

KAALO AID AND DEVELOPMENT (KAD)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



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Organisation information

Board of Directors

: Abdirashid Guureeye
: Luul Mohamed Warsame
: Ugaas Osman Hasan
: Abdulahi Isse Ali
: Fadumo Mohamed Ahmed
: Daahir Ahmed Farah
: Burhan Adan Omar

Management

: Mohamud Hamid Mohamed
Executive Director

Principal place of the activities

: Kaalo Aid and Development
Garowe, Puntland State of Somalia

Principal bankers

: Dahabshil Bank
Garowe Branch
Puntland State of Somalia

: Amal Bank
Garowe Branch
Puntland State of Somalia

Independent auditor

: Mazars
Certified Public Accountant (K)
3rd Floor, Suite 8, The Green House
Adams Arcade, Ngong road
P.O. Box 61120 00200 Nairobi.
Tel : 254 020 3861175/76/79
Wireless 254 020 2517101/3
Cell phone : 0722-440270/0734-440270
Email: contact@mazars.co.ke
Website: www.mazars.co.ke

Directors report

The directors submit their report and the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the organisation.

About Kaalo Aid and Development (KAD)

KAALO Aid and Development (KAALO) was established in March 1991 just after the collapse of Somali central government; and it is one of the most successful and consistent community based, non-profit, humanitarian and development NGO in Somalia. KAALO operates in the Puntland Regions, and Somalia at large and is involved in relief aid, rehabilitation and development programs in various sectors: Education, Health, Rural Development, Agriculture and livelihood and Governance (Peace, Human Rights, Gender Development, and Democracy and Psycho social issues).

Registration

Kaalo Aid and Development is registered in Puntland State of Somalia, under the Ministry of Planning and International Cooperation, Registration No.41/2017 which runs from 10 July 2017 to 09 July 2018. The registration has been renewed by certificate No. 41/2018 which runs from 10 July 2018 to 10 July 2019. The registration certificate is subject to renewal on an annual basis in Puntland.

Principal activities

The focus of KAALO is on the development and humanitarian projects including: Education; WASH; Agriculture & Livelihood; Human Rights- Child protection, Psychosocial Care, FGM/C, GBV,; HIV/AIDS; Conflict resolution; Capacity Building and Development; Health; Community empowerment through participation; Peace building projects; Protection of Refugees and asylum seekers.

Directors

The directors who served during the period to the date of this report are shown on page 1.

Independent auditor

The organisation's auditor, Mazars, Certified Public Accountants (K) who was appointed during the year has expressed willingness to continue in office.

By order of the directors


Mohamud Harid Mohamed
Executive Director



13/1/1 2018

Statement of Directors' responsibilities

The Board of Directors of Kaalo Aid and Development (the organisation) are responsible for the preparation and presentation of financial statements, comprising the statement of financial position as at the 31 December 2017, statement of income and expenditure and cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory notes on the basis of accounting described in Note 1. The directors are also responsible for safeguarding the assets of the organisation.

The directors accept responsibility for preparation and fair presentation of financial statements that are free of material misstatement whether due to fraud or error. They also accept responsibility for:

- i) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgments that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the organisation as at 31 December 2017 and of its financial performance and cash flows for the year then ended.

The directors are also responsible for making available to the auditors, as and when required, all the organisation's accounting records, including minutes of all meetings, and information and explanations which the auditors consider necessary.

