Essential services provided by veterinarians and other key staff were done so in strict adherence to the issued Ministry of Health guidelines.

AREA OF COVERAGE

Nuru Kenya operates in Kuria West, Kuria East, Uriri and Awendo sub-counties of Migori County. In 2020, the organisation expanded to Homa Bay County and envisions expanding to Baringo County. This is driven by local demand for the community centred interventions. This expansion was however slowed down due to the Covid19 pandemic. The organization has robust plans to reach out to more farmers in different Counties of Kenya and provide the much needed support to these marginalized communities.

KEY RESULT AREAS

Nuru Kenya programming focused on four key result areas; Food Security and Nutrition, Community Health, Economic Empowerment and Leadership Development. The programs in these strategic areas are designed to bring about positive outcomes in the lives of community members through improving agricultural production, household health, income and education. In the reporting period, the organisation was able to achieve several milestones under these key result areas as highlighted below:

NURU INTERNATIONAL KENYA

Report of the Board

to the Members of Nuru International Kenya

1.0 Food Security and Nutrition

Towards achieving the organisation's food security and nutrition objectives, the organisation implemented crop-based and dairy interventions through its rural livelihoods program. These interventions were rolled out to a total 15 farmer cooperatives in Migori and Homa Bay Counties. Nuru Kenya was able to reach 1833 smallholder farmers in these cooperatives and approximately 11,000 indirect beneficiaries in household members. The organization supported smallholder farmers through a long rain season crop loan package consisting of Maize, Millet, Sorghum, Beans and Groundnuts. The crop diversification reduced the risk associated with crop failure due to changes in weather patterns. The Nuru supported farmers were able to average a yield of 9 bags per acre during the 2020 long rain season despite challenges related to the Covid19 pandemic and sporadic rainfall that destroyed crops before harvest. The small harvest still guaranteed household food needs were met and in cases of surplus, the extra was sold for income.

In addition, the program implemented diversification of livelihoods through the dairy program. The dairy program, in its third intervention year, has scaled up to 13 cooperatives with a total of 537 dairy farmers registered in the program. The main focus of the dairy program was to increase milk production as a source of protein for the household. The surplus milk was meant to be sold to supplement the household income. A key component of the program of sensitizing farmers to acquire improved breeds was interrupted during the reporting period. This was due to the Covid19 pandemic that limited access to markets for improved heifers. Therefore, in 2020, no improved heifers were issued through dairy loans to farmers. The extension support and training offered to dairy farmers was also greatly interrupted due to the pandemic. The program mitigated this by providing extension support through informative text messages sent to farmers regularly. The lack of direct extension support affected the adoption of dairy best management practices (BMPs) by farmers with a subsequent decline in the quantity of milk produced by heifers. However, 51% of dairy farmers maintained at least 6 of the 10 BMPs from the previous year. The milk produced increased from an average of 2.4 liters per cow in 2019 to 2.7 liters in 2020 despite these challenges.

2.0 Community Health

A vigorous working community is a healthy community. In a bid to strengthen the social welfare of the target beneficiaries, NK implements a healthcare program. The healthcare program aims at reaching Nuru farmers and households with structured health information through a tailored interpersonal communication approach. The program sensitizes the community on reducing preventable maternal and child diseases and deaths through adoption of 10 identified healthy behaviors. These are aimed to overall contribute to a reduction in under five child mortality. Care Groups are in charge of household visits and conduct monthly meetings to deliberate issues and progress of the community regarding health. The program was able to reach 1659 farmers within 14 cooperatives in Migori County during the reporting period. This year Care Group members did not conduct household visits and group meetings as intended. This is mainly because of the Covid19 pandemic and subsequent Government restrictions on meetings. Thus, most of the communication was conducted remotely via mobile phones promoting and encouraging cooperative household members to adopt effective interventions for maternal and child health. Nuru Kenya recorded a 24% reduction in under five child mortality against the 30% target set at the beginning of the year.

NURU INTERNATIONAL KENYA

Report of the Board

to the Members of Nuru International Kenya...(Contd.)

