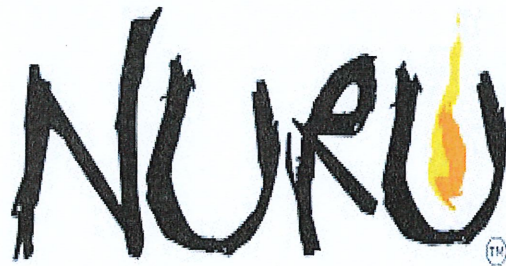


NURU INTERNATIONAL KENYA
AUDITED FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2021



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

NURU INTERNATIONAL KENYA
AUDITED FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2021

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NURU INTERNATIONAL KENYA

EXECUTIVE BOARD MEMBERS

- * Naomi Matiko - Chairperson
- : Pauline Wambeti - Secretary/Ex-Officio
- : Christine Akinyi - Treasurer
- * Appointed on 28th August 2021

BOARD MEMBERS

- : Leonard Otii - Member
- : Kennedy Opondo - Member
- : Elizabeth Ware - Member
- : Matthew Jerome - Member
- : *Anne Mosenda - Member
- : * Catherine Tingo - Member
- : *Anastacia Masero - Member
- * Left on 28th August 2021

REGISTERED OFFICE

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

PRINCIPAL BANKERS

- : KCB Bank Limited
Isebania Branch
- : Equity Bank of Kenya Limited
Migori Branch
- : Ecobank Kenya Limited
Kisii Branch

INDEPENDENT AUDITORS

- : KKCO East Africa LLP
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 2021.

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.

AREA OF COVERAGE

Nuru Kenya's areas of operation spanned three Counties: Migori, Homabay and Baringo. In 2020, the organisation expanded to Homa Bay County and commenced operations in Baringo County in 2021. Despite the expansion being slowed down by the flare up of COVID19, the organisation was able to roll out activities in all the scaling counties.

KEY RESULT AREAS

Nuru Kenya programming focused on four key result areas; Food Security and Nutrition, Community Health, Economic Empowerment and Leadership Development. These were addressed through the three programs of: Livelihoods; Leadership, Training and Governance; Market Linkages and Cooperatives. The various activities each of these programs undertook are outlined below.

1.0 Market Linkages and Cooperatives Program

During the reporting period, the programme was able to reach a total of 38 cooperatives in the three counties of Migori, Homabay and Baringo, with a total of 2660 shareholders. The following were the main activities during the year:

1.1 Access to Seed Capital and mobilisation for repayment through the management committees

The programme was able to follow up on 2020 seed capital and supported the cooperatives to collect the loans through sending bulk SMSs and visiting farmers who still owed the cooperatives. The programme was also able to recover 80.95% of the seed capital for 2020 long rains and 94.59% for short rains. 7 cooperatives completed repaying the seed capital. The programme worked with the management committees to collect the input loans from their members so as to enable them repay the seed capital in full. 48.98.% of 2021 was repaid cumulatively.

NURU INTERNATIONAL KENYA

Report of the Board

to the Members of Nuru International Kenya

1.2 Facilitation of Cooperative annual Audit and Annual General Meetings

NIK supported 14 cooperatives to undertake their 2020 Audits. 50% of the 14 cooperatives were profitable as per the NK profitability analysis. This made it possible for cooperatives to undertake the Annual General Meetings. The programme successfully supported 7 cooperatives to undertake annual general meetings despite the pandemic still being there. During the AGMs important resolutions were passed on loan repayments and how to deal with the loan defaulters. The seven cooperatives supported included; Kegonga, Mabera, Isibania, Tisinya, Ikerege, Mariganga and Komotobo. During the reporting period the programme participated in Baringo cooperatives annual general meetings in 20 cooperatives. The meetings were held in the 4 wards where the cooperatives are spread. The objective of the support provided was to ensure the cooperatives elect their leaders as they had not undertaken the first annual general meeting to do the same.