Having made an assessment of the organization's ability to continue as a going concern, the directors are 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 directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the directors on 13, November 2018 and signed on its behalf by:



Abdirashid Guureeye
Board Chairperson



Mohamud Harid Mohamed
Board member and Executive Director



Independent auditor's report

Opinion

We have audited the accompanying financial statements of Kaalo Aid and Development set out on pages 6 to 14, which comprise the statement of financial position as at 31 December 2017, the statement of income and expenditure, and notes, including 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 position of Kaalo Aid and Development as at 31 December 2017 and of its financial performance for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Significant accounting policies and restriction on use

We draw your attention to note 1 of this financial statements, which describes the basis of preparation and significant accounting policies. The financial statements are prepared to assist Kaalo Aid and Development to comply with the financial reporting provisions of the Organisation and its donors. As a result, the financial statements may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. Other information comprises the information included in the narrative reports, 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.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with the accounting policies set out in note 1 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Independent auditor's report (continued)

Directors' responsibilities for the financial statements (continued)

In preparing the financial statements, the directors are responsible for assessing the organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 scepticism throughout the audit. We also:

- i) 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.
- ii) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organisation's internal control.
- iii) evaluate the appropriateness of accounting policies used and related disclosures made by directors.
- iv) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Owen Koimburi, Practising Certificate No. 445.



**Mazars
Certified Public Accountants (K)
Nairobi**

13th November 2018

MAZARS
Certified Public Accountants
P. O. Box 61120 - 00200
TEL: +254 20 3861173/6/9
NAIROBI

Statement of Income and Expenditure

		2017	2016	2016
Income	Notes	USD	Restated USD	USD
Grant income	2	<u>2,345,493</u>	<u>1,404,697</u>	<u>1,404,697</u>
Total income		<u>2,345,493</u>	<u>1,404,697</u>	<u>1,404,697</u>
Expenditure				
Direct project costs	3	1,639,934	609,043	599,943
Personnel costs	4	416,177	449,656	428,941
Operation and administration costs	5	<u>93,100</u>	<u>82,935</u>	<u>73,991</u>
Total expenditure		<u>2,149,211</u>	<u>1,141,634</u>	<u>1,102,875</u>
Balance for the year		196,282	263,063	301,822
Depreciation charge for the year	6	<u>(18,138)</u>	<u>(14,688)</u>	<u>(14,688)</u>
Surplus for the year		<u><u>178,144</u></u>	<u><u>248,375</u></u>	<u><u>287,134</u></u>

Statement of financial position

		2017	2016	2016
	Notes	USD	Restated USD	USD
Non - current assets				
Property and equipment	6	<u>162,516</u>	<u>166,054</u>	<u>166,054</u>
Total non-current assets		<u>162,516</u>	<u>166,054</u>	<u>166,054</u>
Current assets				
Cash and bank balances	7	50,702	44,052	91,594
Accounts receivable	8	<u>676,692</u>	<u>464,168</u>	<u>487,085</u>
Total current assets		<u>727,394</u>	<u>508,220</u>	<u>578,679</u>
Current liabilities				
Bank overdraft	7	6,281	220,657	201,218
Accounts payable	9	<u>290,627</u>	<u>38,759</u>	-
Total current liabilities		<u>296,908</u>	<u>259,416</u>	<u>201,218</u>
Net current assets		<u>430,486</u>	<u>248,804</u>	<u>377,461</u>
Total assets		<u>593,002</u>	<u>414,858</u>	<u>543,515</u>
Represented by:				
Accumulated fund (page 8)		593,002	414,858	543,515
Total funds		<u>593,002</u>	<u>414,858</u>	<u>543,515</u>

The financial statement on pages 6 to 14 were approved by the Board of Directors on

13, November 2018 and signed on its behalf by:


Abdirashid Guureeye
Board Chairperson


Mohamud Hamid Mohamed
Executive Director



Statement of accumulated fund

	USD
Balance at 01 January 2016	256,381
Surplus for the year	287,134
	<hr/>
Balance at 31 December 2016	<u>543,515</u>
 Restated	
Balance at 01 January 2016	256,381
Prior period restatement (note 10)	(89,898)
Surplus for the year	248,375
	<hr/>
Balance at 31 December 2016	<u>414,858</u>
 Balance at 01 January 2017	
	414,858
Surplus for the year	178,144
	<hr/>
Balance at 31 December 2017	<u>593,002</u>