3.0 Economic Empowerment

Nuru Kenya supported smallholder farmers through their farmer cooperatives. These serve as sustainable agribusiness vehicles for socio-economic transformation. The organization implemented a cooperative and market linkages program aimed at cooperative development, strengthening the management of the cooperatives and supporting market access and marketing services to members. In order to ensure farmer members of the cooperative are empowered, a financial inclusion component was embedded in the cooperative development strategy. This focused on reducing the barriers preventing farmers from accessing mainstream financial services through household economic empowerment. Cooperative members were encouraged to have savings in order to build an active cash flow and improve their credit worthiness. In addition, through the dairy program, farmers in the cooperatives were incentivised to save through making prepayments towards acquisition of heifers. In 2020, a total of 31 farmers made prepayments for heifers totalling about half a million Kenya shillings.

The performance of the cooperatives was also reflective of the farmers financial health. The cooperatives revolving fund is essential to their sustainability. During the reporting period, 66% of the crop seed capital issued at the beginning of the year to the cooperative was recovered. Two cooperatives fully returned the crop seed capital. NK continued to support the cooperatives in maintaining their books and reminding farmers to repay their loans although the pandemic had economic effects that affected the farmers' cash flows. At the cooperative level, 76% of Nuru supported cooperatives demonstrated profitability based on the previous year's financial reports.

4.0 Leadership Development

The organization implemented a leadership development program. The goal of the leadership program was to equip Nuru Kenya staff, farmer cooperative members and partner organizations with adequate knowledge, skills and attitudes to enable them serve their community in an effective way in order to end extreme poverty. This goal was achieved through training, workshops and partnership. During the reporting period, the program developed a training resource kit for 14 cooperatives. Furthermore, the program managed to train a cohort of 10 representative cooperative members on cooperative leadership and governance, and over 15 cooperative members in 6 cooperatives in computer applications.

In 2020, the leadership program transitioned into a Technical and Vocational Education and Training (TVET) institute. The TVET in complying with the Ministry of Education requirements, enrolled 15 facilitators for training to be certified instructors at the institute. The Kenya Technical Trainers College (KTTC) organized virtual training as a response to the Covid19 pandemic gathering restrictions.

OTHER PROJECT ACTIVITIES

Nuru Kenya was able to undertake a Scope Insight assessment for 14 NK supported cooperatives in Migori County. After five years of providing direct resources and support, Nuru Kenya deployed the SCOPE Insight tool to assess the overall health of Nuru Kenya's earliest cooperatives. The tool comprises eight dimensions that are averaged into one total score between 1 - 5. The final reports were then distilled into briefs that outline recommendations for each cooperative to implement as Nuru exits.

NURU INTERNATIONAL KENYA

Report of the Board

to the Members of Nuru International Kenya.../(Contd.)

Table 1: A summary of the Scope Insight Results

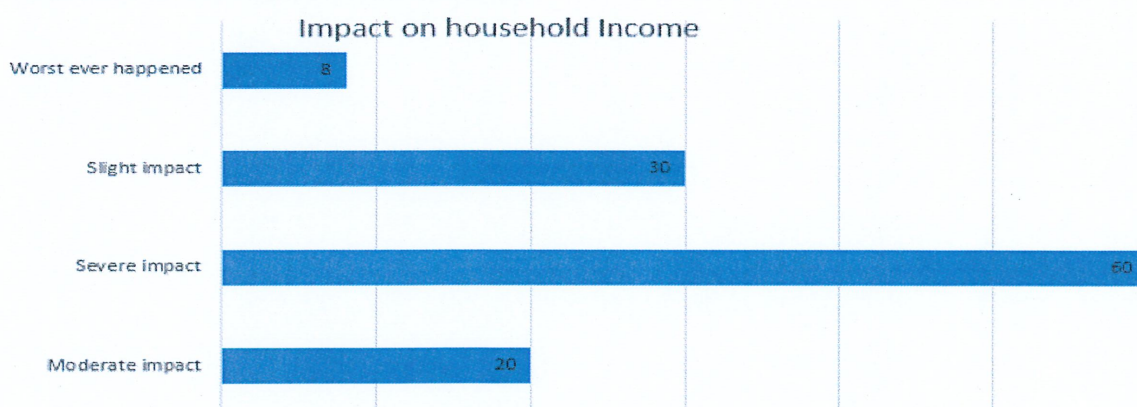
Key Overview Indicators	Results
Assessment: SCOPE BASIC	
Number of Cooperatives Assessed	14
Cooperative incorporation years	5
Scoring and Target	
Overall Average Score	3.4
Overall Average Target	3.3

During the reporting period the rural livelihoods program started a demonstration farm on horticulture crops with a keen interest in tomatoes, red onions, coriander and spinach to promote and encourage farmers on diversifying crops and income sources. The livelihood Program conducted an introductory dairy training in Homa-Bay County.

