

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

Financial statements
For the year ended 31 December 2023

Audit, Services



AUDIT • TAX • ADVISORY

CORRESPONDENT OF MAZARS
mazars

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

General Information

Country of incorporation and domicile	Malawi
Nature of business and principal activities	To strengthen the capacity of its member units, monitor and supervise service delivery, advocate for greater involvement of mission hospitals in the provision of health care in Malawi and mobilising financial resources for its member units.
Registered office	CHAM Building Opposite Red Cross Area 14 P.O Box 30378 Lilongwe 3
Bankers	First Capital Bank, National Bank of Malawi, Standard Bank and CDH Bank
Auditors	AMG Global Chartered Accountants Member firm Honeydew Villas Area 14 Lilongwe P.O Box 30440 Lilongwe Malawi
Legal advisors	T & F Partners

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Contents

The reports and statements set out below comprise the financial statements presented to the members:

	Page
Trustees' Report	3 - 4
Trustees' Responsibilities and Approval	5
Independent Auditor's Report	6 - 7
Statement of Financial Position	8
Statement of Profit or Loss and Other Comprehensive Income	9
Statement of Changes in funds	10
Statement of Cash Flows	11
Accounting Policies	12 - 16
Notes to the Financial Statements	17 - 23
Supplementary Information	24 - 27

The following supplementary information does not form part of the financial statements:

Supplementary Information	24 - 27
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Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Trustees' Report

The directors have pleasure in submitting their report on the financial statements of Christian Health Association of Malawi for the year ended December 31, 2023.

1. Incorporation

Christian Health Association of Malawi is incorporated in Malawi under the Trustees Incorporation Act of 1962 and is domiciled in Malawi. The association reflects the christian identity and coordinates the provision of health care in its member health facilities across Malawi. It is owned by two mother bodies namely: Episcopal Conference of Malawi (ECM) and the Malawi Council of Churches (MCC).

It is an umbrella organisation of christian churches which own health facilities throughout Malawi. There were 185 member health facilities ranging from small health centres to district level hospitals and training colleges, as at the time of approval of these financial statements.

The role of Christian Health Association of Malawi is to strengthen the capacity of its member units, monitor and supervise service delivery, advocate for greater involvement of mission hospitals in the provision of health care in Malawi and mobilising financial material resources for its member units.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Trustees Incorporation Act, 1962. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

3. Trustees

CHAM is owned by two mother bodies, the Episcopal Conference of Malawi (ECM) and the Malawi Council of Churches (MCC). These jointly form the board of trustees which is comprised of five (5) members and they are the overseers of CHAM assets. The mother bodies also delegate leadership authority to the board of directors which is responsible for the provision of policy oversight and direction in the implementation of CHAM strategic plan. CHAM secretariat is responsible for the strategic plan implementation and coordination of member units and the stakeholders.

The trustees in office at the date of this report are as follows:

Trustees	Body representing	Period
Rev. Luckwell Mtima	Chairperson	Full year
Rt. Rev. John Ryan	Vice Chairperson	Full year
Mr. Isaac Songea	Member	Full year
Mrs. Evelyn Itimu	Member	Full year
Mrs. Mphatso Phiri	Member	Full year

Board of directors

The following directors served during the year:-

Very Rev. Emmanuel Makalande	Chairperson	Full year
Rev. Fr. Bernard Silungwe	Vice chairperson	Full year
Rev. Fr. Dr Alfred Chaima	Member	Full year
Rev. Alemekazeze Kenneth Phiri	Member	Full year
Mr. Justus Kishindo	Member	Full year
Mr. Patrick Chimutu	Member	Full year
Mr. Moses Kasitomu	Member	Full year
Mrs. Vivian Mpanga	Member	Full year

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Trustees' Report

Board of Directors (continued)

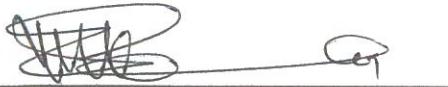
Mr. Moses Yakobe	Member	Full year
Dr. Ann Phoya	Member	Full year
Mr. Henry Chilingulo	Member	Full year
Mr. Duffren Msukwa	Member	Full year

4. Auditors

The association's auditors are Messrs AMG Global, Chartered Accountants, of P.O Box 30440, Lilongwe, Malawi.

The financial statements which have been prepared on the going concern basis, were approved by the board of trustees on 13th September 2024, and were signed on its behalf by:

Approval of financial statements



Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Trustees' Responsibilities and Approval

The trustees are required in terms of the Trustees Incorporation Act, 1962 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the association as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The trustees have reviewed the association's cash flow forecast for the year to December 31, 2024 and, in light of this review and the current financial position, they are satisfied that the association has or had access to adequate resources to continue in operational existence for the foreseeable future.