Statement of cash flows

	2017	2016	2016
	USD	Restated USD	USD
Note			
Cash flows from operating activities:			
Surplus for the year	178,144	287,134	287,134
Adjusted for:			
Suspense account			
Depreciation	6 18,138	14,688	14,688
Prior period restatement	10 -	(89,898)	-
Operating surplus before working capital changes	<u>196,282</u>	<u>211,924</u>	<u>301,822</u>
Working capital changes:			
Increase in receivables	(212,524)	(384,692)	(407,609)
Increase/(Decrease) in payables	<u>251,868</u>	<u>(2,700)</u>	<u>(2,700)</u>
	<u>39,344</u>	<u>(387,392)</u>	<u>(410,309)</u>
Net cash generated from /(used in) operating activities	<u>235,626</u>	<u>(175,468)</u>	<u>(108,487)</u>
Cash flows from investing activities:			
Purchase of property and equipment	6 (14,600)	(15,742)	(15,742)
Net cash used in investing activities	<u>(14,600)</u>	<u>(15,742)</u>	<u>(15,742)</u>
Increase/(decrease) in cash and cash equivalents	<u>221,026</u>	<u>(191,210)</u>	<u>(124,229)</u>
Movement in cash and cash equivalents			
At the start of the year	(176,605)	14,605	14,605
Increase/(decrease) in cash and cash equivalents	<u>221,026</u>	<u>(191,210)</u>	<u>(124,229)</u>
At end of the year	<u>7 44,421</u>	<u>(176,605)</u>	<u>(109,624)</u>

Notes to the financial statements

1 Basis of preparation and summary of significant accounting policies

The significant accounting policies relevant to the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with the organisation's accounting policies and donor requirements. As a result, the financial statements may not be suitable for any other purpose. Our report is intended solely for the Kaalo Aid and Development and their donors and should not be used by parties other than these.

The financial statements are prepared on the modified cash basis in accordance with the following significant accounting policies set below.

b) Income recognition

Grant income is recognised when the monetary value of the grant can be measured with sufficient reliability, there is reasonable assurance of receipt and conditions for receipt, if any, have been met.

c) Expenditure recognition

Expenditure is accounted for on an accrual basis.

d) Foreign currency translations

Transactions denominated in foreign currencies are translated to USD at rates of exchange prevailing at the date of the transaction.

e) Cash and cash equivalents

The cash and cash equivalents comprise of cash at bank and cash in hand.

f) Reporting currency

The financial statements are expressed in United States Dollars (USD).

g) Property and equipment

Property and equipment are stated at cost less depreciation. Depreciation is calculated on straight line basis using the following rates:

	Rate
Buildings	0%
Motor vehicles	25%
Furniture and fittings	12.5%
Equipment & machinery	12.5%
Computers and accessories	20.0%

h) Comparatives

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

Notes to the financial statements (continued)

2 Grant income

Funds received by organisation during the year were as follows:

Donors	2017 USD	2016 USD
Diakonia	788,971	100,380
NCA	326,140	101,530
IRC	-	39,350
UNHCR	132,800	232,118
UNICEF	113,340	-
NED	-	134,980
UNOCHA	542,743	644,331
DPA	254,000	152,008
Development Fund for Norway	108,692	-
OXFAM	78,807	-
Total	<u>2,345,493</u>	<u>1,404,697</u>