Nuru Kenya expanded its operations into Homa-Bay and is planning to make entry into Baringo Counties. There was a successful scouting in Baringo County with the local leaders and some of the cooperatives have shown interest to partner with NIK.

Nuru Kenya undertook a Covid19 impact assessment to evaluate the extent of the pandemic effects on NK supported farmers as well as the farmer and organizational response. The figure below shows the perception of farmers on how severely affected they were with the Covid19 pandemic. Nearly 60% of farmers who participated believed the pandemic had a severe impact on their livelihoods and household income.

Overview of level of impact household income

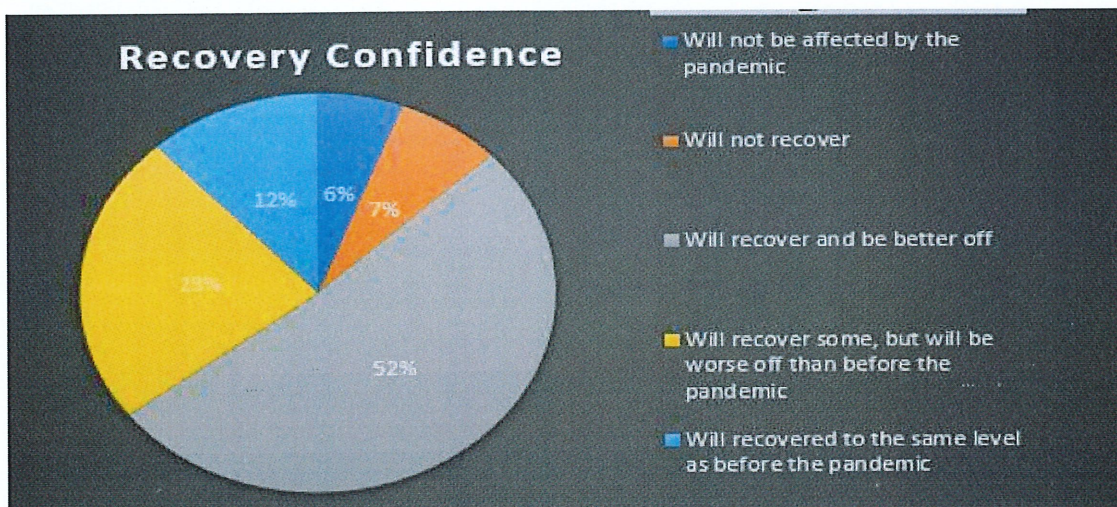


NURU INTERNATIONAL KENYA

Report of the Board

to the Members of Nuru International Kenya.../(Contd.)

Overview of household recovery confidence from the pandemic



Majority of the farmers 52% were however optimistic of recovering and being better off than they were before the start of the pandemic. From the survey data, a majority of farmers were greatly affected by the pandemic economically as well as socially as the government-imposed measure to restrict movement, churches and schools were closed. Despite the Covid19 pandemic challenges, the majority of the household have shown resilience to adapting to changes and were optimistic of recovering.

KEY CHALLENGES AND ACTION POINTS

- The main challenge faced by the implementing teams at NK during the reporting period was the Covid19 global pandemic. The pandemic had far reaching effects at individual and the organizational level. Most of the activities were disrupted and the organization had to either suspend some of its operations or partially undertake essential activities.
- There was low adoption of advocated diversified packages occasioned by economic shocks resulting from the pandemic.
- Extension support and training was disrupted and the organisation resorted to bulk messaging to communicate to farmers.
- Delivery of AI services to farmers was a challenge due to few AI kits and logistical challenges related to transportation and restricted movement.
- There was crop failure due to erratic weather patterns, unprecedented infection by pests and diseases hence affecting crop yields. Also, animals were equally affected by East Coast Fever and Lumpy Skin outbreak.
- Skills transfer through training of cooperatives shareholders was a challenge due to restriction of public gatherings by the Government because of the pandemic.
- Low market pricing for farmer produce due to Government order to close markets, restriction on movements, and invasion by cartels during harvest period. Thus, affecting heifer prepayments and loan repayment as profit margins were greatly reduced.

