

AIC Kijabe Hospital
Annual Financial Statements
for the year ended 31 December, 2023



AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Hospital Information

Country of incorporation and domicile Kenya

Date of incorporation

Operating board

Name	Position	Effective date
Mr. Joshua Tonui	Chairman	1 August 2022
Mr. Tunai Kinyanguk	Treasurer	21 February 2019
Rev. Peter Gatherer	V. Chaiman	03 April 2024
Dr. Chege Macharia	Secretary	11 January 2023
Dr. Pete Halestrap	Member	Left on 06 October 2023
Rev. Peter Kimani Mwangi	Member	Left on 06 October 2023
Mr. Patrick Kundu	Member	Left on 06 October 2023
Mr. Justus Marete	Member	Left on 06 October 2023
Mr. Jacob Kimote	Member	21 February 2019
Francis Mungai Ndung'u	Member	21 February 2019
Mr. Philip Kamau Njuguna	Member	21 February 2019
David Ndegwa Nyokabi	Member	Left on 06 October 2023
Dr. Faith Lelei	Member	01 April 2022
Rev. James Mwalili Mumo	Member	Left on 06 October 2023
Dr. Lydia Okutoyi	Member	21 February 2019
Bishop Rev. Paul Manyara Gichoya	Ex - Official Member	21 February 2019
Ms Susan W. Maina	Member	03 April 2024
Mr. Benjamin Mwikya	Member	03 April 2024
Mr. David Shirk	Member	03 April 2024
Mr. James Muthua	Member	03 April 2024

Senior Management Team

Name	Position	Effective date
Dr. Chege Macharia	Executive Director	11 January 2023
Mr. Leonard Bett	Director, Finance	4 July 2022
Dr. Faith Lelei	Director Clinical Services	1 April 2022
Mr. David Waweru	Director Support Operations	1 August 2020
Rev. Geoffrey Kyalo Ndivo	Spiritual Affairs Manager	1 August 2014
Mr. Christopher Mandere	Chief Nursing Officer	1 February 2021
Mrs. Pamela Aluga	Executive assistant	1 January 2023
Ms. Salome Gathoni	Corporate Affairs Manager	7 January 2020
Mrs. Getrude Victoria Muta	Human Resource Director	01 September 2023
Dr Ariana Shirk	Director Education	22 October 2023
Mr Timothy Makori	ICT Manager	5 February 2024

Registered office AIC Kijabe Hospital
Nairobi - Naivasha Road
P.O. Box 20-00200
Kijabe
Nairobi

AIC Kijabe Hospital

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Hospital Information

Independent auditor

Grant Thornton LLP
Certified Public Accountants (Kenya)
5th Floor, Avocado Towers
Muthithi Road, Westlands
P.O. Box 46986-00100
Nairobi

Principal bankers

KCB Bank Kenya Limited
Limuru Branch
P. O. Box 933-00217
Limuru
Nairobi

Citi Bank N.A.
Citi Bank House
Upper Hill Road
P. O. Box 30711-00100
Nairobi

Equity Bank Limited
Kimende Branch
P. O. Box 245-00221
Matathia
Nairobi

AIM Finance
P. O. Box 21010-00505
Nairobi

TD Bank
C/O Sustained Acts Inc
640 Woodbrook Dr
Ambler PA 19002
USA

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AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Operating Board Report

The operating board submits his report together with the audited annual financial statements for the year ended 31 December, 2023, which disclose the state of affairs of the hospital.

1. Principal activities

The principal activities of the hospital is to continue the healing ministry of our Lord Jesus Christ by minimizing suffering, restoring and maintaining health and promoting professional excellence and Christian commitment in order to provide quality, affordable and accessible healthcare.

2. Results

Surplus for the year	<u>2023</u> 10,470,513	<u>2022</u> 2,245,841
Patient revenue	<u>1,880,445,977</u>	<u>1,690,099,476</u>
Patient visit during the year		
- Inpatient	15,229	15,353
- Outpatient	<u>203,531</u>	<u>175,603</u>

The financial year 2023 experienced revenue growth driven by increased patient numbers and effective cost management. However, the year was also marked by significant cost increases due to high inflation, legislative changes, and currency fluctuations. The hospital managed to navigate these challenges with support from donors and effective resource utilization, although the overall operating costs rose substantially.

The movement of the financial results for the year ended December 31, 2023 have been attributed due to the following key factors:

Revenue Growth

i) Patient Revenues:

11% Growth: This was primarily due to increased theater patient numbers, private patients, and OPD.