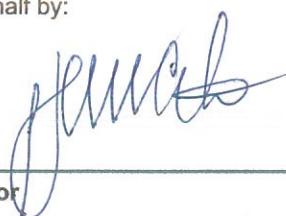
The external auditors are responsible for independently auditing and reporting on the association's financial statements. The financial statements have been examined by the association's external auditors and their report is presented on pages 6 to 7.

The financial statements which have been prepared on the going concern basis, were approved by the board of trustees on 1st September 2024 and were signed on their behalf by:

Approval of financial statements



Chairperson



Director

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Honeydew Villas
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Independent Auditor's Report

To the members of Christian Health Association of Malawi

Opinion

We have audited the financial statements of Christian Health Association of Malawi which comprise the statement of financial position as at December 31, 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 notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Christian Health Association of Malawi as at December 31, 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Trustees Incorporation Act, 1962.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (IESBA) and other independence requirements applicable to performing audits of financial statements in Malawi. 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 Malawi. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Trustees Incorporation Act, 1962, 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 organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the organization or to cease operations, or 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:

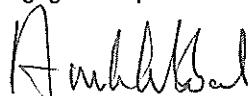
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- 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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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



AMG Global
Chartered Accountants
Lilongwe, Malawi

13th September 2024

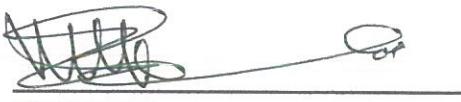
Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Statement of Financial Position as at December 31, 2023

Figures in thousand Malawi Kwacha	Note(s)	2023	2022
Assets			
Non-Current Assets			
Property, plant and equipment	2	2,720,101	2,728,057
Investment property	3	120,500	120,500
		2,840,601	2,848,557
Current Assets			
Inventories	5	44,224	115,796
Trade and other receivables	4	526,345	505,554
Project receivables		-	594,612
Cash and cash equivalents	6	507,644	1,581,284
		1,078,213	2,797,246
Total Assets		3,918,814	5,645,803
Reserves and Liabilities			
Reserves			
Reserves		2,870,238	2,898,664
Accumulated loss		(259,689)	(275,716)
		2,610,549	2,622,948
Liabilities			
Current Liabilities			
Trade and other payables	7	1,231,157	1,265,839
Deferred income	8	77,108	1,757,016
		1,308,265	3,022,855
Total Reserves and Liabilities		3,918,814	5,645,803

The financial statements were approved by the board of directors on the 13th September 2024 and were signed on its behalf by:



Chairperson



Director

The accounting policies on pages 12 to 16 and the notes on pages 17 to 23 form an integral part of the financial statements.

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Statement of Profit or Loss and Other Comprehensive Income

Figures in thousand Malawi Kwacha	Note(s)	2023	2022
Grants income utilized	9	38,144,826	39,635,976
Membership fees		313,382	313,382
Drug sales		114,120	133,468
Administration fees (projects)		175,454	75,842
Other income	10	189,434	168,808
Total income		38,937,216	40,327,476
Operating expenses (Refer to supplementary information)		(638,114)	(797,744)
Project expenses		(38,144,826)	(39,635,976)
Drug revolving fund expenses	11	(138,246)	-
Total comprehensive income (deficit) for the year		16,030	(106,244)

Christian Health Association of Malawi
 Financial Statements for the year ended December 31, 2023

Statement of Changes in funds

Figures in thousand Malawi Kwacha	Revaluation reserve	Capital grant	General fund - Secretariat	General fund - Programmes	Capital reserves	Total reserves	Accumulated deficit	Total equity
Balance at January 1, 2022	2,782,971	55,477	51,439	4,252	4,525	2,898,664	(169,472)	2,729,192
Deficit for the year	-	-	-	-	-	-	(106,244)	(106,244)
Balance at January 1, 2023	2,782,971	55,477	51,439	4,252	4,525	2,898,664	(275,719)	2,622,945
Surplus for the year	-	-	-	-	-	-	16,030	16,030
Amortisation of capital grants	-	(28,426)	-	-	-	(28,426)	-	(28,426)
	-	(28,426)	-	-	-	(28,426)	-	(28,426)
Balance at December 31, 2023	27,051	51,439	4,252	4,525	2,870,238	(259,689)	2,610,549	