NURU INTERNATIONAL KENYA

Report of the Board

to the Members of Nuru International Kenya.../(Contd.)

- Healthcare group visits and women meetings were disrupted. These serve as major forums for health education and information and in return affect adoption of the 10 key healthy behaviours. The healthcare teams also adopted phone messaging as a way to reach farmers in the healthcare intervention.

RECOMMENDATIONS AND WAY FORWARD

Proposed methods of mitigating and managing such challenges in future include;

- The Livelihood program to continue sensitizing farmers on diversified crop packages to reduce the risk of crop failure as well as increase diversity of income at the beginning of the new implementation year.
- The Livelihood program to conduct progressive monitoring of crops and animals to detect crop failure and animals' diseases on early stages and provide proper mitigation/ solution.
- Healthcare and Livelihood programs offering extension and training services to adopt new technology to continue routine activities during the pandemic.
- Cooperative and Market Linkages program to set quarterly targets for each cooperative to encourage progressive loan repayment throughout the season in order to recover seed capital.
- In order to offer sufficient AI services the Livelihood program to budget and procure additional AI Kits for the new implementation year.

PLANNED ACTIVITIES FOR NEXT YEAR

The following are some of the key planned activities Nuru Kenya intends to pursue for the next implementation cycle. The key program activities for 2021, categorized in the main thematic areas of implementation include;

Food security and nutrition

- The organization plans to enroll new dairy farmers in Migori, Homa Bay and Baringo Counties as an alternative source of livelihood for income and nutritional benefits.
- NK aims to promote and sensitize farmers in current and new scaling areas to improve their dairy breeds through acquiring the high milk yielding heifers and adopting the timed AI breeding method.
- NK targets to support its social enterprises by scaling up potential milk production through enlisting more dairy farmers supplying milk for value addition.

Community Health

- The organization aims to continue reaching out to farmers through phone calls to promote adoption and maintenance of key health behaviors.
- NK through the TVET will set out to train cooperative health representatives to continue with the promotion and education of community members on the 10 identified healthy behaviours.
- A scaling out of health interventions into Homa-Bay and Baringo Counties.

Report of the Board

to the Members of Nuru International Kenya...(Contd.)

Economic Empowerment

- Nuru Kenya will seek to strengthen and grow the combined crop and dairy revolving fund through putting in place more effective mechanisms for loan follow up and recovery. The organization targets to increase the farmers participating in cooperatives.
- The organization aims to support livelihoods and leadership trainings for cooperatives in Migori, Homabay and Baringo Counties
- NK intends to support cooperative development including strengthening policies at the cooperative level and supporting production and market access activities to increase income generation and profitability.

Leadership Development

- The TVET institute intends to conduct computer training to board members in additional 6 cooperatives.
- Nuru Kenya aims to support the TVET to fully comply with regulatory requirements including providing an enabling environment for the certification of the TVET instructors.

IMPACT OF COVID-19 ON NURU INTERNATIONAL KENYA

In March 2020, the World Health Organization declared a global pandemic due to the emergence of COVID-19. Since then, the situation has been constantly evolving leading to multiple impacts on local, national and global economies. In Kenya, the containment measures (partial lockdown) were introduced on 15th March 2020 following the announcement of the first case. The pandemic has had an impact on the organization's financial statements as a result of travel restrictions, employees working from home, restrictions to gatherings and other business interruptions.

The Board has been closely monitoring the situation and responding to ensure the organization is sustainable during and after the pandemic.

FINANCIAL RESULTS

The results for the year are set out in the statement of comprehensive income on page 13.

BOARD

The names of the Board members who served during the year ended 31st December 2020 are set out on page 1.

INDEPENDENT AUDITORS

The auditors, KKCO East Africa, Certified Public Accountants, have expressed their willingness to continue in office.

Nairobi

23/06/2021

By Order of the Board



Country Director

NURU INTERNATIONAL KENYA

Statement of the Board's Responsibilities

The Board is required to prepare financial statements for each financial year, which give a true and fair view of the financial position of the organization as at the end of the financial year and of its surplus and deficit for that year. The Board is also required to ensure that the organization keeps proper accounting records that: (a) show and explain the transactions of the organization (b) disclose, with reasonable accuracy, the financial position of the organization; and (c) enable the organization to ensure that every financial statement required to be prepared complies with the requirements of the NGO Co-ordination Act.

