BWALO INITIATIVE

FINANCIAL REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2017

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Bwalo Initiative is a local Non-Governmental Organization incorporated under the Trustees Incorporation Act on 14th February 2011.

NATURE OF OPERATIONS

The mission of the organisation is to change livelihoods in grassroots communities by providing facilitation and implementation of an enabling environment for enhancement of individuals who can contribute to the reduction of poverty in Malawi.

BOARD OF TRUSTEES

Sipiwe Kapawe (Miss) - Chairperson
Dr. Davis Khasu-Board Member
Chipo Jamu (Mrs.)- Board Secretary
Mr Davis Chabwera -Board Member
Margarate Mkangala (Miss) - Board Member
Ethel Mittawa (Mrs.)-Board Treasurer

REGISTERED OFFICE

Anglican Building
Along Zomba-Blantyre Road
Next to FDH Bank
Room number 4
P.O. Box 765
Zomba

EXECUTIVE DIRECTOR

Rodgers Kaunda

HEAD OF FINANCE

Clarity Nthonyani

AUDITORS

AuditPlus
P.O. Box 3116
Blantyre

BANKERS

National Bank of Malawi - Zomba
Standard Bank of Malawi - Zomba

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BWALO INITIATIVE
FINANCIAL REPORT

STATEMENT OF THE TRUSTEES RESPONSIBILITIES
FOR THE PERIOD ENDED 31 DECEMBER 2017

The trustees of **BWALO INITIATIVE** are required to review the financial report for each financial year which gives a true and fair view of the state of affairs of the Trust as at the end of the financial year and of the operating results for the period.

The trustees are also required to ensure that the Trust keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust.

In reviewing the financial report, the trustees accept responsibility for the following:

Maintenance of proper accounting records;

Selection of suitable accounting policies and applying them consistently;

Making judgements and estimates that are reasonable and prudent;

Compliance with applicable accounting standards, when preparing the financial report, subject to any material departures being disclosed and explained in the financial report; and

Preparation of the financial report on a going concern basis unless it is inappropriate to presume that the Trust will continue in existence.

The trustees also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

The trustees are of the opinion that the financial report gives a true and fair view of the state of the financial affairs of the Trust and of it operating results.

TRUSTEE — **DATE** 13-08-2018

TRUSTEE — **DATE** 13-08-2018

AuditPlus

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INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES

BWALO INITIATIVE

Opinion

We have audited the statement of cash receipts and disbursements of **BWALO INITIATIVE** - (the Trust) for the year ended December 31, 2017 and notes to the statement of cash receipts and disbursements, including a summary of significant accounting policies (together "the financial statement")

In our opinion, except for the possible effects of the matter described in the *Basis for Opinion* section of our report, the accompanying financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Trust for the year ended December 31, 2017 in accordance with the cash receipts and disbursements basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and with specific reference to ISA 800 (Revised) *Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and ISA 805 (Revised) *Special Considerations – Audits of Single Financial Statements and Specific elements, Accounts or Items of a Financial Statement*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statement, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

This is the first period we have audited the organisation and it is the first time the Trust has been subjected to an external audit on its financial statements. The comparative figures i.e. 2016 amounts are unaudited.

We draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to the donors of the **BWALO INITIATIVE** Trust. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note 2; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement , whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, 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 Trust's internal control.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Trust'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 statement 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 Trust to cease to continue as a going concern:

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Joseph K. Ndovi.

Joseph K. Ndovi

Blantyre

17 **August 2018**

BWALO INITIATIVE
FINANCIAL REPORT
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 MK	2016 MK
ASSETS			
Property, plant and equipment	9	37,269,817	17,107,860
Current assets			
Cash and cash bank	12	181,342	4,997,964
Total current assets		181,342	4,997,964
Total assets		37,451,159	22,105,824
FUNDS AND LIABILITIES			
Funds			
General fund		(984,154)	4,997,964
Capital fund		37,269,817	17,107,860
Total funds		36,285,663	22,105,824
Current liabilities			
Payables	13	400,000	-
Bank overdraft	12	765,496	-
Total current liabilities		1,165,496	-
Total funds and liabilities		37,451,159	22,105,824

The financial report of BWALO INITIATIVE was approved by the Board of Trustees on ....13.... August, 2018 and signed on its behalf by:

CHAIRPERSON **TRUSTEE**

BWALO INITIATIVE
FINANCIAL REPORT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
PERIOD: JANUARY 2017 TO DECEMBER 2017

	Notes	2017 MK	2016 MK
Funds brought forward	**12**	**4,997,964**	-
Receipts in the year			
Grant income	**10**	20,980,589	22,186,660
Tranfers within BWALO INITIATIVE Bank accounts		9,041,463	-
Bank interest and other income	**11**	314,913	100,973
		30,336,965	22,287,633
Total receipts		**35,334,929**	**22,287,633**
Payments - Projects	**4**		
European Project	**APP.1**	9,877,863	1,550,000
Operations	**APP.2**	11,011,585	5,068,000
PEPFAR - US Embassy	**APP.3**	7,300,216	-
Tilitonse Fund	**APP.4**	7,729,419	10,671,669
Total payments		35,919,083	17,289,669
Payments - other (accruals)	**13**	400,000	-
Total Project Expenditure		**36,319,083**	**17,289,669**
(Deficit)/deferred income for the year		**(984,154)**	**4,997,964**
Represented by:			
Bank accounts	**12**	(584,154)	4,997,964
Payables - Accruals	**13**	(400,000)	-
		(984,154)	**4,997,964**

