

**CHURCHES ACTION IN RELIEF  
AND DEVELOPMENT (CARD)  
(Registration number  
NGO/R/002/05)**

**Financial Statements  
For the Year Ended 31 December 2022**

Audit Services



**AUDIT ■ TAX ■ ADVISORY**

*CORRESPONDENT OF MAZARS*



**CHURCHES ACTION IN RELIEF AND DEVELOPMENT  
FINANCIAL STATEMENTS**

For the year ended 31 December 2022

**GENERAL INFORMATION**

**Nature of Operations**

Provision of short term emergency relief assistance and rehabilitation support and long term development strategies focusing on income areas.

**Registered office**

Partridge Avenue  
P.O Box 2733  
Limbe  
Blantyre, Malawi

**Bankers:**

National Bank of Malawi  
Standard Bank of Mala  
New Building Society Bank  
CDH Investment Bank

**Auditor:**

AMG Global Chartered Accountants  
Global House  
Kristwick, Chipembere Highway  
P.O Box 2051  
Blantyre Malawi

**Attorneys:**

**Sacranie, Cow and Company**  
Legal Practitioners & Conveyances  
P.O Box 5133  
Limbe  
Blantyre, Malawi

**Executive Director:**

Mr. Melton Luhanga

CHURCHES ACTION IN RELIEF AND DEVELOPMENT

FINANCIAL STATEMENTS

For the year ended 31 December 2022

Contents	Page
Directors' responsibilities and approval	1
Directors' report	2
Independent auditor's report	3-5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in accumulated funds	8
Statement of cash flows	9
Notes to the financial statements	10 - 20
Supplementary information	I-XXXV1

**CHURCHES ACTION IN RELIEF AND DEVELOPMENT**  
**Financial Statements for the year ended 31 December 2022**

**DIRECTORS' RESPONSIBILITIES AND APPROVAL**

The board of directors are required in terms of the Trustees Act (Chapter 5.02), Non-Governmental Act No 3 of 2001 and CARD manual for accounting policies and procedures to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the institution as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with CARD manual for accounting policies and procedures. The external auditor is engaged to express an independent opinion on the financial statements.

The board of directors acknowledge that they are ultimately responsible for the system of internal financial control established by the organization and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organization and all employees are required to maintain the highest ethical standards in ensuring the organization's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the organization is on identifying, assessing, managing and monitoring all known forms of risk across the organization. While operating risk cannot be fully eliminated, the organization endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board of directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The board of directors have reviewed the organization's cash flow forecast for the year to 31 December 2021 and, in light of this review and the current financial position, they are satisfied that the organization has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the organization's financial statements. The financial statements have been examined by the organization's external auditor and their report is presented on pages 3 to 5.

The financial statements, which have been prepared on the going concern basis, were approved by the board of directors on .....2023 and were signed on their behalf by:

**Approval of financial statements**

  
.....  
Chairman

  
.....  
Executive Director

**CHURCHES ACTION IN RELIEF AND DEVELOPMENT**  
For the year ended 31 December 2022

**DIRECTORS' REPORT**

The board of directors have pleasure in submitting their report on the financial statements of Churches Action in Relief and Development.

**Nature of business**

Churches Action in Relief and Development is a religious, charitable and not for profit organisation registered under the Trustees Act (Chapter 5:02). It provides short term emergency relief assistance and rehabilitation support and long term developmental strategies focusing on low income areas.

**Board of directors**

The board of directors who held office during the period and to the date of this report were:

<b>Director</b>	<b>Office</b>
Rev Canon Francis Matumba	Chairman
Rev. Mwawi Chilongozi	Vice chairman
Rev. Zaccheus Jekemu	Member
Rev. Efremu Kambona	Member
Rev. Mercy Chilapula	Member
Mr Victor Mnelemba	Member
Mrs. Florence Mugeni	Member
Mr Mwiza Mtawali	Member

**Events after the reporting period**

Subsequent to the statement of financial position date, the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

**Going concern**

The board of directors believe that the organization has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the organization is in a sound financial position. The directors are not aware of any new material changes that may adversely impact the organization. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the organization

**Terms of appointment of the auditor**

AMG Global were appointed as the organization's auditor at the board of directors meeting. AMG Global has expressed willingness to continue in office and a resolution to the effect will be proposed at the forth coming board of directors meeting.