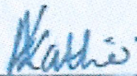
The Board accepts responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities and in the manner required by the NGO Co-ordination Act. It also accept responsibility for:

- i) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii) Selecting suitable accounting policies and applying them consistently; and
- iii) Making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the organization's ability to continue as a going concern, the Board is not aware of any material uncertainties related to events or conditions that may cast doubt upon the organization's ability to continue as a going concern.

The Board acknowledges that the independent audit of the financial statements does not relieve the Board of its responsibilities.

Approved by the Board on 23/06/2021 and signed on its behalf by:-



Chairperson



Country Director



KKCO

KKCO East Africa
Certified Public Accountants

Report of the Independent Auditors

To the Members of Nuru International Kenya

on the financial statements for the year ended 31st December 2020

Opinion

We have audited the financial statements of **Nuru International Kenya**, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nuru International Kenya as at December 31, 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Non-Governmental Organisations Co-ordination Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the financial statements 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 (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Other Information

The Board is responsible for the other information. The other information comprises the corporate information, report of the board and statistical information and other disclosures, 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 the 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.

Independent Member Firm of



A worldwide association of independent accounting firms
and business advisers (www.dfk.com).

Report of the Independent Auditors

To the Members of Nuru International Kenya

Responsibilities of the Board

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Non-Governmental Co-ordination Act and for such internal control as the Board 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 Board is responsible for assessing the organization'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 Board either intend to liquidate the organization or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 organization'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 organization to cease to continue as a going concern.

Report of the Independent Auditors

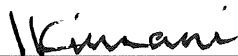
To the Members of Nuru International Kenya

- 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.

The engagement partner responsible for the audit resulting in this independent auditors' report is FCPA Isaiah Kimani, Practicing Certificate Number 596 and Member Number 849.

Nairobi, Kenya

June 29, 2021



**For and on behalf of
KKCO East Africa
Certified Public Accountants of Kenya**

NURU INTERNATIONAL KENYA

Statement of Comprehensive Incomefor the year ended 31st December 2020

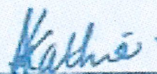
INCOME	Note	<u>2020</u> Kshs	<u>2019</u> Kshs
Grant income	4	50,614,992	48,095,851
Other income	5	430,801	958,514
		<u>51,045,793</u>	<u>49,054,365</u>
 EXPENDITURE			
Staff costs	6	29,043,778	18,335,280
Administrative expenses	7	7,853,367	6,501,128
Establishment expenses	8	3,169,220	2,609,386
Program expenses	9	18,614,162	35,992,474
Total expenditure		<u>58,680,527</u>	<u>63,438,268</u>
DEFICIT FOR THE YEAR		<u><u>(7,634,734)</u></u>	<u><u>(14,383,903)</u></u>

NURU INTERNATIONAL KENYA

Statement of Financial Positionas at 31st December 2020

ASSETS	Note	2020 Kshs	2019 Kshs
Non-current assets			
Property and equipment	10	<u>49,223,121</u>	<u>46,128,736</u>
Current assets			
Accounts receivable	11	2,581,374	23,190,766
Cash and bank balances	12	<u>16,329,283</u>	<u>6,003,477</u>
		<u>18,910,657</u>	<u>29,194,243</u>
Current liabilities			
Payables and accruals	13	<u>4,034,106</u>	<u>1,057,077</u>
Net current assets		<u>14,876,551</u>	<u>28,137,166</u>
TOTAL ASSETS		<u><u>64,099,672</u></u>	<u><u>74,265,902</u></u>
FUNDS			
Capital fund		49,223,121	46,128,736
NKSE fund		-	21,218,025
Unrestricted net assets fund		<u>14,876,551</u>	<u>6,919,141</u>
TOTAL FUNDS		<u><u>64,099,672</u></u>	<u><u>74,265,902</u></u>

The financial statements on pages 13 to 23 were approved by the Board on 23/06/2021 and signed on its behalf by:



Chairperson



Country Director

NURU INTERNATIONAL KENYA

Statement of Changes in Funds**as at 31st December 2020**

	Capital fund Kshs	NKSE funds Kshs	Unrestricted net assets fund Kshs	Total Kshs
At 1 January 2019	49,146,811	36,413,805	5,157,568	90,718,184
Fixed assets additions	452,000	-	(452,000)	-
Proceeds from disposal of assets	-	-	1,401,696	1,401,696
Receipts during the year	-	(15,195,780)	15,195,780	-
Net book value of disposed assets	(1,567,758)	-	-	(1,567,758)
Depreciation charge	(1,902,317)	-	-	(1,902,317)
Deficit for the year	-	-	(14,383,903)	(14,383,903)
AT 31 DECEMBER 2019	<u>46,128,736</u>	<u>21,218,025</u>	<u>6,919,141</u>	<u>74,265,902</u>
At 1 January 2020	46,128,736	21,218,025	6,919,141	74,265,902
Fixed assets additions	5,737,981	-	(5,737,981)	-
Proceeds from disposal of assets	-	-	112,100	112,100
Receipts during the year	-	(21,218,025)	21,218,025	-
Net book value of disposed assets	(62,438)	-	-	(62,438)
Depreciation charge	(2,581,158)	-	-	(2,581,158)
Deficit for the year	-	-	(7,634,734)	(7,634,734)
AT 31 DECEMBER 2020	<u>49,223,121</u>	<u>-</u>	<u>14,876,551</u>	<u>64,099,672</u>

NURU INTERNATIONAL KENYA

Cash Flow Statementfor the year ended 31st December 2020

CASH FLOWS USED IN OPERATING ACTIVITIES	<u>2020</u> Kshs	<u>2019</u> Kshs
Deficit for the year	(7,634,734)	(14,383,903)
Changes in operating assets and liabilities		
Decrease in inventory	-	900
Decrease in receivables and prepayments	20,609,392	14,814,706
Decrease in payables	<u>2,977,029</u>	<u>(3,000,722)</u>
Cash flows generated from operations	<u>15,951,687</u>	<u>(2,569,019)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of equipment	(5,737,981)	(452,000)
Proceeds on disposal of assets	<u>112,100</u>	<u>1,401,694</u>
Net cash (used in)/generated from investing activities	<u>(5,625,881)</u>	<u>949,694</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,325,806	(1,619,325)
Balance at beginning of the year	<u>6,003,477</u>	<u>7,622,802</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 12)	<u><u>16,329,283</u></u>	<u><u>6,003,477</u></u>

NURU INTERNATIONAL KENYA

Notes to the Financial Statements

for the year ended 31st December 2020

1.0 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 years presented, unless otherwise stated.

1.1 Basis of preparation

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

1.2 Revenue recognition

Grants, remittances, interest on loans and other income are credited into the respective accounts upon receipt.

1.3 Property and equipment

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the reducing balance method. The following annual rates are used for the depreciation of property and equipment:

Land	Nil
Buildings	2.5%
Motor cycles	25%
Computers	30%
Furniture and fittings	12.5%

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

On disposal, the difference between the net disposal proceeds and the carrying amount of the item is recognised in the statement of changes in funds.

1.4 Capital expenditure

The cost of additional fixed assets is expensed in the year of purchase. A capital fund is created to represent the organization's capital funds held in fixed assets.

1.5 Receivables

Receivables are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amount. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts of recovery have been exhausted.

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Notes to the Financial Statements

for the year ended 31st December 2020.../(Contd)

1.6 Payables

Payables are recognized at fair values.

1.7 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with bank.

1.8 Translation of foreign currencies

All transactions in foreign currencies are initially recorded in Kenya Shillings using the spot rate at the date of the transaction. Foreign currency monetary items at the balance sheet date are translated using the closing rate. All exchange differences arising on settlement or translation are recognized in statement of comprehensive income.

1.9 Comparatives

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

2.0 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the organization's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets within the next financial year. The estimates and associated judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates 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 affect that period or in the period of the revision and future periods if the revision affects both current and future periods.

The financial statements have been prepared on the going concern basis which assumes that the organization will continue in operational existence for the foreseeable future. The validity of this assumption depends on the organization's ability to fund its activities from revenues from grants received.

Key sources of estimation uncertainty

In the process of applying the organization's accounting policies, management has made judgements in determining:-

Impairment

At each statement of financial position date, the organization reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the organization estimates the recoverable amount of the cash generating unit to which the assets belong.