BWALO INITIATIVE
FINANCIAL REPORT
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL REPORT
PERIOD: JANUARY 2017 TO DECEMBER 2017

1 Nature of Operations

Bwalo Initiative is a local Non-Governmental Organization incorporated under the Trustees Incorporation Act on 14th February 2011.

The mission of the organisation is to change livelihoods in grassroots communities by providing facilitation and implementation of an enabling environment for enhancement of individuals who can contribute to the reduction of poverty in Malawi.

2 Basis of Preparation

The financial statements are prepared in Malawi Kwacha on cash basis.

Verified and confirmed commitments, which are within the relevant agreements and are for the pursuance of agreed Programme objectives, are disclosed within the financial statements.

3 Revenue

a. Grants in Cash

Grants represent total cash disbursed and received from donors, realised foreign exchange gains and interest earned thereon. A grant is brought into account when it has been deposited in the Trust's bank account.

b. Donated assets and gifts in kind

The value of donated services and gifts in kind provided to the Trust are recognised at an estimate of their gross value in the period in which they are received as incoming resources, where the benefit to the Trust can be reliably measured.

c. Exchange gains

Realised exchange gains are calculated between the rate used for budgeting and the actual rate (used for translation) ruling on the date donated funds are received in foreign currency.
All foreign currency gains are exclusively used in the furtherance of the Trust's activities as agreed in the budget.

4 Expenditure

Attributable expenditure is recognised on payment basis and represents actual cash disbursed during the financial period.

All expenditure is classified in accordance with the budget. The budget forms part of the contract with donors.

5 Capital Assets

Fixed assets bought by the Trust are expensed in the year of purchase.

6 Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances.

7 Head office Administration costs

Part of the total funding for the different projects of the Trust is budgeted for Head Office Administration costs. The equivalent funds are transferred from the Trust's Project bank account into the Trusts main Operattions bank account.

8 Budget

Comparative figures are in respect of budgeted amounts approved by donors on the Trust.

9 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land MK	Buildings MK	Computers MK	Equipment MK	Furniture & Fittings MK	Total MK
Cost or valuation						
As at 1 January 2016	1,000,000	14,625,000	267,969	1,416,406	803,906	18,113,281
Additions			803,850			803,850
As at 31 December 2016	1,000,000	14,625,000	1,071,819	1,416,406	803,906	18,917,131
As at 1 January 2017	1,000,000	14,625,000	1,071,819	1,416,406	803,906	18,917,131
Additions	-	17,102,317	711,738	3,717,000	95,000	21,626,055
As at 31 December 2017	1,000,000	31,727,317	1,783,557	5,133,406	898,906	40,543,186
Depreciation						
As at 1 January 2016	-	375,000	82,031	433,594	246,094	1,136,719
Charge for the year	-	356,250	123,723	122,852	69,727	672,552
As at 31 December 2016	-	731,250	205,754	556,446	315,821	1,809,271
As at 1 January 2017	-	731,250	205,754	556,446	315,821	1,809,271
Charge for the year	-	756,620	171,506	502,564	33,408	1,464,098
As at 31 December 2017	-	1,487,870	377,260	1,059,010	349,229	3,273,369
Net carrying amounts						
As at 31 December 2017	1,000,000	30,239,447	1,406,297	4,074,396	549,677	37,269,817
As at 31 December 2016	1,000,000	13,893,750	866,065	859,960	488,085	17,107,860

BWALO INITIATIVE
FINANCIAL REPORT
NOTES TO THE FINANCIAL REPORT
PERIOD: JANUARY 2017 TO DECEMBER 2017

		2017 MK	2016 MK
10 Grants			
	European Union	9,875,132	1,550,000
	American Embassy	7,419,415	-
	Tilitonse Fund	2,730,000	15,420,600
	Netherlands	956,042	5,216,060
		20,980,589	22,186,660
11 Bank interest and other income			
	Bank interest	3,697	5,487
	Other income	176,216	95,486
	Refunds	135,000	-
		314,913	100,973
12 Bank			
	EU Project	(2,731)	-
	Operations	(762,765)	-
	PEPFAR - American Embassy	181,342	-
	Tilitonse Project	-	4,997,964
		(584,154)	4,997,964
13 Commitments			
	Audit fees	400,000	-

CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2017. (2016: K nil)

CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2017. (2016: K nil)

GOING CONCERN

The going concern of the Trust is dependent on the continued inflow of donations from its major donors.