	2017 USD	2016 Restated USD	2016 USD
3 Direct project expenses			
Bladders cost	8,000	-	-
Case proceedings	3,100	-	-
CFW payment	13,500	-	-
Committee incentives	5,400	-	-
Community mobilisation	59,790	43,258	43,258
Rehabilitation & Construction costs	184,768	68,331	68,331
Consultancies fee	75,691	25,607	25,607
Fishing materials	20,000	-	-
Food & NFI	399,335	-	-
Hygiene kits	36,000	-	-
IEC materials (bill boards, banner)	18,302	3,710	3,710
Incentives fee	43,277	-	-
Income generation activity	3,000	-	-
Logistical support	5,119	-	-
Mobilisation & registration cost	2,100	-	-
Monitoring costs	12,044	21,550	21,550
Radio messages	6,320	-	-
Travel & accommodation costs	32,695	14,418	14,418
Sanitation tools	15,000	-	-
School support	3,000	-	-
Sport uniform	520	-	-
Training costs	184,653	184,370	184,370
Unconditional cash grants	127,200	-	-
Vehicle hire & transportation costs	115,070	109,160	100,060
Veterinary drugs	8,300	-	-
Water voucher costs	257,750	50,100	50,100
Supplies & equipment	-	1,500	1,500
Dignity kit	-	87,039	87,039
	<u>1,639,934</u>	<u>609,043</u>	<u>599,943</u>

Notes to the financial statements (continued)

	2017	2016	2016
	USD	Restated USD	USD
4 Personnel costs			
Salaries	376,706	449,656	428,941
Medical costs	39,471	-	-
	<u>416,177</u>	<u>449,656</u>	<u>428,941</u>

5 Operation and administration costs

Bank charges	6,532	2,004	2,004
Fuel cost	8,060	3,160	3,160
Maintenance cost	3,440	960	960
Meals cost	4,500	7,756	7,756
Motor generators	5,250	-	-
Office communication cost	11,080	19,219	15,930
Office rent	17,784	29,790	26,670
Office supplies	21,483	2,535	-
Office utilities	8,071	-	-
Printing and stationery	6,900	17,511	17,511
	<u>93,100</u>	<u>82,935</u>	<u>73,991</u>

6 Property and equipment

Cost	Buildings USD	Motor Vehicles USD	Furniture & fittings USD	Equip & machine USD	Comps & access USD	Total USD
At 01 January 2016	120,000	42,046	8,739	4,373	2,847	178,005
Additions	-	-	15,742	-	-	15,742
As at 31 December 2016	<u>120,000</u>	<u>42,046</u>	<u>24,481</u>	<u>4,373</u>	<u>2,847</u>	<u>193,747</u>
At 01 January 2017	120,000	42,046	24,481	4,373	2,847	193,747
Additions	-	13,000	1,600	-	-	14,600
As at 31 December 2017	<u>120,000</u>	<u>55,046</u>	<u>26,081</u>	<u>4,373</u>	<u>2,847</u>	<u>208,347</u>

Depreciation

At 01 January 2016	-	10,512	1,092	547	854	13,005
Charge for the year	-	10,512	3,060	547	569	14,688
As at 31 December 2016	<u>-</u>	<u>21,024</u>	<u>4,152</u>	<u>1,094</u>	<u>1,423</u>	<u>27,693</u>
At 01 January 2017	-	21,024	4,152	1,094	1,423	27,693
Charge for the year	-	13,762	3,260	547	569	18,138
As at 31 December 2017	<u>-</u>	<u>34,786</u>	<u>7,412</u>	<u>1,641</u>	<u>1,992</u>	<u>45,831</u>

Net book value

As at 31 December 2017	<u>120,000</u>	<u>20,260</u>	<u>18,669</u>	<u>2,732</u>	<u>855</u>	<u>162,516</u>
As at 31 December 2016	<u>120,000</u>	<u>21,022</u>	<u>20,329</u>	<u>3,279</u>	<u>1,424</u>	<u>166,054</u>

Notes to the financial statements (continued)