Centennial Private Ward Refurbishment: The refurbishment led to a higher number of inpatient admissions, contributing positively to the revenue.

The increased student and Outpatient numbers also increased the college and Cafeteria revenues respectively.

Donor/Partner Support: Provided through subsidized medical supplies and support for needy patients, contributing to revenue growth.

ii) Other Revenue Contributors:

Management Control of Variable Costs: Efforts to reduce expenditure and maximize resource utilization were crucial despite the challenging economic conditions.

Direct Costs: Increased by 16% due to higher costs of purchases and supplies.

Operating Costs: Increased by 56%, driven by the rising costs of electricity and water, influenced by the high inflation.

Donor/Partner Support: Provided through subsidized medical supplies and support for needy patients, contributing to revenue growth.

Cost Increases

i.) Inflation Rate: Between September and December, inflation fluctuated between 8.32% and 7.67%.

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Operating Board Report

ii) Impact on Costs: High prices for food and fuels throughout most of the year led to increased costs of purchases and supplies. This was exacerbated by prolonged drought in 2022 and the Russia-Ukraine war, disrupting global supply chains for food, energy, and fertilizer.

ii) Utility Costs: The cost of utilities (water and electricity) increased by 56% compared to the previous year due to drought and inflation.

Legislative Changes:

i) Finance Bill 2023: The introduction of a 1.5% Housing Levy for both employees and employers, and the implementation of the new NSSF Act No. 45 of 2023, led to a 4% increase in personnel costs.

Exchange Rate Fluctuations:

i) Weakened USD against KES: This led to higher costs for imports, contributing further to the increased costs of purchases and supplies.

3. Directors

The directors who served the division during the period under review and up to the date of this report are listed on page 1.

4. Events after the reporting period

The directors is not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Statement of disclosure to the division's auditor

With respect to each person who is a director on the day that this report is approved:


- there is, so far as the person is aware, no relevant audit information of which the division's auditor is unaware; and
- the person has taken all the steps that he or she ought to have taken as a director to be aware of any relevant audit information and to establish that the division's auditor is aware of that information.

6. Terms of appointment of the auditor

Grant Thornton LLP continues in office in accordance with the division's Articles of Association and Section 719 of the Operating By-Laws of the hospital. The operating board monitors the effectiveness, objectivity and independence of the auditor. The operating board also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

7. Approval of annual financial statements

The annual financial statements set out on pages 9 to 24, which have been prepared on the going concern basis, were approved by the operating board on 13 June 2024, and were signed on its behalf by:



Mr. Joshua Tonui

Chairman



AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Statement of Auditors report

The Operating By-Laws of the hospital requires the directors to prepare annual financial statements for each financial year that give a true and fair view of the financial position of the division as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the division maintains proper accounting records that are sufficient to show and explain the transactions of the division and disclose, with reasonable accuracy, the financial position of the division. The directors is also responsible for safeguarding the assets of the division, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The operating board accepts responsibility for the preparation and presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Operating By-Laws of the hospital. He also accepts responsibility for:

- designing, implementing and maintaining such internal controls as he determines necessary to enable the presentation of annual financial statements that are free of material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the division'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 division's ability to continue as a going concern.

The directors acknowledges that the independent audit of the annual financial statements does not relieve them of their responsibilities.

The annual financial statements set out on pages 9 to 24, which have been prepared on the going concern basis, were approved by the operating board on 13 June 2024 and were signed on its behalf by:

Mr. Joshua Tonui



Chairman

Dr. Chege Macharia



Executive Director



Independent Auditor's Report

To the Members of AIC Kijabe Hospital

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of AIC Kijabe Hospital, hereafter, referred to as "the division", set out on pages 9 to 24, which comprise the statement of financial position as at 31 December, 2023, 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 the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of AIC Kijabe Hospital as at 31 December, 2023, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Operating By-Laws of the hospital.

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 Annual Financial Statements section of our report. We are independent of the division in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Auditor's Responsibilities for the Audit of the Annual 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.

Other Information

The operating board is responsible for the other information. The other information comprises the information included in the Operating Board Report as required by the Operating By-Laws of the hospital, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 and Those charged with Governance for the Annual Financial Statements

The operating board is responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Operating By-Laws of the hospital, and for such internal control as the operating board determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the operating board is responsible for assessing the division'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 operating board either intend to liquidate the division or to cease operations, or have no realistic alternative but to do so.

