

KAALO AID AND DEVELOPMENT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



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Organisation information

Board of Directors	: Abdirashid Guureeye	Left in May 2020
	: Luul Mohamed Warsame	
	: Ugaas Osman Hasan	Left in May 2020
	: Abdulahi Isse Ali	Left in May 2020
	: Fadumo Mohamed Ahmed	Left in May 2020
	: Mohamed Ahmed Burtinle	Joined in June 2020
	: Daahir Ahmed Farah	
	: Ayan Aydarus Haji Hersi	Joined in June 2020
	: Ahmed Abshir Jama	Joined in June 2020
	: Fuad Ahmed Mohamud	Joined in June 2020
	: Burhan Adan Omar	Left in May 2020
	: Sharmarke Isse Ali	Joined in June 2020

Management : Mohamud Hamid Mohamed
Executive Director

Principal place of the activities : Kaalo Aid and Development
Garowe, Puntland State of Somalia

Principal bankers : Dahabshiil 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 2019, 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, Economic Development and International Cooperation, Certificate of Registration No. 137/2020 valid up to 8 May 2021. The certificate of registration is subject to renewal on an annual basis.

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) has expressed willingness to continue in office.

By order of the directors



Mohamud Hamid Mohamed
Executive Director

22/9/2020

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 2019, 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 2019 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 on22/9/..... 2020 and signed on its behalf by:



Luul Mohamed Warsame
Board Chairperson



Mohamud Hamid Mohamed
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 2019, 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 2019 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

22 September 2020

Statement of Income and Expenditure

		2019	2018
		USD	USD
Income	Notes		
Grant income	2	2,997,210	2,413,583
Gifts in kind	3	680	-
Write-back		-	5,515
Total income		<u>2,997,890</u>	<u>2,419,098</u>
Expenditure			
Direct project costs	4	1,552,409	1,718,644
Personnel costs	5	533,837	449,930
Operation and administration costs	6	153,975	125,333
Total expenditure		<u>2,240,221</u>	<u>2,293,907</u>
Balance for the year		757,669	125,191
Depreciation charge for the year	7	<u>(18,264)</u>	<u>(20,226)</u>
Surplus for the year		<u><u>739,405</u></u>	<u><u>104,965</u></u>

Statement of financial position

	Notes	2019 USD	2018 USD
Non - current assets			
Property and equipment	7	163,406	158,990
Total non-current assets		<u>163,406</u>	<u>158,990</u>
Current assets			
Cash and bank balances	8	420,953	148,169
Accounts receivable	9	519,730	185,672
Total current assets		<u>940,683</u>	<u>333,841</u>
Current liabilities			
Bank overdraft	8	-	2
Accounts payable	10	8,132	136,277
Total current liabilities		<u>8,132</u>	<u>136,279</u>
Net current assets		<u>932,551</u>	<u>197,562</u>
Total assets		<u><u>1,095,957</u></u>	<u><u>356,552</u></u>
Represented by:			
Accumulated fund (page 8)		1,095,957	356,552
Total funds		<u><u>1,095,957</u></u>	<u><u>356,552</u></u>

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

22/9/ 2020 and signed on its behalf by:



Luul Mohamed Warsame
Board Chairperson



Mohamud Hamid Mohamed
Executive Director

Statement of accumulated fund

	USD
Balance at 01 January 2018	251,587
Surplus for the year	104,965
	<hr/>
Balance at 31 December 2018	<u>356,552</u>
Balance at 01 January 2019	356,552
Surplus for the year	739,405
	<hr/>
Balance at 31 December 2019	<u>1,095,957</u>