Depreciation rates for property and equipment. The rates are as set out in note 1.3 above.

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Notes to the Financial Statements

for the year ended 31 December 2020 .../(Contd)

Provisions and contingent liabilities

Nuru International Kenya reviews its obligations at each statement of financial position date to determine whether provisions need to be made and if there are any contingent liabilities.

3.0 FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES

The organization's activities expose it to a variety of financial risks. These include market risk, credit risk and liquidity risk. The organization's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

a) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, and foreign exchange rates will affect the organization's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i) Foreign exchange risk

The organization is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

b) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations from its financial liabilities. The organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or the risk of damaging the organization's reputation.

The organization ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The table below provides a contractual analysis of the organization's financial

Finance liabilities	<u>2020</u> Kshs	<u>2019</u> Kshs
Payables and accruals	4,034,106	1,057,077
	<u>4,034,106</u>	<u>1,057,077</u>

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Notes to the Financial Statements

for the year ended 31st December 2020..../(Contd)

c) Operational risk

Operational risk is the risk of indirect loss arising from a wide variety of causes associated with the organization's processes, personnel, technology, infrastructure and external factors other than credit and liquidity risks such as those arising from legal and regulatory requirements and if generally acceptable standard.

The organization's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the organization's reputation with overall cost effectiveness and to avoid any control procedures that restrict initiative and creativity.

The primary responsibility of the development and implementation of controls to address operational risk is assigned to the Board.

This responsibility is supported by the development of overall organization's standards for the management of operational risks in the following areas:-

- Requirements for appropriate segregation of duties including the independent authorization and approval of transactions.
- Requirements for the reconciliation and monitoring transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of control and procedures.
- Requirements for the periodic assessment of operational risks faced by the institution, and adequacy of controls and procedures to address the risks identified.
- Development of contingency plans.
- Training and professional development of its personnel and
- Adherence to ethical and business standard.

Review of compliance with the organization's standards is done on an ongoing basis.

	<u>2020</u>	<u>2019</u>
	Kshs	Kshs
4.0 PROGRAM FUNDING		
NURU International USA	<u>50,614,992</u>	<u>48,095,851</u>
5.0 OTHER INCOME	Kshs	Kshs
Interest income	341,644	100,472
Other income	64,523	858,042
Write backs	24,634	-
	<u>430,801</u>	<u>958,514</u>
6.0 STAFF COSTS	Kshs	Kshs
Salaries and wages	28,152,468	18,290,930
Staff welfare, training and development	885,825	40,600
NITA	5,485	3,750
	<u>29,043,778</u>	<u>18,335,280</u>

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Notes to the Financial Statementsfor the year ended 31st December 2020.../(Contd)

	<u>2020</u>	<u>2019</u>
	Kshs	Kshs
6a TOTAL STAFF COSTS		
Administration costs	29,043,778	18,335,280
Program costs (Note 9)	11,272,152	18,488,414
	<u>40,315,930</u>	<u>36,823,694</u>
The number of staff employed by the organization was 41 (2019 - 79).		
7.0 ADMINISTRATION EXPENSES	Kshs	Kshs
Insurance and licenses	3,997,109	4,008,720
Contract services: human resources	1,941,265	693,861
Contract services: legal fees	231,100	137,100
Contract services: research	191,500	40,000
Contract services: co-operatives audit	35,600	197,440
Contract services: audit fees and vat	780,320	727,320
Printing and stationery	480,265	103,566
Bank charges	187,813	417,735
Postage and mailing services	8,395	16,170
Write offs	-	159,216
	<u>7,853,367</u>	<u>6,501,128</u>
8.0 ESTABLISHMENT EXPENSES	Kshs	Kshs
Building repairs	1,482,176	1,050,145
Building utilities	1,110,693	985,366
Furniture and equipment repairs	299,851	561,875
Rental	276,500	12,000
	<u>3,169,220</u>	<u>2,609,386</u>
9.0 PROGRAMME EXPENSES	Kshs	Kshs
Salaries and wages	11,272,152	18,488,414
Travelling and permits	2,644,081	5,875,391
Telephone, postage and internet	1,477,463	1,352,965
Travel: lodging	757,742	830,363
Office supplies	623,833	912,632
Printing and stationery	607,154	539,972
Travel: conference, conventions and meetings	544,520	488,931
Travel: meals	460,840	273,797
Marketing	136,900	98,830
Supplies programme	62,953	2,867,373
Freight and transport	17,074	-
Books, subscriptions and references	9,450	-
Donations	-	4,210,266
Community development and training	-	53,540
	<u>18,614,162</u>	<u>35,992,474</u>

