

CS/14163

.....KENYA USA DIASPORA SACCO SOCIETY LIMITED.....

FINANCIAL STATEMENTS

FOR THE YEAR ENDING

31ST DECEMBER 2020
.....

***M* MBAYA & ASSOCIATES**
***&A* CERTIFIED PUBLIC ACCOUNTANTS (K)**
.....



Kenya USA Diaspora Sacco Ltd

Registration Number (CS/14163)

2847 Veterans Memorial Hwy, Suite #1057

Austell, GA 30168 -9998, Tel: 678-398-7728

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Website: www.kenyadiasporasacco.com

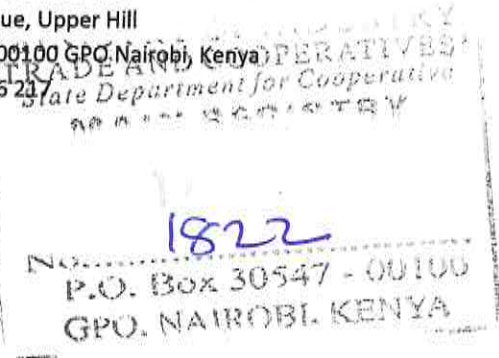
Kenya Office

Victoria Towers, Ground Floor

Kilimanjaro Avenue, Upper Hill

P.O Box 21372 - 00100 GPO, Nairobi, Kenya

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Annual Report and Financial Statements

For the year ended 31 December, 2020

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Financial statements
For the year ended 31 December, 2020

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Society Information

Committee Members

Executive

Simon Nyagah	-	Chairman
Catherine Muriithi	-	Vice-Chairman
Ralph Kilundu	-	Hon. Secretary
David Wanjiru	-	Treasurer

Members

Angela Karanja		
Rose Musyoka		
Isaac Kasera		
Eric Mwangi		
Charles Onchoke	-	Co-opted July 6th 2020

Supervisory Committee

Laban Opande	-	Chairman
Geoffrey Mburu		
Susan Matindi		

Principal place of business and registered office

Kenya USA Diaspora Sacco Society Limited
Victoria Towers, Ground Floor, Kilimanjaro Avenue Upper Hill
P.O Box 21372-00100
Nairobi, Kenya

Independent auditor

Mbaya & Associates
Certified Public Accountants (K)
Western Heights, 3rd Floor
Off Karuna Road, Westlands
P.O. Box 45390 - 00100
Nairobi, Kenya

Principal bankers

Kenya

Co-operative Bank of Kenya
Upper Hill Branch
P.O Box 48231- 00100
Nairobi

USA

JP Morgan Chase Bank
610 Thornton Rd, Lithia Springs,
Atlanta, GA , 30122
United States Of America

Kenya USA Diaspora Sacco Society Limited (CS/14163)

Financial statements

For the year ended 31 December, 2020

Report of board of Committee

The committee have pleasure to submit their report together with the audited financial statements for the period ended 31st December 2020 which disclose the state of affairs of the Society.

1. Incorporation

The Society is registered in Kenya under the Co-operative Societies Act, Cap 490 and is domiciled in Kenya.

2. Principal Activity

The principal activity of the Society is receiving savings from and provision of loans to its members.

3. Results for the year

	2020	2019
	Kshs	Kshs
Surplus/(Deficit) before tax	6,207,466	8,067,793
Income tax expense	<u>(696,057)</u>	<u>(902,479)</u>
Net surplus after tax	<u>5,511,409</u>	<u>7,165,314</u>
Dividends	<u>(3,316,500)</u>	<u>(4,172,404)</u>
	<u><u>2,194,909</u></u>	<u><u>2,992,910</u></u>

Interest and dividends

The Board recommends payment of dividend for the year ended 31 December 2020 of Ksh 3,316,500 at a rate of 10%. The dividend rate for the previous year was 15% amounting to Kshs 4,172,404. They also recommend interest on members' main savings of Ksh 10,821,400 at a rate of 5% on prorata basis. The interest declared for the previous year ended 31 December 2019 was Ksh 8,536,698 at a rate of 5% apportioned on prorata basis.

4. Statement of disclosure to the Society Auditors

At the date of this report, the Committee were not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

5. Committee and other Sub Committee members

The committee and other sub committee members who served during the year and to the date of this report are shown on page 1.