Office address:  
Global House  
Kristwick  
Chipembere Highway  
Blantyre  
Malawi

Mail address:  
P O Box 2051  
Blantyre  
Malawi

Telephone: (265)-0995 820 722  
(265)-01-811 348  
(265)-01-811 349  
(265)-01-811 347  
E-mail: info@amgglobal.co.mw



Chartered Accountants  
& Business Advisors

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHURCHES ACTION IN RELIEF AND DEVELOPMENT

### Opinion

We have audited the financial statements of Churches Action in Relief and Development, which comprise Statement of financial position as at 31st December, 2022, and the statement of profit or loss and other comprehensive income, the Statement of Changes in accumulated funds and Statements of Cash Flows for the period ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial transactions of the organization at 31 December 2022 and of its financial performance for the year then ended in accordance with the provisions of the Trustees Incorporation Act, Non-Governmental Act and in conformity with Churches Action in Relief and Development manual for accounting policies and procedures.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the International Federation of Accountants (IFAC) code of Ethics together with the ethical requirements that are relevant to our audit of the fund's financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

### Responsibilities of Directors and Those Charged with Governance for the Financial Statements

Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the Trustees Incorporation Act and in conformity with Churches Action in Relief and Development manual, and for such internal control as directors determine are 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, directors are 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 directors either intend to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

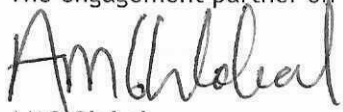
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 directors.
- Conclude on the appropriateness of directors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



AMG Global  
Chartered Accountants  
Blantyre, Malawi

Date:.....2023




CHURCHES ACTION IN RELIEF AND DEVELOPMENT

STATEMENT OF FINANCIAL POSITION  
as at 31 December 2022

Figures are in thousands of Malawi Kwacha

	Note	2022 MWK	2021 MWK
<b>Non current assets</b>			
Property and equipment	4	<u>301,193</u>	<u>292,171</u>
<b>Current assets</b>			
Accounts receivable	5	192,082	69,635
Bank and cash	6	<u>268,570</u>	<u>187,653</u>
		<u>460,652</u>	<u>257,288</u>
<b>Total assets</b>		<u><u>761,845</u></u>	<u><u>549,459</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Funds and reserves</b>			
Accumulated funds	7	66,628	-47,330
Capital reserves	8	122,297	83,449
Revaluation reserve	9	<u>178,897</u>	<u>254,443</u>
		<u>367,822</u>	<u>290,562</u>
<b>Current liabilities</b>			
Accounts payable	10	<u>394,024</u>	<u>258,897</u>
		<u>394,024</u>	<u>258,897</u>
<b>Total reserves and liabilities</b>		<u><u>761,846</u></u>	<u><u>549,459</u></u>

Rev Canon Francis Matumba  
Chairman

  
Melton Luhanga  
Executive Director

# CHURCHES ACTION IN RELIEF AND DEVELOPMENT

## STATEMENT OF INCOME AND EXPENDITURE

for the year ended 31 December 2022

Figures are in thousands of Malawi Kwacha

	Notes	2022 MWK	2021 MWK
<b>INCOME</b>			
Donations for projects	12	2,226,442	1,960,599
Other - administration	12	34,666	72,857
		<u>2,261,108</u>	<u>2,033,456</u>
<b>EXPENDITURE</b>			
Projects	13	2,103,906	2,046,762
Administration	13	43,244	19,762
		<u>2,147,150</u>	<u>2,066,524</u>
Surplus for the year		<u>113,958</u>	<u>(33,068)</u>