Statement of cash flows

	Note	2019 USD	2018 USD
Cash flows from operating activities:			
Surplus for the year (page 6)		739,405	104,965
Adjusted for:			
Depreciation	7	<u>18,264</u>	<u>20,226</u>
Operating surplus before working capital changes		757,669	125,191
Working capital changes:			
(Increase) / decrease in receivables	9	(334,057)	247,928
Decrease in payables	10	<u>(128,145)</u>	<u>(252,673)</u>
		<u>(462,203)</u>	<u>(4,745)</u>
Net cash generated from operating activities		<u>295,466</u>	<u>120,446</u>
Cash flows from investing activities:			
Purchase of property and equipment	7	<u>(22,680)</u>	<u>(16,700)</u>
Net cash used in investing activities		<u>(22,680)</u>	<u>(16,700)</u>
Increase in cash and cash equivalents		<u>272,786</u>	<u>103,746</u>
Movement in cash and cash equivalents			
At the start of the year		148,167	44,421
Increase in cash and cash equivalents		<u>272,786</u>	<u>103,746</u>
At end of the year	8	<u><u>420,953</u></u>	<u><u>148,167</u></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

Donors	2019 USD	2018 USD
Diakonia	154,938	265,722
NCA	274,532	370,478
UNHCR	250,000	200,000
UNICEF	-	360,480
NED	16,041	48,000
UNOCHA	547,856	-
DPA	298,311	167,785
Development Fund for Norway	544,374	155,702
OXFAM	256,376	246,540
RESTORE	414,313	270,536
EU Justice	225,035	274,470
CRISP	-	53,870
DRC	15,435	-
Total	<u>2,997,210</u>	<u>2,413,583</u>

3 Gifts in kind

Goods	680	-
	<u>680</u>	<u>-</u>

4 Direct project expenses

Case proceedings	-	320
CFW payment	12,600	-
Committee incentives	1,863	-
Community mobilisation	-	60,885
Rehabilitation & Construction costs	366,762	344,778
Consultancies fee	-	21,200
Fishing materials	81,746	135,000
Food & NFI	28,450	168,096
Hygiene kits	-	33,519
IEC materials (bill boards, banner)	9,496	12,290
Incentives fee	11,810	46,855
Income generation activity	156,250	153,514
Logistical support	-	2,750
Mobilisation & registration cost	-	10,250
Monitoring costs	46,513	36,963
Radio messages	3,000	2,380
Sanitation tools	-	400
Training costs	422,123	332,351
Unconditional cash grants	121,196	-
Vehicle hire & transportation costs	149,165	156,857
Water voucher costs	26,430	46,000
Supplies & equipment	6,344	-
Dignity kit	25,316	4,236
Solar installation cost	-	73,060
Project start up	2,094	76,140
Medical costs	18,220	800
Awareness sessions	6,713	-
Livestock restocking	56,319	-
	<u>1,552,409</u>	<u>1,718,644</u>

Notes to the financial statements (continued)

		2019 USD	2018 USD			
5 Personnel costs						
Salaries		533,837	449,930			
		533,837	449,930			
6 Operation and administration costs						
Bank charges		239	3,602			
Fuel cost		51,031	10,641			
Maintenance cost		-	1,940			
Office communication cost		11,244	15,880			
Office rent		35,090	29,377			
Office supplies		19,544	21,301			
Office utilities		20,748	29,568			
Printing and stationery		10,808	5,679			
Exchange loss		5,271	7,345			
		153,975	125,333			
7 Property and equipment						
Cost	Buildings USD	Motor Vehicles USD	Furniture & fittings USD	Equip & machine USD	Comps & access USD	Total USD
At 01 January 2018	120,000	55,046	26,081	4,373	2,847	208,347
Additions	-	-	9,100	7,600	-	16,700
As at 31 December 2018	<u>120,000</u>	<u>55,046</u>	<u>35,181</u>	<u>11,973</u>	<u>2,847</u>	<u>225,047</u>
At 01 January 2019	120,000	55,046	35,181	11,973	2,847	225,047
Additions	-	22,000	-	680	-	22,680
As at 31 December 2019	<u>120,000</u>	<u>77,046</u>	<u>35,181</u>	<u>12,653</u>	<u>2,847</u>	<u>247,727</u>
Depreciation						
At 01 January 2018	-	34,786	7,412	1,641	1,992	45,831
Charge for the year	-	13,762	4,398	1,497	569	20,226
As at 31 December 2018	<u>-</u>	<u>48,548</u>	<u>11,810</u>	<u>3,138</u>	<u>2,561</u>	<u>66,057</u>
At 01 January 2019	-	48,548	11,810	3,138	2,561	66,057
Charge for the year	-	11,998	4,398	1,582	286	18,264
As at 31 December 2019	<u>-</u>	<u>60,546</u>	<u>16,208</u>	<u>4,720</u>	<u>2,847</u>	<u>84,321</u>
Net book value						
As at 31 December 2019	<u>120,000</u>	<u>16,500</u>	<u>18,973</u>	<u>7,933</u>	<u>-</u>	<u>163,406</u>
As at 31 December 2018	<u>120,000</u>	<u>6,498</u>	<u>23,371</u>	<u>8,835</u>	<u>286</u>	<u>158,990</u>
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>