6. Auditor

The society's auditor, Mbaya & associates, Certified Public Accountants (K) was appointed in office and have expressed their willingness to continue in office in accordance with the provision of section 25(4) of the Co-operative Societies Act Cap. 490.

BY ORDER OF THE BOARD



.....
Honorary Secretary

Kenya USA Diaspora Sacco Society Limited (CS/14163)**Financial statements****For the year ended 31 December, 2020**

Statistical information

	2020	2019	% Change
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<u>Number of members</u>	1,322	1,243	6%
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Key financial data

	Ksh	Ksh	
Members deposits	240,382,642	186,114,417	29%
Core capital	27,874,131	21,186,152	32%
Share capital	33,165,000	27,816,026	19%
Institutional capital	(5,290,869)	(6,629,874)	-20%
Total assets	354,380,128	287,778,702	23%
Current assets	195,569,096	138,142,980	42%
Total liabilities	326,505,997	266,592,550	22%
Total revenue	43,577,327	41,081,041	6%
Total interest income	41,072,068	31,233,407	32%
Total expenses	22,313,722	20,700,189	8%

Key ratios**Capital adequacy ratio**

Core capital/total assets	8%	7%
Core capital/total deposits	12%	11%
Institutional capital/total assets	-1%	-2%

Other ratios

Liquidity ratio	60%	52%
Percentage of expenses to revenue	51%	50%
Interest on member's deposits (main savings)	5%	5%
Dividends on share capital	10%	15%

Independent Auditor's Report

To the Members of Kenya USA Diaspora Sacco Society Limited

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Kenya USA Diaspora Sacco Society Limited set out on pages 8 to 24, which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kenya USA Diaspora Sacco Society Limited as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming Our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Loan loss provision	
When the IFRS 9 - Financial Instruments, became effective on the 1st January 2018, Financial institutions were required to provide for all loans and other financial instruments issued to members or customers.	We obtained the loan listing as at 31st December 2020 classified into the various periods of default as directed by the Standard and Regulator's Guidelines .
There was an increase in the loan loss provision for the current year ended 31st December 2020 of Ksh 1M to Ksh 3.6M from Ksh 2.6M in the previous year.	We recalculated the loan loss provision based on the applicable rates to arrive at the true and fair provision as provided for by the Standard and the Regulator's guidelines.
We considered this a key audit matter because the Society being a financial institution issuing financial instruments (Loans) to its members, it ought to fully comply with the Standards and the relevant	

Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Detailed Income Statement as required by the Sacco Societies Act, which we obtained prior to the date of this report. Other information 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Sacco Societies Act, and for such internal control as the directors determine is 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, the directors are responsible for assessing the company'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 company or 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 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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 company's internal control.

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Independent Auditor's Report

To the director of Kenya USA Diaspora Sacco Society Limited

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 company'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 company 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.

We communicate with the directors 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.

Report on other legal and regulatory requirements

In our opinion the information given in the report of the directors on page 4 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Andrew Bulemi Practicing Certificate No. 2071.

Mbaya & Associates

Mbaya & Associates

MBAYA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
P. O. Box 45390-00100, NAIROBI.



Date *6 May 2021*

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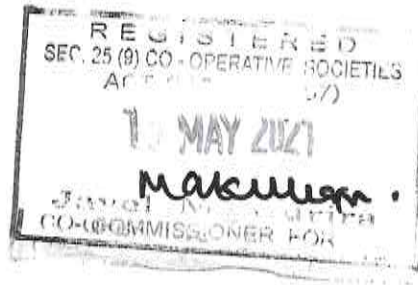
Kenya USA Diaspora Sacco Society Limited (CS/14163)**Financial statements****For the year ended 31 December, 2020****Statement of Comprehensive Income**