CHURCHES ACTION IN RELIEF AND DEVELOPMENT

STATEMENT OF CHANGES IN RESERVES  
for the year ended 31 December 2022

Figures are in thousands of Malawi Kwacha

	Accumulated funds MWK	Capital reserve MWK	Revaluation reserve MWK	Grand total MWK
Balance as at 1 January 2021	195,312	35,374	183,743	414,429
Pror year adjustment(Pension,PAYE and Gratuity)	(209,574)			-209,574
Movement in reserves		48,074	70,700	118,774
surplus for the year	(33,068)	-	-	(33,068)
Balance as at 31 December 2021	(47,330)	83,448	254,443	290,561
Movement in reserves		38,848	(75,546)	(36,698)
Surplus for the year	113,958	-	-	113,958
Balance as at 31 December 2022	<u>66,628</u>	<u>122,296</u>	<u>178,897</u>	<u>367,821</u>

CHURCHES ACTION IN RELIEF AND DEVELOPMENT

STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Note	2022 MWK	2021 MWK
Cashflow from operating activities			
(Deficit )Surplus for the period		113,958	(33,068)
Adjustment for:			
Interest received		(324)	(165)
Depreciation for the year		29,825	26,583
Provisions		(48,698)	(167,898)
Profit on disposal of motor vehicles		6,000	3,200
		<u>100,761</u>	<u>(171,348)</u>
<b>Movements in working capital</b>			
Increase in accounts receivable		(122,447)	(49,913)
Increase in accounts payable		135,127	107,975
Cash generated from / (used in) operations		<u>113,441</u>	<u>(113,286)</u>
<b>Cash flows from investing activities</b>			
Interest received		324	165
Purchase of property and equipment		(38,848)	(48,073)
Proceeds on disposal of motor vehicles		6,000	3,200
Net cash from (used in) investing activities		<u>(32,524)</u>	<u>(44,708)</u>
Increase / (decrease) increase in cash and cash equivalents		80,917	(157,994)
Cash and cash equivalents at beginning of year		<u>187,653</u>	<u>345,647</u>
Cash and cash equivalents at end of year	13	<u><u>268,570</u></u>	<u><u>187,653</u></u>

# CHURCHES ACTION IN RELIEF AND DEVELOPMENT

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

### 1 GENERAL INFORMATION

#### 1.1 Nature of business

Churches Action in Relief and Development is a religious, charitable and not for profit organisation registered under the Trustees Act (Chapter 5:02). It provides short term emergency relief assistance and rehabilitation support and long term developmental strategies focusing on low income areas. Its registration number is NGO/R/002/05. Its registered offices are on Partridge Avenue, Mpingwe, Limbe, Malawi. It has field offices in Mchinji, Dowa, Nsanje, Mulanje, Balaka, Machinga and Thyolo.

#### 1.2 Currency

The organisation's functional and presentation currency is the Malawian Kwacha ("MWK").

### 2 ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The principal accounting policies adopted in the preparation of financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with Churches Action in Relief and Development Procedure Manual, Non Governmental Act No. 3 of 2001 and the Trustees Act (Chapter 5.02) and are not intended to be in conformity with International Financial Reporting Standards (IFRS).

The preparation of the financial statements in compliance with Manual for Accounting Policies and Procedures requires the use of certain critical accounting estimates. It also requires the organisation's management to exercise judgments in applying the organisations accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

#### 2.2 Property and equipment

Property and equipment is initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the entity and the costs can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the period in which they are incurred. Subsequent to initial measurement, equipment is measured at cost less accumulated depreciation and accumulated impairment losses with the exception of motor vehicles, which are carried at fair value less accumulated depreciation. Their useful lives and residual values are assessed annually. Annual depreciation is charged proportionately over the remaining useful life of an asset where its carrying amount is higher than its residual value. If the carrying amount is lower than the residual value, no depreciation is charged.

It is organisation's policy to charge the cost of property and equipment to various projects under which they are purchased.

Subject to the above equipment is depreciated on a straight line basis.