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

Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the annual 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 annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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 division's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the operating board.
- Conclude on the appropriateness of the operating board 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 division'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 annual 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 division to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the operating board 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 was CPA Alfred Siele, Practicing Certificate No. 1690.

 Grant Thornton LLP
Certified Public Accountants

For and on behalf of Grant Thornton LLP
Certified Public Accountants (Kenya)
Nairobi

19TH JUNE 2024

A/009/1223/AUD

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Statement of Income and Expenditure and Other Comprehensive Income

Figures in Shillings	Note(s)	2023	2022
Income			
Patient revenue	2	1,880,445,977	1,690,099,476
Donated staff services income	3	142,665,666	124,883,150
Other operating income	4	153,516,407	114,089,701
Other income	5	27,320,051	18,609,061
Investment income	6	33,010,942	30,815,827
Total income		2,236,959,043	1,978,497,215
Expenditure			
Direct costs	7	(588,202,864)	(507,305,623)
Staff costs	8	(994,156,071)	(952,137,902)
Donated staff services costs	9	(146,178,453)	(126,119,442)
Administrative expenses	10	(153,732,958)	(106,555,258)
Establishment expenses	11	(132,039,614)	(115,443,629)
Other operating expenses	12	(160,785,435)	(120,554,001)
Provision for doubtful debt	13	(51,393,135)	(48,135,519)
Total expenditure		(2,226,488,530)	(1,976,251,374)
Surplus for the year		10,470,513	2,245,841
Other comprehensive income		-	-
Total comprehensive surplus for the year		10,470,513	2,245,841

The accounting policies on pages 13 to 16 and the notes on pages 17 to 24 form an integral part of the annual financial statements.


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Annual Financial Statements for the year ended 31 December, 2023

Statement of Financial Position as at 31 December, 2023

Figures in Shillings	Note(s)	2023	2022
Assets			
Non-Current Assets			
Property and equipment	14	1,970,092,307	1,862,770,931
Intangible assets	15	-	1,300,000
Other financial assets	16	-	13,203,725
Government securities	17	76,681,130	76,681,130
		2,046,773,437	1,953,955,786
Current Assets			
Inventories	18	88,445,264	84,654,157
Trade and other receivables	19	336,430,639	189,141,741
Short term deposits	20	265,000,000	323,737,751
Cash and cash equivalents	21	204,087,741	147,165,798
		893,963,644	744,699,447
Total Assets		2,940,737,081	2,698,655,233
Equity and Liabilities			
Equity			
Revaluation reserve	22	665,155,493	704,196,879
Retained earnings	23	1,155,717,448	1,106,205,549
		1,820,872,941	1,810,402,428
Liabilities			
Non-Current Liabilities			
Gratuity	24	45,287,631	46,771,329
Capital grants	25	563,043,906	381,149,467
		608,331,537	427,920,796
Current Liabilities			
Gratuity	24	11,548,602	10,619,854
Trade and other payables	26	386,177,202	226,257,084
External designated funds	27	54,297,510	136,912,455
Deferred income	28	32,189,238	59,222,565
Capital grants	25	27,320,051	27,320,051
		511,532,603	460,332,009
Total Liabilities		1,119,864,140	888,252,805
Total Equity and Liabilities		2,940,737,081	2,698,655,233

The annual financial statements were approved by the operating board on 13 June 2024 and were signed on its behalf by:


Mr. Joshua Tonui


Dr. Chege Macharia



AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Statement of Changes in Equity

Figures in Shillings	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January, 2022	733,890,487	1,074,266,100	1,808,156,587
Surplus for the year	-	2,245,841	2,245,841
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	2,245,841	2,245,841
Transfer between reserves	(29,693,608)	29,693,608	-
Total changes	(29,693,608)	29,693,608	-
Balance at December 31, 2022	704,196,879	1,106,205,549	1,810,402,428
Surplus for the year	-	10,470,513	10,470,513
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	10,470,513	10,470,513
Transfer between reserves	(39,041,386)	39,041,386	-
Total changes	(39,041,386)	39,041,386	-
Balance at 31 December, 2023	665,155,493	1,155,717,448	1,820,872,941