	Note	2020 Ksh	2019 Ksh
Revenue			
Interest on loans	2	36,136,804	26,094,198
Other interest income	3	4,935,264	5,139,209
Total interest		41,072,068	31,233,407
Interest expense	5	(13,969,555)	(11,377,314)
Net Interest Income		27,102,513	19,856,093
Provision for loan Impairment	6	(1,086,584)	(935,746)
Other Income	4	2,505,259	9,847,634
Total operating (loss)/income		28,521,188	28,767,981
Expenditure			
Administration expenses	7	15,959,695	13,743,732
Governance costs	8	5,878,511	6,389,799
Establishment expenses	9	326,661	402,620
Finance charges	10	148,855	164,037
		22,313,722	20,700,188
Operating surplus before income tax		6,207,466	8,067,793
Income tax expense	13	(696,057)	(902,479)
Net surplus before statutory reserve		5,511,409	7,165,314
Transfer to statutory reserve		1,102,282	1,433,063
Net surplus for the year		4,409,127	5,732,251

Kenya USA Diaspora Sacco Society Limited (CS/14163)
Financial statements
For the year ended 31 December, 2020

Statement of financial position

	Note	2020 Ksh	2019 Ksh
Assets			
Bank and cash balances	11	8,033,439	4,736,994
Trade and other receivables	12	120,147,230	96,557,303
Loans and advances to members	14	157,728,560	148,351,289
Financial assets (investments)	15	67,388,427	36,848,683
Intangible assets	16	353,721	530,555
Property, plant and equipment	17	728,751	753,878
Total Assets		354,380,128	287,778,702
Liabilities			
Members deposits	18	240,382,642	186,114,417
Other savings by members	19	61,033,757	50,037,669
Fadhili Homes Contributions	20	6,162,542	14,495,026
Tax Payable	13	299,709	291,422
Trade and other payables	21	18,627,347	15,654,016
Total liabilities		326,505,997	266,592,550
Shareholders Funds			
Share capital	22	33,165,000	27,816,026
Reserves	23	(5,290,869)	(6,629,874)
		27,874,131	21,186,152
Total Equity and Liabilities		354,380,128	287,778,702



These financial statements on pages 8 to 21 were approved and authorised for issue by the Committee on 5 May 2021 and signed on their behalf by;

Chairman 

Treasurer 

Secretary 



Kenya USA Diaspora Sacco Society Limited (CS/14163)

Financial statements

For the year ended 31 December, 2020

Statement of changes in equity

	Share capital	Statutory reserve	Retained earnings	Proposed Divided	Total
	Ksh	Ksh	Ksh	Ksh	Ksh
As at 1 January, 2020	27,816,026	3,123,252	(13,925,530)	4,172,404	21,186,152
Surplus for the year	-	-	5,511,409	-	5,511,409
Transfer to statutory reserve	-	1,102,282	(1,102,282)	-	-
Additional members share capital	5,348,974	-	-	-	5,348,974
Transferred during the year	-	-	-	-	-
Proposed dividend	-	-	(3,316,500)	3,316,500	-
Dividend paid during the year	-	-	-	(4,172,404)	(4,172,404)
As at 31 December, 2020	33,165,000	4,225,534	(12,832,903)	3,316,500	27,874,131

	Share capital	Statutory reserve	Retained earnings	Proposed Divided	Total
	Ksh	Ksh	Ksh	Ksh	Ksh
As at 1 January, 2019	20,783,746	1,690,189	(15,485,376)	3,117,562	10,106,121
Surplus for the year	-	-	7,165,313	-	7,165,313
Transfer to statutory reserve	-	1,433,063	(1,433,063)	-	-
Additional members share capital	7,032,280	-	-	-	7,032,280
Transferred during the year	-	-	-	-	-
Proposed dividend	-	-	(4,172,404)	4,172,404	-
Dividend paid during the year	-	-	-	(3,117,562)	(3,117,562)
As at 31 December, 2019	27,816,026	3,123,252	(13,925,530)	4,172,404	21,186,152

Kenya USA Diaspora Sacco Society Limited (CS/14163)

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For the year ended 31 December, 2020