FOREIGN EXCHANGE RATES AND INFLATION RATE

The average of the year – end buying and selling rates of the major foreign currencies affecting the performance of the Trust are stated below, together with the increase in the National Consumer Price Index which represent an official measure of inflation.

EXCHANGE RATES

	2017	2016
Kwacha / US Dollar	725.6548	724.08
Kwacha / Euro	865.10	763.10
Kwacha / GBP	974.3515	889.24

INFLATION RATE

Inflation rate %	7.1%	20.0%

BWALO INITIATIVE
FINANCIAL REPORT
APPENDICES TO THE FINANCIAL REPORT - EUROPEAN UNION PROJECT
PERIOD: JANUARY 2017 TO DECEMBER 2017

	2017	2016
INCOME	**MK**	**MK**
Donation Income	9,860,132	1,550,000
Bank Interest	-	-
Other Income	15,000	-
TOTAL INCOME	9,875,132	1,550,000
EXPENDITURE		
CHILD PROTECTION		
Salaries Technical	5,857,794	-
Perdiems	54,440	-
Local Transportation	108,500	-
Computer Equipment	20,967	-
Machines and Tools	210,000	960,000
Internship Placement	769,057	-
Visibility Actions	45,000	480,000
Trainers Fees	-	63,000
Sub-Total	7,065,758	1,503,000
ADMINISTRATION		
Salaries Administration	1,391,400	-
Office Rent	105,000	-
Office Supplies	92,705	-
Other Services	214,560	-
Financial Services	97,020	-
Indirect Costs	911,420	47,000
Sub-Total	2,812,105	47,000
TOTAL EXPENDITURE	9,877,863	1,550,000
OVER-EXPENDITURE	(2,731)	-

BWALO INITIATIVE
FINANCIAL REPORT
APPENDICES TO THE FINANCIAL REPORT - OPERATIONS
PERIOD: JANUARY 2017 TO DECEMBER 2017

	2017	2016
INCOME	**MK**	**MK**
Donation Income	956,042	5,216,060
Bank Interest	1,100	164
Other Income - transfers	9,292,228	5,000
TOTAL INCOME	10,249,370	5,221,225
EXPENDITURE		
CHILD PROTECTION		
Land and Buildings	-	2,693,000
Salaries Technical	5,246,713	-
Perdiems	121,000	-
Local Transportation	48,000	-
Furniture	1,051,000	-
Computers	217,805	-
Internship placement	30,000	-
Visibility	151,300	-
Project Fees	-	2,375,000
Sub-Total	6,865,818	5,068,000
ADMINISTRATION		
Salaries Administration	1,849,356	-
Consumables	30,190	-
Other Services	249,601	-
Financial Services	131,255	-
Indirect Costs	426,315	-
Loans	627,000	-
PAYE	832,050	-
Sub-Total	4,145,767	-
TOTAL EXPENDITURE	11,011,585	5,068,000
(OVER-EXPENDITURE)/DEFERRED INCOME	(762,215)	153,225

BWALO INITIATIVE
FINANCIAL REPORT
APPENDICES TO THE FINANCIAL REPORT - US EMBASSY PROJECT
PERIOD: JANUARY 2017 TO DECEMBER 2017

	2017 MK	2016 MK
INCOME		
Donation Income	7,419,415	-
Bank Interest	1,143	-
Other Income	61,000	-
TOTAL INCOME	7,481,558	-
EXPENDITURE		
HUMAN RIGHTS		
Presentation to DEC	4,424,863	-
Conduct baseline/Visibility	858,625	-
Salaries Technical	630,000	-
Local Transportation	84,000	-
Sub-Total	5,997,488	-
ADMINISTRATION		
Administration/Indirect costs	1,181,728	-
Bank Charges	121,000	-
Sub-Total	1,302,728	-
TOTAL EXPENDITURE	7,300,216	-
DEFERRED INCOME	181,342	-

BWALO INITIATIVE
FINANCIAL REPORT
APPENDICES TO THE FINANCIAL REPORT - THE TILITONSE PROJECT
PERIOD: JANUARY 2017 TO DECEMBER 2017

	2017 MK	2016 MK
OPENING BALANCE	**4,997,964**	**-**
INCOME RECEIVED IN THE YEAR		
Donation Income	2,730,000	15,420,600
Bank Interest	1,455	5,322
Other Income	-	243,710
Income received in the year	2,731,455	15,669,632
TOTAL INCOME	7,729,419	15,669,632
EXPENDITURE		
HUMAN RIGHTS		
Enhanced capacity for the urban governance structures	2,130,995	2,692,350
Increased access to information on governance and their entitlements	1,738,000	3,172,300
Strenghening engangement between duty beareres and rightholders	1,821,700	2,265,200
Personnel Costs	1,190,000	1,019,000
Computers	-	803,850
Sub-Total	6,880,695	9,952,700
ADMINISTRATION		
Office Rent	-	315,000
Administration/Indirect costs	815,196	325,000
Bank charges	33,528	78,969
Sub-Total	848,724	718,969
TOTAL EXPENDITURE	7,729,419	10,671,669
DEFERRED INCOME	-	**4,997,964**