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Statement of Cash Flows

Figures in Shillings	Note(s)	2023	2022
Cash flows from operating activities			
Cash (used in) generated from operations	29	<u>(11,746,165)</u>	<u>164,512,977</u>
Cash flows from investing activities			
Purchase of property and equipment	14	(214,700,469)	(220,407,437)
Proceeds from sale of property and equipment	14	291,083	169,130
Proceed from the disposal of equity instruments	16	13,203,725	-
Purchase of government securities	17	-	(76,681,130)
Short term deposits	20	58,737,751	(37,173,340)
Interest income	6	33,010,942	30,815,827
Net cash flows used in investing activities		<u>(109,456,968)</u>	<u>(303,276,950)</u>
Cash flows from financing activities			
Additions to external designated funds	27	23,858,142	62,021,025
Utilisation of external designated funds	27	(106,473,087)	(18,115,901)
Additions to capital grants	25	209,214,490	69,083,445
Net cash from financing activities		<u>126,599,545</u>	<u>112,988,569</u>
Total cash and cash equivalents movement for the year		5,396,412	(25,775,404)
Cash and cash equivalents at the beginning of the year	21	147,165,798	178,838,042
Total cash and cash equivalents at end of the year	21	<u>152,562,210</u>	<u>153,062,638</u>

The accounting policies on pages 13 to 16 and the notes on pages 17 to 24 form an integral part of the annual financial statements.

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Significant Accounting Policies

General information

AIC Kijabe Hospital is a division of the AIC Health Ministries and is registered as a Private Medical Institution with rule 4(3) of the Medical Practitioners and Dentist (Private Medical Institutions) Rules. The principal activities of the hospital is to bring glory to God through quality health care, training, 'Christ like living, evangelism and discipleship.

1. Basis of preparation

The financial statements of AIC Kijabe Hospital have been prepared in accordance with the 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs).

The preparation of financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the division's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in note 1.1.

Going concern

The financial performance of the hospital is set out in the operating board report and in the statement of profit or loss. The financial position of the hospital is set out in the statement of financial position.

Based on the financial performance and position of the hospital and its risk management policies, the directors are of the opinion that the hospital is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

1.1 Key sources of estimation uncertainty

The hospital makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

- **Useful lives of property, plant and equipment** - the hospital reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Critical estimates are made by the management in determining depreciation rates for the property, plant and equipment. The rates are set out in note 1.5.
- **Impairment of receivables** - where the organisation qualitatively reviews the credit risk and the need for impairment provisions. Refer to note 15 for further information.
- **Taxation** - no provision for tax liability has been made in the financial statements, as the organisation is considered to be exempted from tax on its entire income. Refer to accounting policy 1.7 for further information.

1.2 Significant judgement made by management in applying the hospital's accounting policies

The operating board have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements.

- **Gratuity provision** -The hospital operates a gratuity scheme for qualifying employees which qualifies as a defined benefit scheme. Under the plan, the union employees are entitled to 5% of the basic annual salary while the rest are entitled to 10% of the basic annual salary for each successfully completed year of service.
- **Donated staff services costs** - the hospital receives services from volunteers without charge. Management estimate the market value of such services based on the salary that would have been paid to a similar doctor or health personnel in terms of qualification and experience.
- **Capital grants** - The management has made a judgement on classification of capital grants that are issued with no conditions or future compliance.
- **Designated funds** - The hospital received funds from various sponsors and donors designated for utilisation in either purchase of capital items or to be used in specific programs. Where the funds are received for specific activities, these funds are classified as liabilities. Where the funds are for specific activities but are internally restricted by the hospital, these funds are deemed as unrestricted and released to income and expenditure account and appropriated to internal designated fund account.

1.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the hospital's activities and is stated net of discounts and refunds.

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Significant Accounting Policies

1.3 Revenue recognition (continued)

The hospital recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the hospital's activities.

- Patient care income is recognised upon delivery of service to the patient.
- Housing income is accrued by reference to time on a straight line basis over the lease term.
- Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.
- All other donations and subscription are accounted for when received.

1.4 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

1.5 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, without undue cost or effort, are measured at fair value through profit and loss.

If a reliable measure of fair value is no longer available without undue cost or effort, then the fair value at the last date that such a reliable measure was available is treated as the cost of the instrument. The instrument is then measured at cost less impairment until management are able to measure fair value without undue cost or effort.

1.6 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks.

1.7 Property and equipment

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

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Annual Financial Statements for the year ended 31 December, 2023

Significant Accounting Policies

1.7 Property and equipment (continued)

Freehold land and capital work in progress are not depreciated.