Cashflow Statement	Note	2020 Ksh	2019 Ksh
Cashflow from operating activities			
Interest income		41,072,068	26,094,198
Other income		2,505,259	11,636,843
Interest payments		(13,969,555)	(7,434,956)
Payments to employees and suppliers		(20,744,865)	(18,966,007)
		<u>8,862,907</u>	<u>11,330,077</u>
Increase/(decrease) in operating assets			
Net loans to members	14	(9,377,271)	(58,475,781)
Trade and other receivables		(23,589,927)	(14,642,625)
		<u>(32,967,198)</u>	<u>(73,118,406)</u>
Increase/(decrease) in operating liabilities			
Member deposits		54,268,225	32,969,728
Other savings		9,005,244	2,468,998
Unidentified deposits		(846,775)	(1,673,311)
Audit fees		(258,168)	(250,608)
Other payables		3,820,106	2,338,131
Fadhili homes contributions		(8,332,484)	3,641,900
		<u>57,656,148</u>	<u>39,494,838</u>
Tax paid	13	(747,738)	(506,701)
		<u>32,804,119</u>	<u>(22,800,192)</u>
Cashflow from operating activities			
Cashflow from investing activities			
Purchase of assets		(144,500)	(19,800)
Investment in financial assets		(30,539,744)	8,990,628
		<u>(30,684,244)</u>	<u>8,970,828</u>
Cashflow from financing activities			
Proceeds from shares contribution		5,348,974	7,032,280
Dividend paid		(4,172,404)	(3,117,562)
		<u>1,176,570</u>	<u>3,914,718</u>
Net cashflow from activities		3,296,445	(9,914,646)
Cash and cash equivalent at 1 January		4,736,994	14,651,640
Cash and cash equivalent at 31 December	12	<u>8,033,439</u>	<u>4,736,994</u>

1 Summary of significant accounting policies

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

a) Statement of compliance and basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings (Kshs) which is also the functional currency, rounded to the nearest shilling. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of comprehensive income. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of comprehensive income as required or permitted by IFRS. Reclassification adjustments are amounts reclassified in profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the accounting policies adopted by the society. Although such estimates and assumptions are based on the management committee's best knowledge of the information available, actual results may differ from those estimates. The judgments and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgments of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

b) New and Revised standards (issued but not yet effective)

i) IFRS 9 Financial instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after 1 January, 2018, with early adoption permitted.

The society has not yet adopted the standard as directives from regulators are yet to be issued.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS become mandatory on 1 January, 2018. The Society does not have any hedge instruments.

Summary of significant accounting policies

Impairment of financial instruments

The Society will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

ii) Amendments to IAS 12 Income Taxes

In January, 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January, 2017. The society is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements

iii) IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Society does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

b) Revenue recognition

Interest income

Interest on members loans charged on reducing balance.

Interest income on savings and bank deposits is recognized on a time proportion basis that takes into account the effective yield on the deposit.

Other income

Other revenue earned by the society is recognized on an accrual basis.

Miscellaneous income

Other Miscellaneous income is recognized on cash basis.

Entrance fee

New members to the society are required to pay an entrance fee. The fees are recognised in the statement of comprehensive income as it is received.

Kenya USA Diaspora Sacco Society Limited (CS/14163)

Financial statements

For the year ended 31 December, 2020

Summary of significant accounting policies

c) Employee benefits

Retirement benefit costs

The society and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The society's contributions to the defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

Employees entitlements

Employee entitlement to gratuity and long service awards are recognised when they accrue to employees. Provision is made for the estimated liability of such entitlements as a result of services rendered by employees up to the statement of financial position date. The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an accrued expense.

d) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of 12 months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the statement of financial position, bank overdrafts are included as borrowings under current liabilities.

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise cash and cash equivalents as defined above.

e) Financial instruments

Classification

The society classifies its financial instruments into the following categories:

Investments available-for-sale, are investments intended to be held for an indefinite period of time, but may be sold in response to liquidity needs by the society. These are included in non-current assets unless the committee has expressed the need to hold them for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital.

Held-to-maturity investments, financial assets with fixed or determinable payments and fixed maturity that the society has the ability and intentions to hold to maturity.

Loans and receivables, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.

Purchases and sale of investments are recognized on the trade date, which is the date the society commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available for sale investments are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of the available for sale investment are recorded in the revaluation reserve in the year in which they arise. On sale, the cumulative gain or loss previously recognized in equity is recognized in the profit and loss account in the year of sale.

Summary of significant accounting policies

Recognition and measurement

Financial assets

Financial assets are initially recognised at fair value. The society's financial assets which include cash and cash equivalents and receivables fall into the following categories:

Cash and cash equivalents: For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and short term marketable securities.

Receivables: Receivables are carried at original invoiced amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified. Subsequent recoveries of amounts previously written off are credited to income in the year of their recovery.