1.3 Capacity and training needs assessments

During the reporting period the livelihoods programme and Leadership, training and development supported the programme to undertake capacity needs assessments and training needs assessment. 4 farmer organisations (Kago, KAKAGEKO, KIMIRA association, Kochia Dairy Cooperatives) were assessed. The findings and recommendations from the assessment shall guide the programme in drafting the MOU between NK and the cooperative. The programme supported the Homabay cooperatives with dairy management and cooperatives concept and development training. This was to ensure the nascent cooperatives understood the cooperative movement and also practiced the dairy livelihoods as a business. 5 cooperatives were engaged in the training. In addition, the programme supported the leadership programme to train 22 Baringo cooperatives leaders training on leadership and governance, roles and responsibilities of leaders and conducting an annual general meeting. The objective of this training was to prepare the 22 cooperatives in Baringo to hold First annual general meetings and special general meetings to resolve a partnership with Nuru Kenya. During the training a total of 90 leaders participated in the training.

1.4 Support to cooperatives to undertake Milk Aggregation

A total of 7 cooperatives managed to aggregate milk from their farmers in 2021 and the following is the total litres of milk aggregated during 2021. The cooperatives started aggregating milk in different months, for example Tisinya started its aggregation activities in July 2021 while Isibania was already aggregating. 5 cooperatives sold to NKSE while 2 cooperatives sold in their local markets.

The milk aggregation was as follows:

Table 1: Milk Aggregation by cooperatives and Number of Farmers Jan-Dec

Cooperative Name	No. of farmers	Total liters of milk for 2021
Tisinya	40	29,698.75
Ikerege	25	18,346.80
Isibania	43	46,245.38
Masaba	9	10,102
Watami	6	1556
Mariganga	5	1054
Mabera	7	222.05

NURU INTERNATIONAL KENYA

Report of the Board

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

1.5 Support to cooperatives in resource mobilisation

1.5.1 National Agricultural Rural Inclusive Growth Project (NARIGP)

The program team supported the Ikerege cooperative in the implementation of the project by training the Cooperative Leaders on the procurement process resulting in the procurement of: Milk aggregation equipment, Three 3 mobile chillers and IMS software and installation

1.5.2 Kenya Crops and Dairy Market Systems (KCDMS)

The programme supported in proposal development to Isibania cooperative to RTI. The proposal was successful with KCDMS funding Isibania cooperative with a total of Kshs. 2,940,000.00. The cooperative was required to contribute a cost share of Kshs.819,000. This enabled the cooperative to increase its shareholders, establish demonstration plots for learning, train their members on feed formulation and preservation, establish groups to be used for training and support in procuring equipment such as shredder, baler and brush cutter. The fund shall also support payment of staff salary on a cost share basis, procure a financial management system and point of sale machine to enhance their efficiency, development of cooperative policies such as finance and procurement, human resource policy and communication policy. Isibania Cooperative were able to implement the grant well, during the year, the cooperative paid for its cost share on the alcohol gun milk aggregation equipment, established 4 fodder demonstration plots where farmers can learn on the best practices on fodder establishment. The cooperative also recruited 168 farmers into the cooperative; a report on milestone 2 was submitted to KCDMS/RTI and received the tranche for the milestone.

2.0 Leadership, Training and Development Program

The following were the main activities undertaken by the program in 2021:

2.1 Curriculum development

The curricula developed comprised of: Co-operative Leadership and Governance, Bookkeeping, Co-operative CAP 490 and Business Planning. This was in preparation for expert review through the support of the Kenya Technical Trainers College. This would enable the organisation to complete the registration process for additional short courses to be offered at the Nuru Regional Training College in the following year. The organisation received a grant through the AMEA network and this facilitated development of training materials including comic booklets, video scripts in addition to development of an SMS system for use by the organisation when communicating to the farmers.