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 division and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on straight line method to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

Subsequent to initial recognition, property and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses are stated at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Any remaining decrease in excess of such credit is recognised in profit or loss in the current year.

The revaluation surplus related to a specific item of property and equipment is transferred directly to retained income when the asset is derecognised.

Item	Depreciation method	Rate per annum (%)
Buildings	Straight line	2.5
Equipment	Straight line	12.5
Motor vehicles	Straight line	25
Computer equipment	Straight line	30
Land		Nil

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.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating surplus/deficit.

Impairment tests are performed on property and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss, equal to the excess of the carrying amount over the recoverable amount, is recognised immediately in profit or loss for assets which are not revalued. In the case of revalued assets, the impairment loss is recognised in other comprehensive income and accumulated in the revaluation surplus in equity against any existing credit relating to the same asset. Any remaining impairment loss is recognised in profit or loss.

1.8 Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Significant Accounting Policies

1.9 Taxation

No provision for taxation has been recognised in these financial statements, as the organisation is considered to be exempt from tax on its entire income. While the organisation does not have a current tax exemption certificate issued by the Kenya Revenue Authority, the operating board is of the view that such an exemption would be forthcoming based on the fact that the health facility is owned by African Inland Church Kenya and is covered under the Income tax exemption of the church. It is not practicable to quantify the financial effect of non-receipt of such an exemption.

1.10 Employee benefits

The hospital operates a gratuity scheme for its permanent senior management employees and union employees. The plan costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits charged to the statement of income and expenditure so as to spread the regular cost over the service lives of employees. The gratuity is measured as the present value of the estimated future cash outflows.

Employee entitlements to gratuity are recognised when they accrue to employees. A gratuity payment of 7% of basic monthly salary for union employees and 10% of basic monthly salary for the rest of the employees is paid at the end of each successfully completed contracted period of service.

The hospital and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The hospital's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

1.11 External designated funds

The external designated funds combines various sponsors and donors received by the hospital for designated for utilisation in either purchase of capital items or to be used in specific programs:

1.11.1 Kijabe College of Health Sciences Scholarship fund

This fund is set aside for Kijabe College of Health Sciences operations such as bursary, scholarships, training and alumni activities.

1.11.2 Equipment fund

This fund consists of monies to finance medical units such as maternity, oncology, radiology, physiotherapy, OPD, theatre etc for equipment upgrade and other development.

1.11.3 Bond security

This is money deducted from Clinical staff who have been sponsored for studies by the Hospital.

1.11.4 OPD renovation funds

This is for upgrading the outpatients facilities

1.11.5 Marira Lab Sample collection project

These are fund for the establishment of a new sample collection area in Marira

1.12 Capital grants

This represents funds received for purchase of property and equipment. The initial amount is credited to a deferred income account known as capital grants. The grant balance is amortised annually at an amount equal to that of depreciating the assets purchased with the grants. Where a capital has a condition or future compliance, then the same is classified as non current liability.

1.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the Weighted Average method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
2. Revenue		
Patient care	1,690,179,989	1,515,774,189
Marira clinic income	10,746,314	8,664,516
Naivasha clinic income	53,865,123	47,961,527
Nairobi clinic income	42,028,238	41,871,996
School of nursing fees	83,626,313	75,827,248
	1,880,445,977	1,690,099,476
3. Donated staff services income		
Donated services	103,059,702	78,380,975
Christian Health Association of Kenya (CHAK) Marira donor funding	-	5,950,920
Christian Health Association of Kenya (CHAK) Naivasha donor funding	-	12,722,203
Christian Health Association of Kenya (CHAK) Kijabe donor funding	-	17,792,136
Kenya Catholic Conference of Bishops (KCCB) Kijabe donor funding	18,020,292	3,732,552
Kenya Catholic Conference of Bishops (KCCB) Marira donor funding	9,487,701	2,538,447
Kenya Catholic Conference of Bishops (KCCB) Naivasha donor funding	12,097,971	3,765,917
	142,665,666	124,883,150
4. Other operating income		
Foreign currency exchange gains	17,843,942	1,691,880
Bad debts recovered	591,318	14,141
Donations	7,400,372	5,332,180
Other income	41,383,397	18,529,062
Housing income	13,723,880	13,171,367
Transport income	2,646,672	923,912
Non-patient income	69,926,826	74,427,159
	153,516,407	114,089,701
Other income majorly relates to discounts from suppliers and medical education revenue.		
5. Other income		
Gain on sale of property and equipment	-	169,130
Amortisation of capital grant (Note 25)	27,320,051	18,439,931
	27,320,051	18,609,061
6. Investment revenue		
Interest income from the government securities	10,405,506	5,256,315
Interest income from deposits with financial institutions	22,605,436	25,559,512
	33,010,942	30,815,827
7. Direct costs- medical supplies		
Kijabe Hospital	575,815,738	495,371,868
Marira Medical Centre	1,039,171	1,793,092
Naivasha Medical Centre	6,712,197	4,719,252
Nairobi clinic	4,635,758	5,421,411
	588,202,864	507,305,623