Financial liabilities

Financial liabilities including trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Payables and accruals: Finance charges, including premiums payable on the settlement or redemption, are accounted for on accrual basis and added to the carrying amount of the instruments to the extent that they are not settled in the year in which they arise.

Trade payables are stated at their nominal value.

f) Property, equipment and depreciation

All property and equipment are initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the society and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated under revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to the retained earnings.

Depreciation is calculated on the reducing balance basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following rates:

Kenya USA Diaspora Sacco Society Limited (CS/14163)

Financial statements

For the year ended 31 December, 2020

Summary of significant accounting policies

Asset Category	Depreciation rate
Computers	30.00%
Office equipment and furniture	12.50%
Software	33.30%

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 disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining the surplus for the year. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

g) Impairment of non current assets

Internal and external sources of information are reviewed at each reporting date to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of comprehensive income in the year in which the reversals are recognised.

h) Related parties

In the normal course of business, the society enters into transactions with related parties. The related party transactions are at arm's length.

i) Statutory reserves

Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after taxation in accordance with section 47 (1& 2) of the Co-operative Societies Act of 1997 (Amended 2004).

j) Interest bearing loans and borrowings

All borrowings are initially recognized at cost, being the fair value of the consideration received net of the issue costs associated with the borrowings.

After initial recognition, interest bearing borrowings are subsequently measured at amortized costs using the effective interest method. Amortized costs are calculated by taking into account any issue costs. Gains and losses are recognized in the profit and loss when the liabilities are derecognized or impaired, as well as through the amortization process.

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Summary of significant accounting policies

k) Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognized but are disclosed unless they are remote.

l) Provisions for liabilities and other charges

A provision is recognized in the balance sheet when the society has a present legal or constructive obligation as a result of past event and it is more likely than not that the outflow of economic benefits will be required to settle the obligation and it can be reliably estimated.

Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the society, the management committee makes certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The management committee evaluates at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

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Notes to the financial statements	2,020	2019
	Ksh	Ksh
2 Interest on loans		
Interest on normal Loans	35,875,113	25,181,024
Interest on loan Financing	261,691	913,174
	<u>36,136,804</u>	<u>26,094,198</u>
3 Other Interest income		
Interest on Fixed and Call deposits	3,705,645	3,625,789
Interest income - Unit trusts	1,229,619	1,513,420
	<u>4,935,264</u>	<u>5,139,209</u>
4 Other Operating Income		
Membership fees	1,222,243	2,270,032
Loan processing commission	773,121	3,588,207
Exchange gain	256,606	39,624
Membership Refunds commissions	193,299	361,076
Fadhili Homes booking fees	50,000	39,385
Money transfer fees	9,990	4,136
Commission on sale of Isinya-Konza plots	-	180,000
Plot booking fees	-	15,174
Fadhili Homes commissions	-	3,350,000
	<u>2,505,259</u>	<u>9,847,634</u>
5 Interest expense		
Provision of Interest on members deposits	10,821,400	8,536,698
Interest of Mavuno savings	3,148,155	2,840,616
	<u>13,969,555</u>	<u>11,377,314</u>
6 Loan loss provision	<u>1,086,584</u>	<u>935,746</u>
<p>The loan loss provision is provided for in compliance with IFRS 9 - Financial Instruments . The detailed workings of the provision are under Note 14.</p>		
7 Administrative Expenditure		
Staff Costs		
Salaries and wages	9,469,650	7,999,512
Staff gratuity	920,120	786,000
Staff medical insurance	715,897	679,057
Staff WIBA Insurance	93,892	68,892
NSSF - Employer contribution	-	-
	<u>11,199,559</u>	<u>9,533,461</u>