NURU INTERNATIONAL KENYA

Report of the Board

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

2.2 Farmer Trainings

Baringo County : During the year the team visited Baringo County (Tiaty Sub-County) and conducted training needs assessment for 21 cooperatives. The team administered interview schedules to the interim cooperative officials. The aim of the assessment was to understand the training needs. The areas of training that most cooperative leaders prioritised were Cooperative policies, Financial management, Business planning, Leadership skills, and Beekeeping. Others areas of training identified were marketing, water harvesting, irrigation, chicken rearing, and savings. Thereafter, the program team embarked on a training for a total of 85 cooperative leaders drawn from 22 cooperatives. The areas of training that were covered included: Roles and responsibilities, Cooperative Structure, how to conduct Annual General Meetings (AGMs); and Minute Writing. By the end of the training most of the cooperative leaders were able to describe the governance structure of a cooperative, explain the roles and responsibilities of board members, create a plan for the AGM and logistic preparations, conduct an AGM as per the cooperative policy, write and prepare AGM Minutes. The facilitators utilised various training techniques such as simulations, problem posing as well as discussions and presentations. The AGM follow up meetings were conducted together with the support of Baringo County Co operative officials. A total of 19 cooperatives were reached with over 400 members attending the AGMs in their respective cooperatives. The team was able to observe the key capacity needs and recommendations for the cooperatives which included: the need to continue training on the cooperative concepts to the members, importance of the AGMs, budgeting and budget report writing, financial reconciliations, importance of finance policy and business plan for cooperatives.

Migori County: A total of 13 cooperative leaders were trained on computer packages and digital skills. The computer training entailed basic sessions on Microsoft Windows, Microsoft Word, Microsoft Excel, Microsoft Powerpoint and Internet.

Homa-Bay County: The Program team conducted a training needs assessment for three cooperatives in the county. The aim of the assessment was to understand the training needs of the officials of the cooperatives. The respondents identified the areas that they required to be trained on as follows: Leadership and management skills; Market linkages skills; Cooperative management skills; Dairy farm management skills; Business planning and Policy formulation.

2.3 Cooperative Health Representative Review Meetings

The team conducted quarterly review meetings with the Cooperative Health Representative (CHR). Averagely 13 out of 14 cooperative health representatives participated in these planned meetings and the following areas were covered during the meetings:- Quarterly report review, successes, challenges, areas of improvement and future plans. It was noted that farmers appreciated the work done by representatives in supporting them to adopt and maintain key healthy behaviours. The representatives had an opportunity to seek clarification on how best to fill the monitoring forms.

NURU INTERNATIONAL KENYA

Report of the Board**to the Members of Nuru International Kenya.../(Contd.)****2.4 Health Education and Follow-ups**

Averagely a total of 1,215 (69%) cooperative households were reached-out with phone calls by cooperative health representatives out of the expected 1,750 registered farmer households. During the phone calls the trained cooperative health representatives continued to educate and encourage cooperative household members to adopt and maintain the targeted healthy behaviours for improving maternal and child health. Expectant mothers were trained on the importance of attending antenatal clinics and observing the other key healthy behaviours. The behaviours targeted were grouped into two major groups as shown in the tables below:

Table 2: Safe Water, sanitation and malaria prevention results

Indicator (%)	Q1	Q2	Q3	Q4
# of HHs treating Water	91% (1061)	87% (1070)	96% (1213)	92% (1103)
# of HHs washing hands with soap at appropriate times	97% (1129)	94% (1157)	96% (1208)	92% (1106)
# of HHs with a Functional latrine	98% (1142)	97% (1199)	98% (1237)	97% (1165)
# of HHs with a sleeping net	87% (1011)	98% (1216)	98% (1238)	98% (1172)

Table 3: Safe pregnancy and childbirth results

Indicator	Q1	Q2	Q3	Q4
# of Active Pregnancies	30	104	73	71
# of active pregnant women on track with 4 ANC visits	29 (97%)	103 (99%)	66 (90%)	61 (86%)
# of Deliveries	56	73	57	24
# of Deliveries in Health Facility	55 (98%)	70 (96%)	56 (98%)	24 (100%)
# of Newborn on track with Immunization (0-11)	144 (96%)	255 (99%)	115 (100%)	143 (94%)
# of Newborn not on track with Immunization (0-11)	6	2	0	9
# of Women exclusive breastfeeding	122 (95%)	132 (97%)	115 (100%)	83 (89%)
# of Women not exclusive breastfeeding	6	4	0	10
# of children 6- 23 months on appropriate complementary feeding	327 (96%)	259 (92%)	184 (91%)	187 (89%)
# of children not on 6- 23 months on appropriate complementary feeding	14	22	18	24

3.0 Livelihoods Program

The program team implemented the crop and dairy interventions in Migori and Homabay Counties. A Livelihoods capacity needs assessment was undertaken in Baringo County aimed at establishing information relating to the dairy project which currently covers a total of 13 cooperatives based in both Kuria East and West. The program was piloted in 2017 among four cooperatives of Kuria East with a total initial registration of 219 farmers. However, only 182 farmers enrolled into the program at the time. In 2018 an additional 204 farmers were enrolled into the program. In 2021, 167 farmers were enrolled adding to the current 638 farmers in the program.