NURU INTERNATIONAL KENYA

Notes to the financial Statements
for the year ended 31st December 2020

10.0 PROPERTY AND EQUIPMENT

COST OR VALUATION	<u>Land</u> Kshs	<u>Buildings</u> Kshs	<u>Motorcycles</u> Kshs	<u>Furniture & equipment</u> Kshs	<u>Computers</u> Kshs	<u>Total</u> Kshs
At 1 January 2020	7,174,020	42,079,731	344,000	8,275,379	6,501,820	64,374,950
Additions(ii)	-	-	560,500	4,411,541	765,940	5,737,981
Disposal	-	-	(111,000)	-	-	(111,000)
	<u>7,174,020</u>	<u>42,079,731</u>	<u>793,500</u>	<u>12,686,920</u>	<u>7,267,760</u>	<u>70,001,931</u>
DEPRECIATION						
At 1 January 2020	-	7,764,062	126,031	4,967,963	5,388,158	18,246,214
Disposal	-	-	(48,562)	-	-	(48,562)
Charge for the year	-	857,791	194,617	964,870	563,880	2,581,158
	<u>-</u>	<u>8,621,853</u>	<u>272,086</u>	<u>5,932,833</u>	<u>5,952,038</u>	<u>20,778,810</u>
NET BOOK VALUE						
AT 31 DECEMBER 2020	<u>7,174,020</u>	<u>33,457,878</u>	<u>521,414</u>	<u>6,754,087</u>	<u>1,315,722</u>	<u>49,223,121</u>
NET BOOK VALUE						
AT 31 DECEMBER 2019	<u>7,174,020</u>	<u>34,315,669</u>	<u>217,969</u>	<u>3,307,416</u>	<u>1,113,662</u>	<u>46,128,736</u>

Note:

(i) The Organization does not have title to all the parcels of land.

(ii) During the year 7 computers and 7 motorbikes were acquired

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Notes to the financial Statementsfor the year ended 31st December 2020

11.0 ACCOUNTS RECEIVABLE	<u>2020</u> Kshs	<u>2019</u> Kshs
Prepayments	2,434,515	1,453,905
Staff asset loan	117,414	80,450
Staff advances	29,445	17,072
Sale of asset to staff	-	176,323
Due from NKSE Ltd (i)	-	21,218,025
Kapesa savings	-	204,991
Security deposit	-	40,000
	<u>2,581,374</u>	<u>23,190,766</u>

(i) This relates to monies advanced to NKSE, a related party entity. The balance due was cleared during the year.

12.0 CASH AND BANK BALANCES	<u>2020</u> Kshs	<u>2019</u> Kshs
Cash at bank	<u>16,329,283</u>	<u>6,003,477</u>

13.0 PAYABLES AND ACCRUALS	Kshs	Kshs
Deferred grant income(i)	3,230,766	-
Payroll liabilities	23,020	329,757
Audit fees	780,320	727,320
	<u>4,034,106</u>	<u>1,057,077</u>

(i) This relates to grant income received from Amea Curriculum Development for the next financial year.

14.0 CONTINGENT LIABILITIES

In the opinion of the Board, there were no contingent liabilities for the year under review.

15.0 REGISTRATION

Nuru International Kenya was registered on 31st March 2011, under The Non-Governmental Organizations Co-ordinations (NGO) Act.

16.0 TAXATION

No provision for corporate taxation has been made in these financial statements. The organisation qualifies for exemption from Kenyan corporate tax under the provisions of Paragraph 10 of the First Schedule of Income Tax Act, Cap 470 (Laws of Kenya). Further, grants and donations are not subject to taxation in Kenya.

17.0 EVENTS AFTER REPORTING PERIOD

We draw your attention to the Report of the Board on page 8 regarding the impact of Covid-19 on the sustainability of the organization on FY2020.

The Board is not aware of any other matters arising after 31 December 2020 that would significantly affect the operations of the organization.

18.0 CURRENCY

These financial statements are presented in Kenya Shillings (Kshs).