• Computers	33.3%
• Motor vehicles and motor cycles	20%
• Furniture and equipment	10%
• Buildings	4%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)  
for the year ended 31 December 2022

---

**2.2 Property and equipment (Cont'd)**

Land is carried at cost or at fair market value if donated and is not depreciated. Freehold land and buildings and motor vehicles are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Changes in fair value are recognised in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in accumulated funds.

Subsequent to initial measurement, property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Annual depreciation is charged proportionately over the remaining useful life of an asset where its carrying amount is higher than its residual value. If the carrying amount is lower than the residual value, no depreciation is charged.

The residual value of an asset is the estimated amount that would currently be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in condition expected at the end of its useful life. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These gains and losses are included in profit or loss.

**i) Impairment of property and equipment**

The carrying amount of equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Any impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

**ii) Derecognition of property and equipment**

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from use or disposal.

**2.4 Financial instruments other than securities**

The organisation designates its receivables are classified as accounts receivables, which are measured at amortised cost. Accounts payable and accrued liabilities and loans payable are classified as other financial liabilities, which are measured at amortised cost.

**(i) Financial assets at fair value through profit or loss**

Financial assets that the company holds for short term profit taking are classified as financial assets at fair value through profit or loss. Financial assets that the company designates at inception as financial assets at fair value through profit or loss are carried at fair value. Such classification is not changed subsequent to initial recognition.

Non-derivative financial instruments carried in the financial statements comprise: cash and cash equivalents, loans, trade and other receivables, trade and other payables and amounts owing to and from related parties. These instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

**(ii) Accounts receivables**

Accounts receivables are recognised on the date they are originated, all other financial assets are recognised initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

**2.4.1 Fair value measurement hierarchy**

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 3). The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

**2.4.2 Derecognition of financial assets**

Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the branch has also transferred substantially all risks and rewards of ownership. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

**2.4.3 Impairment of financial assets**

A financial asset is deemed to be impaired when its carrying amount is greater than its estimated receivable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements.

**2.5 Financial liabilities**

The company's financial liabilities comprise account payables. Financial liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

## CHURCHES ACTION IN RELIEF AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS (Cont'd) for the year ended 31 December 2022

---

#### a) Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings are measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position.

Accounts payables and other short-term monetary liabilities, are subsequently carried at amortised cost using the effective interest method.

#### b) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### 2.6 Cash and cash equivalents

For the purposes of reporting, cash and cash equivalents comprise of cash on hand, bank balances and amounts due from other banks and money market investments.

#### 2.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the organisation and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (a) Grants and donations

Grants and charitable donations from various donors in form cash or asset are recognised on receipt basis. When the relevant operating expenditure or investment transaction to which it relates occurs, a transfer from deferred income to the statement of income for the same amount takes place. Deferred income in the statement of financial position will represent grants received but unspent.

##### (b) General reserve

The organisation follows the restricted fund method of accounting for restricted contributions and endowments. Restricted donations and contributions are recognised as revenue of the appropriate restricted general reserve.

##### (c) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and effective interest rate applicable.

##### (d) Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

##### (e) Other income

Other income consists of income earned from activities that are not related to the entity's main Operations. These include gain on disposal of fixed assets and exchange gain on translation of foreign denominated balances.

#### 2.8 Provisions

Provisions are recognised when the organisation has a present obligation (legal constructive) as a result of past events.



## CHURCHES ACTION IN RELIEF AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS (Cont'd) for the year ended 31 December 2022

---

#### 2.9 Post employment benefits

Retirement benefits are provided for employees through independently administered defined contribution funds. Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate.

#### 2.10 Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to statement of income and expenditure. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions.

#### 2.12 Income tax

The organisation is exempt from paying tax due in terms of paragraph (ix) of the first schedule to the Taxation Act (Chapter 41:01).

### 3. CRITICAL JUDGEMENTS IN APPLYING THE ORGANISATION'S ACCOUNTING POLICIES

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgments include:-

#### (a) Restricted reserves

The organisation follows the restricted fund method of accounting for restricted contributions and endowments. Restricted donations and contributions are recognised as revenue of the appropriate general reserve.