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
8. Staff costs		
Salaries and wages	909,731,897	890,628,290
NSSF employer contribution	11,246,867	1,874,390
Training	3,269,677	3,428,614
Staff medical expenses	31,284,331	28,887,325
Provision for gratuity (expenses) (Note 24)	13,645,901	13,896,132
Pension contribution	15,983,889	11,300,601
Other staff costs	5,505,221	2,122,551
Housing levy employer contribution	3,488,289	-
	994,156,071	952,137,902
9. Donated staff services costs		
Donated staff services	103,059,702	78,380,975
Aids Relief Christian Health Association of Kenya Marira donor expense	-	5,950,920
Aids Relief Christian Health Association of Kenya Naivasha donor expense	-	12,723,582
Kenya Catholic Conference of Bishops Donor Expenses- Kijabe	19,156,139	5,155,118
Kenya Catholic Conference of Bishops Donor Expenses- Marira	10,685,715	2,072,398
Kenya Catholic Conference of Bishops Donor Expenses- Naivasha	13,272,897	4,053,131
Aids Relief Christian Health Association of Kenya Kijabe donor expenses	4,000	17,783,318
	146,178,453	126,119,442
10. Administrative expenses		
Kijabe Hospital administrative expense	63,700,793	50,473,807
Housing administrative expense	-	597,022
Kijabe College of Health Sciences administrative expense	7,621,499	5,911,158
Kijabe College of Health Sciences room and boarding	14,380,200	12,797,000
Insurance	591,104	691,599
Consulting and professional fees	44,950,728	8,924,251
Advertising	530,010	603,533
Lease rentals on operating lease	7,463,000	9,535,760
Fines and penalties	1,786,550	1,870,150
Other expenses	9,564,506	12,006,409
Subscriptions	3,144,568	3,144,569
	153,732,958	106,555,258
11. Establishment expenses		
Repairs and maintenance on equipment	21,128,255	19,451,278
Equipment expenses	17,400	343,174
Depreciation and amortisation	106,264,875	93,466,843
Vehicle repairs and maintenance	2,505,947	2,182,334
Loss on sale of property and equipment	2,123,136	-
	132,039,614	115,443,629
12. Other operating expenses		
Utilities	67,782,026	43,762,996
Freight and travel	2,800,146	3,858,734
Compassionate care	90,203,264	72,932,271
	160,785,435	120,554,001

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
13. Provision for doubtful debts		
Bad debts expenses		
Increase/(Decrease) in provision	28,016,978	(24,618,023)
Bad debts written off	23,376,157	72,753,542
	51,393,135	48,135,519

14. Property and equipment

	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	44,000,000	-	44,000,000	44,000,000	-	44,000,000
Buildings	1,409,235,013	(64,418,295)	1,344,816,718	1,167,496,788	(29,187,420)	1,138,309,368
Plant and machinery	138,281,217	(5,873,895)	132,407,322	96,674,600	(2,416,865)	94,257,735
Furniture and fixtures	65,205,527	(15,737,400)	49,468,127	62,048,893	(7,756,112)	54,292,781
Motor vehicles	18,338,356	(9,169,178)	9,169,178	18,338,356	(4,584,589)	13,753,767
Equipment	311,851,710	(71,969,161)	239,882,549	267,690,017	(33,461,252)	234,228,765
Computer equipment	48,534,090	(26,114,106)	22,419,984	40,234,250	(12,070,275)	28,163,975
Capital work in progress	127,928,429	-	127,928,429	255,764,540	-	255,764,540
Total	2,163,374,342	(193,282,035)	1,970,092,307	1,952,247,444	(89,476,513)	1,862,770,931