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Notes to the financial statements	2020 Ksh	2019 Ksh
7 Administrative Expenditure Continued		
Balance brought forward	11,199,559	9,533,461
Other Administrative expenses		
Office rent	1,200,000	1,080,330
Tax penalties and fines	939,427	-
Other professional fees	763,785	1,131,410
Software Maintenance	549,964	224,191
Telephone and communication	421,633	243,973
Audit fees	258,168	250,608
Marketing and advertising	357,828	677,386
Travelling expenses	115,940	253,110
Office expenses	81,695	244,228
Ministry Supervision fees	25,861	25,261
Repairs and maintenance	24,800	19,840
General office insurance	21,035	19,935
Training and development	-	40,000
	<u>4,760,136</u>	<u>4,210,271</u>
	<u>15,959,695</u>	<u>13,743,732</u>
8 Governance Costs		
Committee reimbursements costs	5,720,823	4,282,862
AGM Expenses	-	1,949,249
Committee PA Insurance	157,688	157,688
	<u>5,878,511</u>	<u>6,389,799</u>
9 Establishment expenses		
Software amortization	176,834	265,237
Depreciation charge	149,827	137,383
	<u>326,661</u>	<u>402,620</u>
10 Finance Charges		
Bank charges and interest	<u>148,855</u>	<u>164,037</u>

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Notes to the financial statements	2020 Ksh	2019 Ksh
11 Bank and Cash balances		
Call Account - Co-op bank Kenya Ltd.	4,433,371	2,045,030
CBA Current Account	1,417,935	20,959
JP Morgan Chase bank	881,435	1,364,891
Current Account - Co-op bank Kenya Ltd.	721,559	807,064
Current Account- KCB Ltd.	420,000	420,000
Mpesa Account	111,239	30,000
Current account - Sun Trust	34,000	38,280
Petty Cash	13,900	10,770
	8,033,439	4,736,994
12 Trade and other receivables		
Urban World Property Investment Ltd Loan	113,129,079	83,753,260
Commission Receivable on Fadhili Homes	3,350,000	7,050,000
Trade receivables	3,527,051	2,952,870
Rent security deposit	141,100	141,100
Other receivables	-	2,660,073
	120,147,230	96,557,303
<p>The loan to Urban World Property Investment Limited relates to a special loan towards construction and development of Fadhili Homes which is a members' project. There is a partnership agreement between the society and Urban World Property Investment Limited who are the developers of Fadhili Homes where the society receives commission on the sale of houses.</p>		
13 Taxation		
Balance at start of the year	291,422	(104,356)
Underprovision in 2019	59,968	-
Charge for the year	696,057	902,479
	1,047,447	798,123
Less:		
Tax paid	(747,738)	(506,701)
Balance at end of the year	299,709	291,422
14 Loans to members		
At the start of the year	150,907,763	92,431,982
Disbursed during the year	66,658,390	156,832,017
Repayment during the year	(56,194,535)	(98,356,236)
	161,371,618	150,907,763
Less: provision for loan impairment **	(3,643,058)	(2,556,474)
Net loans and advances	157,728,560	148,351,289
Movement in loan impairment provision		
At start of year	2,556,474	1,620,728
Increase in provision	1,086,584	935,746
At end of year	3,643,058	2,556,474

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Notes to the financial statements	2020	2019
	Ksh	Ksh
Ageing of loans and advances	Rate	Loan Balance
		Provision
Performing Loans	1%	90,313,014
Watch Loans (1-30 days In arrears)	5%	21,775,317
Substandard Loans (31-180 days in arrears)	25%	14,258,520
Doubtful Loans (181-360days in arrears)	50%	21,594,733
Loss (Over 360 days in arrears)	100%	13,430,034
		<u>161,371,618</u>
		<u>29,784,006</u>
<p>These loans have been secured by either land or against members' main savings thus reducing on the exposure to risk of loan defaults. The security provided is adequate to recover all the loans issued.</p>		
15 Financial Assets (investments)		
Kenya Women Finance Trust (KWFT)-3 months Fixed Deposit	11,271,022	-
Money Market -Co-op Insurance Company (CIC) Unit Trust	21,295,812	1,590,119
ABC Fixed deposit -3 Months	34,377,018	34,835,908
Money Market -Stanlib Unit Trust	444,575	422,656
	<u>67,388,427</u>	<u>36,848,683</u>
16 Intangible Assets		
Cost		
At 1 January	2,766,803	2,766,803
Additions	-	-
At 31 December	<u>2,766,803</u>	<u>2,766,803</u>
Amortisation		
At 1 January	2,236,248	1,971,011
Charge for the year	176,834	265,237
At 31 December	<u>2,413,082</u>	<u>2,236,248</u>
Net Book Value At 31 December	<u>353,721</u>	<u>530,555</u>