#### (b) Capital assets

Management assesses the residual value and the useful lives of the capital assets so as to determine the depreciable amount of the capital assets. Management has not determined the useful lives and depreciated the capital assets.

#### (c) Accounts receivable

The organisation assesses its accounts receivable for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the organisation makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the receivables.

#### (d) Fair values

The organisation determines the fair values of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

CHURCHES ACTION IN RELIEF AND DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022

Figures are in thousands of Malawi Kwacha

4 PROPERTY AND EQUIPMENT

	Land MWK	Buildings MWK	Motor Vehicles MWK	Computer Equipment MWK	Office Furniture MWK	Total MWK
Net carrying amount at 1 January 2021	12,800	168,092	12,744	555	5,790	199,981
Gross carrying amount - cost	12,800	220,766	147,234	4,564	13,053	398,417
Accumulated depreciation and impairment	-	(52,674)	(134,490)	(4,009)	(7,263)	(198,436)
Additions	-	-	47,760	-	313	48,073
Revaluation	-	70,700	-	-	-	70,700
Depreciation for the year	-	(11,659)	(13,520)	(275)	(1,129)	(26,583)
Disposal	-	-	(7,249)	-	-	(7,249)
Depreciation on disposal	-	-	7,249	-	-	7,249
Net carrying amount at 31 December 2021	12,800	227,133	46,984	280	4,974	292,171
Gross carrying amount - cost	12,800	291,466	194,994	4,564	13,366	517,190
Accumulated depreciation and impairment	-	(64,333)	(148,010)	(4,284)	(8,392)	(225,019)
Additions	-	-	38,406	-	442	38,848
Revaluation	-	-	-	-	-	-
Depreciation for the year	-	(11,659)	(16,772)	(276)	(1,119)	(29,826)
Disposal	-	-	(25,137)	-	-	(25,137)
Depreciation on disposal	-	-	25,137	-	-	25,137
Net carrying amount at 31 December 2022	12,800	215,474	68,618	4	4,297	301,193
Gross carrying amount - cost	12,800	291,466	233,400	4,564	13,808	530,901
Accumulated depreciation and impairment	-	(75,992)	(164,782)	(4,560)	(9,511)	(229,708)

CHURCHES ACTION IN RELIEF AND DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)  
for the year ended 31 December 2022

Figures are in thousands of Malawi Kwacha

	2022 MWK	2021 MWK
<b>5 ACCOUNTS RECEIVABLE</b>		
Trocaire	290	422
All We Can project receivable	10,715	665
CFGB	1,978	867
CRS	994	5,764
Climate Justice Resilience Fund-NVF	164,062	-
NCA/DCA Project receivables	207	-
CA FARMSE	562	-
Excellent Dev	-	21,016
PLAN	399	380
	1,523	-
Bread for the World	11,352	31,849
Other ADMN	-	1,882
United Nations High Commissioner for Refugees (UNHCR) project receivable	-	150
Staff debtors	-	6,640
	<u>192,082</u>	<u>69,635</u>
<p>The carrying amount of accounts receivable approximates the fair value as at reporting date. It represents amounts paid on behalf of projects and advances to employees and are recoverable.</p>		
<b>6 BANK AND CASH BALANCES</b>		
Bank - MWK	156,301	159,968
Bank - US\$	112,269	20,486
Short term fixed deposits	-	7,199
	<u>268,570</u>	<u>187,653</u>
<b>7 ACCUMULATED FUNDS</b>		
Balance B/Forward	(47,330)	195,311
Christian Aid	(11,721)	(10,662)
WFP	5,519	(15,963)
CRS	(11,243)	13,981
Excellent Dev	(16,491)	(5,922)
Diakonie	7,924	8,806
CARE	(327)	0
Climate Justice Resilience Fund-NVF	169,817	0
Trocaire	46,694	(70,809)
All We Can	1,060	(67,254)
United Nations High Commissioner for Refugees (UNHCR)	(2,321)	0
Canadian Food Grains	2,736	(19,720)
Concern World wide	0	(21,989)
Act Alliance-Others	0	19,406
Bread for the World	(74,482)	87,009
NCA/DCA	5,696	185
Plan International	(326)	(3,230)
Accumulated Funds Adjustment	0	(209,574)
Deficit for the year - Administration	(8,578)	53,095
	<u>66,627</u>	<u>(47,330)</u>