Notes to the financial statements (continued)

	2019	2018
	USD	USD
8 Cash and cash equivalents		
Bank balances		
Dahabshiil bank: Development fund for Norway	12,894	24,630
Dahabshiil bank: DPA conflict and crisis project	-	83
Dahabshiil bank: Emergency health project in B & XU	-	1,918
Dahabshiil bank: NCA WASH emergency project	-	442
Dahabshiil bank: UNOCHA health emergency project	41,527	1
Dahabshiil bank: NCA FGM 5272	9	-
Dahabshiil bank: DPA-Strengthening WASH structure	16,628	1,492
Amal bank: GARP Account	3,800	-
Dahabshiil bank: DPA-DERF 6585	8,643	-
Dahabshiil bank: DRC-7931	1,278	-
Dahabshiil bank: DF-DARWIN 5106	9,110	-
Dahabshiil bank: OXFAM-GB 7967	22,868	-
Dahabshiil bank: OXFAM-IBIS 7907	94	-
Dahabshiil bank: CRISP project	70,777	10,483
Dahabshiil bank: EU justice project	135,325	1,482
Dahabshiil bank: FGM project phase 4	-	28,358
Dahabshiil bank: NED engaging citizens project	-	5,311
Dahabshiil bank: Restore bank account	19	67,421
Dahabshiil bank: UNOCHA WASH emergency project	97,981	-
Dahabshiil bank: Fishing enterprise project	-	80
Dahabshiil bank: Oxfam Novib WASH Emergency	-	50
Dahabshiil bank: Dahabshiil bank-5106	-	6,418
Sub-total	<u>420,953</u>	<u>148,169</u>
Bank overdraft		
Dahabshiil bank: UNOCHA WASH emergency project	-	(1)
Amal bank: Galkayo crisis project	-	(1)
Sub-total	<u>-</u>	<u>(2)</u>
	<u>420,953</u>	<u>148,167</u>
9 Accounts receivable		
Grants receivable		
NCA	42,386	32,889
NED	-	21,449
UNOCHA	5,297	3,200
OXFAM	37,467	99,511
DPA	168,023	28,623
DF	103,566	-
DRC	7,718	-
RESTORE	153,481	-
PSU account	1,793	-
	<u>519,730</u>	<u>185,672</u>
10 Accounts payable		
Accruals	8,132	132,353
PSU account	-	3,924
	<u>8,132</u>	<u>136,277</u>

Notes to the financial statements (continued)

11 Write-back

Write-back relates to overstated expenditure in previous periods, that were included in bank overdrafts.

12 Abbreviations

CFW	-	Cash For Work
DPA	-	Danish People's Aid
IEC	-	Information Education Communication
IRC	-	International Rescue Committee
KAD	-	Kaalo Aid and Development (KAD)
PSU	-	Puntland State University
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