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Notes to the financial statements
17 Property, Plant & Equipment

	Office equipment Ksh	Computers Ksh	Total Ksh
Cost/value			
At 1 January, 2020	1,262,810	385,711	1,648,521
Additions	-	144,500	144,500
Disposals	-	(19,800)	(19,800)
Total cost at 31st December, 2020	1,262,810	510,411	1,773,221
Depreciation			
At 1 January, 2020	612,829	281,814	894,643
Disposals	-	-	-
Charge for the year	81,248	68,579	149,827
Depreciation as at 31st December, 2020	694,077	350,393	1,044,470
Net Book Value at 31st December, 2020	568,733	160,018	728,751
Cost/value			
At 1st January, 2019	1,262,810	365,911	1,628,721
Additions	-	19,800	19,800
Disposals	-	-	-
Cost as at 31st December, 2019	1,262,810	385,711	1,648,521
Depreciation			
At 1 January, 2019	519,974	237,286	757,260
Disposals	-	-	-
Charge for the year	92,855	44,528	137,383
Depreciation as at 31st December, 2019	612,829	281,814	894,643
Net Book Value At 31 December, 2019	649,981	103,897	753,878
18 Members Savings and Deposits	2020	2019	
	Ksh	Ksh	
As at 1 January	186,114,417	153,144,689	
Deposits received during the year	62,376,776	64,885,075	
Deposits refunded during the year	(8,108,551)	(31,915,347)	
As at 31 July	240,382,642	186,114,417	
19 Other savings by members			
Mavuno Savings Scheme	57,840,132	47,022,420	
Isinya Konza Plots contributions (i)	3,193,625	3,015,249	
	61,033,757	50,037,669	
20 Fadhili Homes Contributions (ii)			
As at 1 January	14,495,026	10,853,126	
Funds received during the year	15,167,378	7,326,899	
Funds applied to the project	(23,499,862)	(3,684,999)	
As at 31 December	6,162,542	14,495,026	

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Notes to the financial statements	2020	2019
	Ksh	Ksh
21 Trade and other Payables		
Interest payable on main savings	11,965,106	9,064,121.00
Unidentified deposits (iii)	958,865	1,805,640.00
Legal fees payable	1,263,022	1,111,843.75
Staff gratuity	1,788,420	2,393,300.00
Software payables	574,000	574,000.00
Audit fees	258,168	258,168.10
Ministry supervision fees	25,461	25,061.00
Withholding Tax Payables	598,706	-
Main Savings Insurance Control Account	456,018	-
Other payables	157,850	127,151.00
Valuation fees	523,731	236,731
Surveyor fees	58,000	58,000
	<u>18,627,347</u>	<u>15,654,016</u>
Notes:		
i) The Plot contributions relates to advance payments from members for the purchase of plots, commissions, legal and valuation fees.		
ii) Fadhili Homes Contributions - relates to members contributions towards a members' only housing project being undertaken in partnership with Urban World Property Investment Ltd.		
iii) The unidentified deposits relate to amount received by the Sacco of which the members could not be identified.		
22 Share Capital		
As at 1 January	27,816,026	20,783,746
Received during the year	5,348,974	7,032,280
Shares refunded during the year	-	-
As at 31 December	<u>33,165,000</u>	<u>27,816,026</u>
23 Reserves		
(i) Statutory Reserve		
As at 1st January	3,123,252	1,690,189
Transfer during the year	1,102,282	1,433,063
At the end of the year	<u>4,225,534</u>	<u>3,123,252</u>
(ii) Retained Earnings		
As at 1st January	(13,925,530)	(15,485,376)
Surplus for the year	5,511,409	7,165,313
Transfer to statutory reserve	(1,102,282)	(1,433,063)
Proposed dividends	(3,316,500)	(4,172,404)
	<u>(12,832,903)</u>	<u>(13,925,530)</u>

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Notes to the financial statements	2020	2019
	Ksh	Ksh
(iii) Dividends		
Balance b/f	4,172,404	3,117,562
Dividends paid during the year	(4,172,404)	(3,117,562)
Proposed dividends for the year	3,316,500	4,172,404
	<u>3,316,500</u>	<u>4,172,404</u>
Total Reserves	<u>(5,290,869)</u>	<u>(6,629,874)</u>