3.1 Mobilisation of new farmers into the dairy program

The program enrolled 85 new farmers and the numbers are expected to increase in Migori County as more farmers are joining Tisinye, Masaba, Gwitembe & Isebania Farmers Cooperatives. The team managed to procure 25 heifers for farmers despite the pandemic and high costs of the heifers. The heifers were issued to 24 farmers within 6 cooperatives at a total loan of Kshs. 1,075,000.

NURU INTERNATIONAL KENYA

Report of the Board

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

3.2 Training farmers on good dairy management practices

In the third quarter, the program team conducted training in Homabay county on dairy management, Disease control, nutrition and Fodder establishment. In addition, the program team conducted trainings on breeding to farmers who were targeted for FTAI (Fixed time artificial insemination), where a total of 375 farmers were trained in Migori County. There was a total of 485 AIs conducted against a target of 600. The program engaged in a vaccination drive against Lumpy Skin Disease (LSD) and Foot and Mouth Diseases (FMD) which sought to protect the animals within Kuria East and West sub-Counties against the outbreaks. The team managed to boost the program heifers with (LSD & FMD vaccines).

3.3 Capacity needs Assessment Reports

During the reporting period, the team managed to prepare capacity needs assessments reports for 4 Cooperatives in Homabay County and 22 cooperatives in Baringo County to identify the gaps in their livelihood activities and provide the basis for designing appropriate interventions.

4.0 OTHER PROJECT ACTIVITIES

4.1 The technical team participated in a three days Organisation Capacity Assessment (OCA) workshop sponsored by USAID through the Dexis consultant. The various areas of strength and improvement were identified. An Institutional Strengthening Plan was developed to support the improvement of the areas identified for improvement and submitted to USAID for consideration for funding. The key areas identified included:

- Need to transition to a Human Resource and Finance and Procurement software since these operations were manual and paper based, this was not efficient for the staff working in the satellite offices.
- Need to develop the asset management, record keeping, communication resource mobilisation and records and documentation policies to enhance operations and governance of the organisation
- Need to support the cooperatives to develop the Finance, Procurement and Communication policies for effective governance
- Need to recruit a Public Relations, Fundraising and Compliance officer to assist the organisation to achieve its objectives competently

4.2 The management continued to support the renovations of the RTC and commenced phase one of the construction of the perimeter wall as advised by the Department of Public Health in order to ensure the premises that shall be the dining hall is conducive and shielded from dust and other environmental hazards.

4.3 The organisation commemorated Nuru Day on 4th June and recognised the efforts and resilience of the staff in continuing to serve the communities and scale to other counties despite the COVID19 pandemic effects.

4.4 The Nuru Kenya Board transitioned out members whose term had elapsed and held a send off event for them on 28th August. The board members appreciated the work the organisation was doing and pledged to continue supporting the organisation to achieve its objectives.

NURU INTERNATIONAL KENYA

Report of the Board

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

KEY CHALLENGES AND ACTION POINTS

- The 2021 Seed Capital was not repaid promptly as expected since the cooperatives were not able to sell their produce as planned. The programme team continued to work together with the management committees of cooperatives that had not fully repaid their seed capital to recover the crop loans from members, through meetings, bulk SMSs reminders, summon letters and chiefs.
- There were few dairy cooperatives in Homabay hence the need to mobilise the self help groups interested and support their transition to cooperatives.
- High illiteracy levels in Baringo whereby the majority of the participants could not comprehend English and Swahili and necessitating the use of translators into Pokot language. The meetings therefore took longer than planned.
- The high levels of insecurity in the region led to postponement of activities in Baringo. However, the organisation is working with the local leadership to ensure training and other activities take place as planned. Some of the Baringo county cooperatives trainees arrived late due to longer distances travelled to reach the training venue. The management resolved to organise some of the training sessions to take place at the RTC since accommodation is available.
- There was inadequate AI equipment for staff thus limiting the achievement of set targets. The management team continued to follow up on the AI equipment being procured through the partnership with NKSE's KCDMS grant.
- The partners supporting the FTAI program eventually suspended the due to irregular supply of semen and this slowed down the delivery of AI services to farmers.