CHURCHES ACTION IN RELIEF AND DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)  
for the year ended 31 December 2022

Figures are in thousands of Malawi Kwacha

	2022 MWK	2021 MWK
<b>8 CAPITAL RESERVES</b>		
Opening	83,449	35,375
Property and equipment purchased during the year	38,848	48,074
Depreciation write back on disposals	25,137	7,249
	<u>147,434</u>	<u>90,698</u>
Depreciation for the year	-	-
Disposals at cost	(25,137)	(7,249)
Closing	<u>122,297</u>	<u>83,449</u>
<b>9 REVALUATION RESERVE</b>		
Opening	254,443	183,743
Surplus on revaluation	(45,721)	97,283
Depreciation during the year	(29,825)	(26,583)
Closing	<u>178,897</u>	<u>254,443</u>
<b>10 ACCOUNTS PAYABLE</b>		
Employee gratuity	29,695	41,770
Pension	143,375	83,183
MRA PAYE	17,038	84,621
Other payables	203,916	49,323
	<u>394,024</u>	<u>258,897</u>
<b>11 CAPITAL EXPENDITURE COMMITMENTS</b>		
Approved by the directors and contracted for	38,848	1,241
	<u>38,848</u>	<u>1,241</u>

Capital expenditure will be financed by donations and internally generated funds.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)  
for the year ended 31 December 2022