Reconciliation of property and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Closing balance
Land	44,000,000	-	-	-	-	44,000,000
Buildings	1,138,309,368	-	-	241,738,225	(35,230,875)	1,344,816,718
Plant and machinery	94,257,735	41,606,617	-	-	(3,457,030)	132,407,322
Furniture and fixtures	54,292,781	3,832,246	(506,210)	-	(8,150,690)	49,468,127
Motor vehicles	13,753,767	-	-	-	(4,584,589)	9,169,178
Equipment	234,228,765	46,156,073	(1,520,825)	-	(38,981,464)	239,882,549
Computer equipment	28,163,975	9,203,420	(387,184)	-	(14,560,227)	22,419,984
Capital work in progress	255,764,541	113,902,113	-	(241,738,225)	-	127,928,429
	1,862,770,932	214,700,469	(2,414,219)	-	(104,964,875)	1,970,092,307

Reconciliation of property and equipment - 2022

	Opening balance	Additions	Depreciation	Closing balance
Land	44,000,000	-	-	44,000,000
Buildings	1,124,313,019	43,183,769	(29,187,420)	1,138,309,368
Plant and machinery	96,674,600	-	(2,416,865)	94,257,735
Furniture and fixtures	47,478,450	14,570,443	(7,756,112)	54,292,781
Motor vehicles	13,600,000	4,738,356	(4,584,589)	13,753,767
Medical equipment	204,268,500	63,511,847	(33,551,582)	234,228,765
Computer equipment	31,176,200	9,058,050	(12,070,275)	28,163,975
Capital work in progress	170,419,568	85,344,973	-	255,764,541
	1,731,930,337	220,407,438	(89,566,843)	1,862,770,931

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Notes to the Annual Financial Statements

Figures in Shillings

2023

2022

14. Property and equipment (continued)

Revaluations

The fair value measurements as of were performed by Advent Valuers Limited, independent valuers not related to the division. Advent Valuers Limited are members of the Institute of Valuers and they have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The division property and equipments are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses.

Work in progress relates to ongoing construction works relating to construction of Palliative care unit, Marira Washroom Project, New Opd Complex and MEB

15. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	13,000,000	(13,000,000)	-	13,000,000	(11,700,000)	1,300,000

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	1,300,000	(1,300,000)	-

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	5,200,000	(3,900,000)	1,300,000

16. Other financial assets

Other financial assets	-	13,203,725
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a) Quoted shares

At start of the year	4,080	4,080
Disposal	(4,080)	-

At end of the year	-	4,080
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b) African Alliance Asset Management funds

At start of the year	13,407,885	13,407,885
Disposal	(13,407,885)	-

At end of the year	-	13,407,885
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c) Kengen Bonds

At start of the year	106,333	106,333
Disposal	(106,333)	-

At end of the year	-	106,333
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Total financial assets	-	13,518,298
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AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
17. Government securities		
Government securities	76,681,130	76,681,130
18. Inventories		
Medical	77,621,685	76,800,544
Non medical	10,823,579	7,853,613
	88,445,264	84,654,157
19. Trade and other receivables		
Trade receivables	667,963,305	511,906,741
Less: provision for impairment	(376,436,818)	(348,419,840)
Net trade receivables	291,526,487	163,486,901
Prepayments	3,087,378	2,130,324
Amount due from related parties (Note 30)	19,676,748	3,223,728
Inpatient control account	22,140,026	13,329,524
Other receivables	-	6,971,264
	336,430,639	189,141,741
Movement of provision - Trade receivables		
At the start of the period	348,419,840	373,037,863
Increase/(Decrease) in provision for bad debts (Note 13)	28,016,978	(24,618,023)
At the end of the year	376,436,818	348,419,840
20. Short term deposits		
Deposits with financial institutions	265,000,000	323,737,751
21. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash in hand	19,418,502	17,320,893
Savings accounts	1,640,250	3,847,881
Designated fund account	-	126
Current accounts	183,028,989	125,996,898
	204,087,741	147,165,798
22. Revaluation Reserve		
As at start of the period	704,196,879	733,890,487
Transfer between reserves	(39,041,386)	(29,693,608)
	665,155,493	704,196,879
23. Retained earnings		
As at start of the period	1,106,205,549	1,074,266,100
Surplus for the year	10,470,513	2,245,841
Transfer between reserves	39,041,386	29,693,608
	1,155,717,448	1,106,205,549

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Notes to the Annual Financial Statements

Figures in Shillings 2023 2022

24. Gratuity

The hospital operates a gratuity scheme for qualifying employees which qualifies as a defined benefit scheme. Under the plan, the union employees are entitled to 5% of the basic annual salary while the rest are entitled to 10% of the basic annual salary for each successfully completed year of service.