PLANNED ACTIVITIES FOR NEXT YEAR

The following are the key activities the organisation has planned to undertake in 2022:

- Supporting cooperatives to access crop loan inputs
- Supporting cooperatives to access crop loan inputs
- Mobilisation and enrolment of new cooperatives in Homabay County
- Follow up to collect 2020/2021 seed capital from cooperatives
- Continue supporting in the implementation of KCDMS in Isibania Cooperative and Homabay County and Ikerege to implement NARIGP
- Achievement of the TIF ALP funding targets
- Support in the implementation of TIF
- Roll out leadership and governance training for cooperatives in Baringo County
- Resume healthcare activities through the health representatives in the cooperatives
- Roll out agronomic training for the Horticulture initiative in Homabay.
- Commence implementation of USAID work plan

NURU INTERNATIONAL KENYA

Report of the Board

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

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 2021 are set out on page 1.

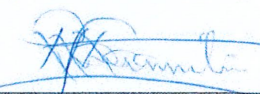
INDEPENDENT AUDITORS

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

Nairobi

June 24, 2022

By Order of the Board



Managing 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.

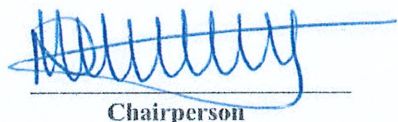
The Board accepts responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities and in the manner required by the NGO Co-ordination Act. It also accept responsibility for:

- 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 **June 24, 2022** and signed on its behalf by:-



Chairperson



Managing Director



KKCO

KKCO East Africa LLP
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 2021

Opinion

We have audited the financial statements of Nuru International Kenya, which comprise the statement of financial position as at 31 December 2021, 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, 2021 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.

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.

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

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.
- 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 CPA Joshua Gachomo, Practising Certificate Number 2472 and Member Number 10632.

Nairobi, Kenya

June 29, 2022


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

NURU INTERNATIONAL KENYA

Statement of Comprehensive Incomefor the year ended 31st December 2021

		<u>2021</u>	<u>2020</u>
	Note	Kshs	Kshs
INCOME			
Grant income	4	75,580,165	50,614,992
Other income	5	<u>686,122</u>	<u>430,801</u>
		<u>76,266,287</u>	<u>51,045,793</u>
EXPENDITURE			
Staff costs	6	23,011,758	22,077,750
Administrative expenses	7	7,963,069	4,233,739
Program expenses	8	34,103,663	29,199,818
Establishment expenses	9	<u>4,463,399</u>	<u>3,169,220</u>
Total expenditure		<u>69,541,889</u>	<u>58,680,527</u>
SURPLUS/(DEFICIT) FOR THE YEAR		<u><u>6,724,398</u></u>	<u><u>(7,634,733)</u></u>

NURU INTERNATIONAL KENYA

Statement of Financial Positionas at 31st December 2021

ASSETS	Note	<u>2021</u> Kshs	<u>2020</u> Kshs
Non-current assets			
Property and equipment	10	<u>96,368,919</u>	<u>49,223,121</u>
Current assets			
Accounts receivable	11	3,599,679	2,581,374
Cash and bank balances	12	<u>11,230,738</u>	<u>16,329,283</u>
		<u>14,830,417</u>	<u>18,910,657</u>
Current liabilities			
Payables and accruals	13	<u>780,320</u>	<u>4,034,106</u>
Net current assets		<u>14,050,097</u>	<u>14,876,551</u>
TOTAL ASSETS		<u><u>110,419,016</u></u>	<u><u>64,099,672</u></u>
FUNDS			
Capital fund		54,076,062	49,223,121
Revaluation reserve fund		42,292,857	-
Unrestricted net assets fund		<u>14,050,097</u>	<u>14,876,551</u>
TOTAL FUNDS		<u><u>110,419,016</u></u>	<u><u>64,099,672</u></u>

The financial statements on pages 13 to 23 were approved by the Board on June 24, 2022 and signed on its behalf by:

Chairperson

Managing Director

NURU INTERNATIONAL KENYA

Statement of Changes in Fundsas at 31st December 2021

	Capital <u>fund</u> Kshs	Revaluation Reserve <u>fund</u> Kshs	NKSE <u>funds</u> Kshs	Unrestricted net assets <u>fund</u> Kshs	<u>Total</u> Kshs
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>-</u>	<u>14,876,551</u>	<u>64,099,672</u>
At 1 January 2021	49,223,121	-	-	14,876,551	64,099,672
Fixed assets additions	7,550,852	-	-	(7,550,852)	-
Land Valuation done by Add Property Consultants	-	6,792,400	-	-	6,792,400
Land valuation	-	35,500,457	-	-	35,500,457
Depreciation charge	(2,697,911)	-	-	-	(2,697,911)
Surplus for the year	-	-	-	6,724,398	6,724,398
AT 31 DECEMBER 2021	<u>54,076,062</u>	<u>42,292,857</u>	<u>-</u>	<u>14,050,097</u>	<u>110,419,016</u>

NURU INTERNATIONAL KENYA

Cash Flow Statementfor the year ended 31st December 2021

CASH FLOWS USED IN OPERATING ACTIVITIES	<u>2021</u> Kshs	<u>2020</u> Kshs
Surplus/ (deficit) for the year	6,724,398	(7,634,733)
Changes in operating assets and liabilities		
(Increase)/Decrease in receivables and prepayments	(1,018,305)	20,609,392
(Decrease)/ Increase in payables	<u>(3,253,786)</u>	<u>2,977,029</u>
Cash flows generated from operations	<u>2,452,307</u>	<u>15,951,688</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of equipment	(7,550,852)	(5,737,981)
Proceeds on disposal of assets	<u>-</u>	<u>112,100</u>
Net cash used in from investing activities	<u>(7,550,852)</u>	<u>(5,625,881)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,098,546)	10,325,807
Balance at beginning of the year	<u>16,329,284</u>	<u>6,003,477</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 12)	<u><u>11,230,738</u></u>	<u><u>16,329,284</u></u>

NURU INTERNATIONAL KENYA

Notes to the Financial Statements

for the year ended 31st December 2021

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.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve.

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.

NURU INTERNATIONAL KENYA

Notes to the Financial Statements

for the year ended 31st December 2021.../(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 and 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.

NURU INTERNATIONAL KENYA

Notes to the Financial Statements

for the year ended 31 December 2021 .../(Contd)

Depreciation rates for property and equipment.

The rates are as set out in note 1.3 above.

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 liabilities:-

Finance liabilities	<u>2021</u> Kshs	<u>2020</u> Kshs
Payables and accruals	<u>780,320</u>	<u>4,034,106</u>
	<u>780,320</u>	<u>4,034,106</u>

NURU INTERNATIONAL KENYA

Notes to the Financial Statementsfor the year ended 31st December 2021..../(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.

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 standards.

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

	<u>2021</u>	<u>2020</u>
	Kshs	Kshs
4.0 PROGRAM FUNDING		
NURU International USA	<u>75,580,165</u>	<u>50,614,992</u>
5.0 OTHER INCOME	Kshs	Kshs
Interest income	478,435	341,644
Other income	33,037	52,157
Rental income	37,000	37,000
Proceeds from sale of asset	67,650	-
Insurance compensation	70,000	-
	<u>686,122</u>	<u>430,801</u>
6.0 STAFF COSTS	Kshs	Kshs
Salaries and wages	16,797,095	17,566,812
Staff medical insurance	5,218,031	3,619,628
Staff welfare, training and development	984,632	885,825
NITA	12,000	5,485
	<u>23,011,758</u>	<u>22,077,750</u>

The total number of employees at NIK was 39 (2020 - 41).

NURU INTERNATIONAL KENYA

Notes to the Financial Statementsfor the year ended 31st December 2021.../(Contd)

7.0 ADMINISTRATION EXPENSES	2021	2020
	Kshs	Kshs
Contract services: Outsourced Human Resource Services	1,913,320	1,941,265
Contract services: audit fees and vat-Organisation	780,320	780,320
Contract services: audit fees and vat Cooperative	375,825	35,600
Contract services: research	433,750	191,500
Insurance	418,157	136,916
Licenses	110,010	240,565
Bank charges	235,104	187,813
Printing and stationery	234,892	480,265
Contract services: legal fees	154,377	231,100
Postage and mailing services	26,540	8,395
Wall and hostel labour charge	368,811	-
Asset tagging	428,700	-
Professional services:Restructuring and Due Diligence	1,244,750	-
NRT board Charter	427,350	-
Tax exemption certificate	100,000	-
Board evaluation	288,600	-
Procurement system audit	290,000	-
Contract services: security	86,613	-
Contract services: IT services	45,950	-
	7,963,069	4,233,739

(i) This relates to costs of restructuring the NSE, legal fees, due diligence as well as tax consultancy fees.