Figures are in thousands of Malawi Kwacha

	Projects 2022 MWK	Admin 2022 MWK	Totals 2022 MWK	Projects 2021 MWK	Admin 2021 MWK	Totals 2021 MWK
<b>12 DONOR INCOME</b>						
Presbyterian	4,109	-	4,109	7,989	-	7,989
United Methodist Church	8,157	-	8,157	-	-	-
All We Can-Build Better Project	16,646	-	16,646	31,741	-	31,741
CARE -BHA Cyclone Anna Response	12,230	-	12,230	-	-	-
Diakonie LLGI	28,939	-	28,939	26,455	-	26,455
Healing of Memories	6,961	-	6,961	8,479	-	8,479
EAD-IAS Control Project	7,212	-	7,212	11,987	-	11,987
ACT UBUMBANO	5,117	-	5,117	3,346	-	3,346
ACT Forum	6,916	-	6,916	-	-	-
United Nations High Commissioner for Refugees 21 (UNHCR)	-	-	-	748,045	-	748,045
Act Alliance (Appeal)	-	-	-	7,750	-	7,750
ACT RRF-Cyclone Anna Response	61,842	-	61,842	-	-	-
CRS-Emergency Response	-	-	-	75,530	-	75,530
Bread for The World - Ecology Project	-	-	-	145,936	-	145,936
Excellent Development-Sand Dams	93,174	-	93,174	72,942	-	72,942
TROCAIRE Start Fund Cyclone Anna Response	88,018	-	88,018	-	-	-
TROCAIRE -EFRS Cyclone Anna Response	64,760	-	64,760	-	-	-
All We Can -Conference	14,236	-	14,236	-	-	-
WFP	46,609	-	46,609	63,514	-	63,514
Bread for The World - PAET Project	307,815	-	307,815	199,695	-	199,695
NCA /DCA DRR 2021	-	-	-	23,794	-	23,794
NCA /DCA DRR 2022	48,859	-	48,859	-	-	-
CRS Shelter -SARO Cyclone Anna Response	9,677	-	9,677	-	-	-
DIakonie -Cyclone Anna Response	9,330	-	9,330	-	-	-
PLAN-Girls Get Equal	146,963	-	146,963	163,540	-	163,540
Trocaire YR 4	-	-	-	100,051	-	100,051
All We Can-Cyclone Anna Response	20,000	-	20,000	-	-	-
Trocaire EU	28,976	-	28,976	44,358	-	44,358
Concern World Wide-Graduation	-	-	-	38,392	-	38,392
Bread for the World-PELUM	21,886	-	21,886	-	-	-
Trocaire Loss and Damage	93,727	-	93,727	-	-	-
All We Can Operation	62,030	-	62,030	50,001	-	50,001.00
CRS BHA Cyclone Anna Response	25,309	-	25,309	-	-	-
Concern World Wide-PROSPER	-	-	-	43,473	-	43,473
CRS GATES-Cyclone Anna Response	4,960	-	4,960	-	-	-
Christian Aid-FARMSE UPG	57,968	-	57,968	50,015	-	50,015
UNHCR-2022	209,873	-	209,873	-	-	-
Canadian Food Grain Bank-SPMCSF	83,987	-	83,987	42,380	-	42,380
Canadian Food Grains Bank -Cylone Anna Response	147,758	-	147,758	-	-	-
Climate Justice Resilience Fund-NVF	207,184	-	207,184	-	-	-
NCA/DCA Cash Transfer Cyclone Anna Response	58,210	-	58,210	-	-	-
NCA/DCA WASH Cyclone Anna Response	67,094	-	67,094	-	-	-
CRS BHA	39,112	-	39,112	-	-	-
CRS SEE	100,331	-	100,331	-	-	-
<b>Total donations</b>	<b>2,215,975</b>	<b>-</b>	<b>2,215,975</b>	<b>1,959,413</b>	<b>-</b>	<b>1,959,413</b>
<b>OTHER INCOME</b>						
Interest received	24	300	324	76	88	164
Unrealised exchange gains	10,443	0	10,443	1,110	-	1,110
Rent	-	11,546	11,546	-	13,775	13,775
Subscription - churches	-	400	400	-	600	600
Vehicle Hire	-	790	790	-	-	-
Sundry income /Other Programs	-	312	312	-	503	503
Administration fees	-	2,038	2,038	-	51,189	51,189
Other Projects Income	-	13,280	13,280	-	3,502	3,502
Proceeds from sale of assets	-	6,000	6,000	-	3,200	3,200
<b>Total other income</b>	<b>10,467</b>	<b>34,666</b>	<b>45,133</b>	<b>1,186</b>	<b>72,857</b>	<b>74,043</b>
<b>Total income carried forward</b>	<b>2,226,442</b>	<b>34,666</b>	<b>2,261,108</b>	<b>1,960,599</b>	<b>72,857</b>	<b>2,033,456</b>