7 Cash and cash equivalents	2017	2016	2016
	USD	Restated	USD
		USD	USD
Bank balances			
Dahabshiil bank: Development fund for Norway	31,810	-	-
Dahabshiil bank: DPA conflict and crisis project	7,664	-	-
Dahabshiil bank: Emergency health project in B & XU	7,894	-	-
Dahabshiil bank: Emergency WASH project in Nugal	2,070	-	-
Dahabshiil bank: Fishing enterprise project	50	-	-
Dahabshiil bank: Health project in Talex District	212	-	-
Dahabshiil bank: NCA FGM project phase III	2	-	-
Dahabshiil bank: NCA WASH emergency project	575	-	-
Dahabshiil bank: Oxfam Novib public & private sec	424	-	-
Dahabshiil bank: UNOCHA health emergency project	1	-	-
Dahabshiil bank: NCA-FGM project phase II	-	11,587	11,587
Dahabshiil bank: DPA-Strengthening WASH structure	-	-	47,542
Amal bank: Diakonia-strengthening the org	-	26,759	26,759
Dahabshiil bank: NED project-transparent & ACTBL	-	5,706	5,706
Sub-total	<u>50,702</u>	<u>44,052</u>	<u>91,594</u>
Bank overdraft			
Amal bank: UNHCR project - Pillar 4	(3,265)	(3,265)	(3,265)
Dahabshiil bank: UNOCHA WASH emergency project	-	(98,323)	(98,323)
Dahabshiil bank: UNOCHA health emergency project	-	(99,630)	(99,630)
Dahabshiil bank: DPA-Strengthening WASH structure	-	(19,439)	-
Amal bank: Badhan crisis project	(1)	-	-
Amal bank: Diakonia-strengthening the org	(1,604)	-	-
Amal bank: Galkayo crisis project	(1)	-	-
Dahabshiil bank: NED project-transparent & ACTBL	(1,410)	-	-
Sub-total	<u>(6,281)</u>	<u>(220,657)</u>	<u>(201,218)</u>
	<u>44,421</u>	<u>(176,605)</u>	<u>(109,624)</u>
8 Accounts receivable			
Grants receivable			
NCA	32,614	10,153	10,153
NED	17,040	107,064	118,476
IRC	-	-	11,505
UNOCHA	430,545	344,700	344,700
Diakonia	96,346	2,250	2,250
UNICEF	22,668	-	-
DPA	77,479	-	-
	<u>676,692</u>	<u>464,168</u>	<u>487,085</u>
9 Accounts payable			
Accruals	290,627	38,759	-
	<u>290,627</u>	<u>38,759</u>	<u>-</u>

Notes to the financial statements (continued)

10 Restated comparative figures

Comparative figures were adjusted to correct prior period errors illustrated below:

	USD
<u>Prior period errors due to overstated bank and accounts receivable balances</u>	
Bank balances	
Dahabshiil bank: DPA-Strengthening WASH structure	<u>(47,542)</u>
Bank overdraft	
Dahabshiil bank: DPA-Strengthening WASH structure	<u>(19,439)</u>
Accounts receivable	
IRC	(11,505)
NED	<u>(11,412)</u>
	<u>(22,917)</u>
Total assets	<u>(89,898)</u>
Accumulated fund	<u>(89,898)</u>
<u>OXFAM project expenses not recognised in 2016</u>	
Direct project activities	
Vehicle hire & transportation costs	9,100
Personnel costs	
Salaries	20,715
Operation and administration costs	
Office rent	3,120
Office communication cost	3,289
Office supplies	2,535
Total expenses	<u>38,759</u>
Accounts payable - Accruals	<u>38,759</u>

11 Abbreviations

CFW	-	Cash For Work
DPA	-	Danish People's Aid
IEC	-	Information Education Communication
IRC	-	International Rescue Committee
KAD	-	Kaalo Aid and Development (KAD)
NCA	-	Norwegian Church Aid
NED	-	National Endowment for Democracy
NFI	-	Non-Food Items
UNHCR	-	United Nations High Commissioner for Refugees
UNICEF	-	United Nations Children's Fund
UNOCHA	-	United Nations Office for the Coordination of Humanitarian Affairs
USD	-	United States Dollar