8.0 PROGRAMME EXPENSES	2021	2020
	Kshs	Kshs
Salaries and wages	21,126,008	21,857,808
Travelling and permits	4,626,497	2,644,081
Travel: meals	2,091,124	460,840
Travel: lodging	1,741,991	757,742
Telephone, postage and internet	1,559,904	1,477,463
Printing and stationery	635,600	607,154
Travel: conference, conventions and meetings	571,469	544,520
Office supplies	536,495	623,833
Donations-Payroll support to Isibania co-operative	503,405	-
Freight and transport	426,790	17,074
Books, subscriptions and references	177,414	9,450
Programme supplies	81,966	62,953
Marketing	25,000	136,900
	34,103,663	29,199,818

9.0 ESTABLISHMENT EXPENSES	Kshs	Kshs
Fine and penalties-NITA	1,364,520	-
Building utilities	1,283,386	1,110,693
Rental(i)	1,045,000	276,500
Furniture and equipment repairs	532,522	299,851
Building repairs	237,971	1,482,176
	4,463,399	3,169,220

(i) Rent include additional Homabay and Nakuru offices for the year 2021.

NURU INTERNATIONAL KENYA

Notes to the financial Statements
for the year ended 31st December 2021

10.0 PROPERTY AND EQUIPMENT

COST OR VALUATION	Land	Buildings	Motorcycles	Furniture &	Computers	Total
	Kshs	Kshs	Kshs	equipment	Kshs	Kshs
At 1 January 2021	7,174,020	42,079,731	793,500	12,686,920	7,267,760	70,001,931
Additions	-	3,532,394	398,700	2,298,223	1,321,536	7,550,852
Revaluation (i)	6,792,400	35,500,457	-	-	-	42,292,857
	<u>13,966,420</u>	<u>81,112,581</u>	<u>1,192,200</u>	<u>14,985,143</u>	<u>8,589,296</u>	<u>119,845,640</u>
DEPRECIATION						
At 1 January 2021	-	8,621,853	272,086	5,932,833	5,952,038	20,778,810
Charge for the year	-	923,316	163,576	1,037,198	573,821	2,697,911
	-	<u>9,545,169</u>	<u>435,662</u>	<u>6,970,031</u>	<u>6,525,859</u>	<u>23,476,721</u>
NET BOOK VALUE						
AT 31 DECEMBER 2021	<u>13,966,420</u>	<u>71,567,412</u>	<u>756,538</u>	<u>8,015,112</u>	<u>2,063,437</u>	<u>96,368,919</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>

(i) Land and buildings were valued on 20th September 2021 by Add property consultants, independent valuers, on the basis of open market value. The carrying amount of the assets were restated to the revalued amounts.

NURU INTERNATIONAL KENYA

Notes to the financial Statements

for the year ended 31st December 2021

	<u>2021</u>	<u>2020</u>
11.0 ACCOUNTS RECEIVABLE	Kshs	Kshs
Prepayments (i)	3,516,886	2,434,515
Staff asset loan	47,022	117,414
Staff advances	35,771	29,445
	<u>3,599,679</u>	<u>2,581,374</u>
 (i) This relates to prepaid insurance, rent, transport and airtime		
12.0 CASH AND BANK BALANCES	Kshs	Kshs
Cash at bank	<u>11,230,738</u>	<u>16,329,283</u>
13.0 PAYABLES AND ACCRUALS	Kshs	Kshs
Deferred grant income	-	3,230,766
Payroll liabilities	-	23,020
Audit fees	780,320	780,320
	<u>780,320</u>	<u>4,034,106</u>

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 FY2021.

The Board is not aware of any other matters arising after 31 December 2021 that would significantly affect the operations of the organization.

18.0 CURRENCY

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