Figures are in thousands of Malawi Kwacha

	Appendix	Projects	Admin	Totals	Projects	Admin	Totals
		2022 MWK	2022 MWK	2022 MWK	2021 MWK	2021 MWK	2021 MWK
<b>13 Total income brought forward</b>		<b>2,226,442</b>	<b>34,666</b>	<b>2,261,108</b>	<b>1,960,599</b>	<b>72,857</b>	<b>2,033,456</b>
<b>EXPENDITURE</b>							
CARD Secretariat	I	-	43,244	43,244	-	19,762	19,762
All We Can - BBBI	II	17,063	-	17,063	99,537	-	99,537
ACT RRF -Cyclone Anna Response	III	62,154	-	62,154	0	-	0
DIAKONIE -Cyclone Anna Response	IV	7,360	-	7,360	0	-	0
CRS BHA -Cyclone Anna Response	V	34,845	-	34,845	0	-	0
ACT UBUMBANO	VI	3,716	-	3,716	3,276	-	3,276
Bread For the World-PELUM	VII	19,151	-	19,151	0	-	0
PLAN -Girls Get Equal	VIII	147,289	-	147,289	166,769	-	166,769
Presbyterian Support	IX	-	-	-	8,355	-	8,355
All We Can-Conference	X	12,951	-	12,951	0	-	0
Institute of Healing Memories	X	8,046	-	8,046	8,628	-	8,628
Climate Justice Resilience Fund-NVF	X	37,368	-	37,368	0	-	0
NCA/DCA DRR 2021	XI	-	-	-	23,609	-	23,609
CRS SEE	XII	111,574	-	111,574	0	-	0
ACT Alliance Appeal	XIII	-	-	0	11,443	-	11,443
EAD-IAS Control Project	XIV	9,268	-	9,268	9,934	-	9,934
All We Can -Operation	XV	62,591	-	62,591	49,466	-	49,466
Trocaire-EU	XVI	34,031	-	34,031	41,060	-	41,060
Trocaire-CCPM YR 4	XVII	-	-	0	174,158	-	174,158
Concern World Wide-PROSPER	XVIII	-	-	0	65,446	-	65,446
NCA/DCA WASH-Cyclone Anna Response	XIX	67,193	-	67,193	0	-	-
CRS-BHA	XX	28,267	-	28,267	0	-	-
Christian Aid -FARMSE UPG	XXI	69,689	-	69,689	60,677	-	60,677
TROCAIRE START Fund-Cyclone Anna Response	XXII	88,227	-	88,227	0	-	-
Bread for The World-Ecology Project	XXIII	-	-	-	166,030	-	166,030
Concern World Wide-Graduation	XXIV	-	-	-	38,408	-	38,408
Diakonie LLGI	XXV	22,984	-	22,984	17,649	-	17,649
Bread for The World-PAET	XXVI	415,393	-	415,393	92,593	-	92,593
TROCAIRE-EFRS Cyclone Anna Response	XXVII	64,176	-	64,176	0	-	0
TROCAIRE Loss and Damage	XXVIII	42,353	-	42,353	0	-	0
Canadian Food Grains Bank-Cyclone Anna Response	XXIX	147,696	-	147,696	-	-	-
NCA/DCA Cash Transfer-Cyclone Anna Response	XXX	58,210	-	58,210	0	-	-
Excellent Development-Sand Dams	XXXI	109,665	-	109,665	58,072	-	58,072
CRS Emergency Response	XXXII	-	-	-	61,549	-	61,549
WFP	XXXIII	41,092	-	41,092	79,893	-	79,893
UNHCR 21	XXXIV	-	-	-	748,044	-	748,044
UNHCR 2022	XXXV	212,194	-	212,194	-	-	-
Canadian Food Grain Bank-SPMCSF	XXXVI	81,319	-	81,319	62,166	-	62,166
ACT Forum	XXXVII	2,928	-	2,928	-	-	-
NCA/DCA DRR 2022	XXXVIII	43,065	-	43,065	-	-	-
CARE BHA-Cyclone Anna Response	XXXIX	12,557	-	12,557	-	-	-
CRS WASH -SARO Cyclone Anna Response	XL	7,858	-	7,858	-	-	-
All We Can -Cyclone Anna Response	XLI	19,264	-	19,264	-	-	-
CRS GATES-Cyclone Anna Response	XLII	2,369	-	2,369	-	-	-
<b>Total expenditure</b>		<b>2,103,906</b>	<b>43,244</b>	<b>2,147,150</b>	<b>2,046,762</b>	<b>19,762</b>	<b>2,066,524</b>
<b>Surplus / (deficit) for the year</b>		<b>122,536</b>	<b>(8,578)</b>	<b>113,958</b>	<b>(86,163)</b>	<b>53,095</b>	<b>(33,068)</b>

CHURCHES ACTION IN RELIEF AND DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)  
for the year ended 31 December 2022

---

14 EXCHANGE RATES AND INFLATION

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

	2022 MWK	2021 MWK
Exchange rates:		
Kwacha / US Dollar	1036	825
Inflation rate %	21%	8%

At the time of signing the financial statements the exchange rates were as follows:-

Kwacha / US Dollar	1086	825
--------------------	------	-----

15 EVENTS AFTER THE REPORTING DATE

15.1 Adjusting events after reporting date

There were no significant events after reporting date which necessitated disclosure or adjusting the financial statements.