Gratuity provision	56,836,233	57,391,183
1 January	57,391,183	61,740,186
Charged to profit or loss	13,645,901	13,896,132
Paid during the year	(14,200,851)	(18,245,135)
31 December	56,836,233	57,391,183

The amount recognised in the profit or loss for the year were as follows:

Current service cost	13,645,901	13,896,132
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25. Capital grants

1 January	408,469,518	357,826,004
Additions	209,214,490	69,083,445
Amortization for the year (Note 5)	(27,320,051)	(18,439,931)
	590,363,957	408,469,518

This represents funds received for purchase of property and equipment. The initial amount is credited to a deferred income account known as capital grants. The grant balance is amortised annually at an amount equal to that depreciating the assets purchased with the grants. Where a capital has a condition or future compliance, then the same is classified as a non current liability.

26. Trade and other payables

Trade payables	254,724,343	144,245,811
Amounts received in advance	36,573,930	-
Sundry payables	10,853,859	8,921,008
Accrued expenses	11,390,608	37,113,584
Amounts due to related parties (Note 30)	8,838,507	-
Other payables	63,795,955	35,976,681
	386,177,202	226,257,084

27. External designated funds

Year ended December 31, 2023	1 January Ksh	Additions Ksh	Utilisation Ksh	Total
External funds	136,912,454	23,858,142	(106,473,087)	54,297,509
Year ended December 31, 2022	1 January Ksh	Additions Ksh	Utilisation Ksh	Total
External funds	93,006,331	62,021,025	(18,114,902)	136,912,454

28. Deferred income

Deferred income	32,189,238	59,222,565
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AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
29. Cash (used in) generated from operations		
(Deficit) /Surplus for the year	10,470,513	2,245,841
Adjustments for:		
Depreciation on property and equipment	14 106,264,875	93,466,843
Loss (profit) on sale property and equipment	5&11 2,123,136	(169,130)
Interest received	6 (33,010,942)	(30,815,827)
Amortisation of capital grants	25 (27,320,051)	(18,439,931)
Fair value gain (loss) of financial assets	16 -	(314,571)
Changes in working capital:		
Inventories	(3,791,107)	(15,067,960)
Trade and other receivables	(147,288,895)	102,366,133
Trade and other payables	108,394,608	(6,720,856)
Deferred income	(27,033,327)	41,682,302
Gratuity	(554,975)	(3,719,867)
	(11,746,165)	164,512,977
30. Related party disclosures		
Related party balances and transactions		
Related party balances		
Receivables from related parties		
Kijabe Motel	1,992,220	1,532,918
AIC Central Office	663,050	663,050
Kapsowar Hospital	879,543	563,250
AIC Kijabe Printing Press	386,536	281,172
Kijabe Sacco Limited	79,383	40,000
Moffat Bible College	75,561	94,441
Scott University	15,000,000	-
Kijabe Station Management	43,433	36,699
AIC Kijabe Local Church	35,250	12,198
AIC Cure Children's Hospital	521,772	-
	19,676,748	3,223,728
Amounts due to related parties		
AIC Central Office	3,738,000	-
Kijabe Station Management	5,100,507	-
	8,838,507	-
Related party transactions		
Disbursement to related parties		
Board expenses	3,143,446	2,953,000
AIC Ministry Cess	3,144,568	3,144,569
Kijabe Station tax	1,442,444	1,416,184
	7,730,458	7,513,753

AIC Kijabe Hospital

Annual Financial Statements for the year ended 31 December, 2023

Notes to the Annual Financial Statements

Figures in Shillings	2023	2022
30. Related party disclosures (continued)		
Compensation paid to key management		
Senior management salaries	37,012,981	40,761,372
Senior management gratuity	5,287,743	2,437,076
	<u>42,300,724</u>	<u>43,198,448</u>

AIC Kijabe Hospital is related to the above entities by virtue of common control and directorship.

Kijabe Sacco Limited is owned by current and former staff of AIC Kijabe Hospital.

31. Commitments

There were no commitments for the year ended December 30, 2023.

32. Contingencies

There were no contingencies for the year ended December 30, 2023.

33. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of the Directors report.