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Statement of Cash Flows

Figures in thousand Malawi Kwacha

	Note(s)	2023	2022
Cash flows from operating activities			
Cash receipts from customers		37,047,132	40,941,818
Cash paid to suppliers and employees		(38,120,772)	(40,302,946)
Cash (used in)/generated from operations	12	(1,073,640)	638,872
Net cash from operating activities		(1,073,640)	638,872
Total cash movement for the year			
Cash and cash equivalents at the beginning of the year		(1,073,640)	638,872
Cash and cash equivalents at the end of the year	6	507,644	1,581,284

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Accounting Policies

Corporate information

Christian Health Association of Malawi (CHAM) was constituted in 1966 initially called Private Hospitals Association of Malawi (PHAM). PHAM changed its name to CHAM in 1992 to reflect the christian identity and to stress the focus on provision of health services.

CHAM is owned by two mother bodies, the Episcopal Conference of Malawi (ECM) and the Malawi Council of Churches (MCC). These jointly form the board of trustees which is comprised of four (4) members and they are the overseers of CHAM assets. The mother bodies also delegate leadership authority to the board of trustees which is responsible for the provision of policy oversight and direction in the implementation of CHAM strategic plan. CHAM secretariat is responsible for the strategic plan implementation and coordination of member units and the stakeholders.

During the period under review, CHAM Secretariat coordinated the following projects: NCA Maternal & Neonatal Child Health, Fredkorps Exchange Programme, USAID Health Workers Training, Centre for Disease Control (CDC) monitoring and coordination of HIV services, NAC VMMC project, Drug revolving fund, KFW institutional support, DCA BILKA Nutrition, Save the Children sexual reproductive health, Act Alliance coordination desk and GOM / MOH salaries.

These financial statements are for the Secretariat's activities and all other projects including the personnel emolument grant for the CHAM Health Units.

1. Material accounting policies

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality Judgements, and only those accounting policies which are considered material have been presented in these financial statements.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these financial statements and the Trustees Incorporation Act, 1962 as amended.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the material accounting policies set out below. They are presented in Malawi Kwacha, which is the association's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Specific provisions

In creating a specific provision against receivables, the board of trustees have taken into account the past payment history of the individual customers, the state of the economy and other information which may have come to light regarding the potential impairment of the individual assets. Provisioning on this basis is subjective by nature as it requires the assessment of financial, as well as non financial information in arriving at an impairment value, which can only be borne out by future events.

Valuation of properties

The board of trustees have reviewed the remaining lives and the useful values for the purposes of depreciation calculations in the light of the requirements for an annual review under the International Accounting Standard 16 Property, plant and equipment.

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Accounting Policies

1.3 Investment property

Investment property consists of residential house from which CHAM gets rentals.

Investment property is measured at fair value with any changes therein recognised in profit and loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its costs for subsequent accounting.

1.4 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and impairment losses except for land which is not depreciated.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Office buildings	Straight line	50 years
Furniture and equipment	Straight line	5 years
Motor vehicles	Straight line	4 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. No material changes were made.

There were no indicators of impairment for property, plant and equipment and no impairment tests were performed.

1.5 Financial instruments

Financial instruments are recognised when the association becomes a party to the contractual provisions. They are measured, at initial recognition, at fair value plus transaction costs, if any.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The material accounting policies for each type of financial instrument held by the association are presented below:

Trade and other receivables

Trade and other receivables, excluding, when applicable, VAT and prepayments, are measured, subsequent to initial recognition, at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The accounting policy for impairment of trade and other receivables is set out in the loss allowances and write offs accounting policy.

Trade and other payables

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Accounting Policies

1.5 Financial instruments (continued)

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

The association derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the association recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the association retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The association derecognises financial liabilities when its obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

The association only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities are not reclassified.

1.6 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.7 Impairment of assets

Management assesses, at the end of each reporting period, whether there is any indication that property, plant and equipment may be impaired. If any such indication exists, then the recoverable amount of the asset is determined.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount cannot be determined for an individual asset, then it is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised immediately in profit or loss.

1.8 Capital fund

The fund represents the fair value of all assets and liabilities taken over from Government on the establishment of the Trust on 1st February 2013. It represents the net assets with which the Trust was initially endowed.

1.9 Deferred income

Deferred income represents surplus arising from the project activities being carried out by CHAM. These are represented by bank balances and accrued expenses.

The net deficits on projects are not deferred. The deficits on these projects are debited / charged to the CHAM Secretariat's retained earnings in the period they arise.

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Accounting Policies

1.10 Employee benefits

The association contributes to a defined pension scheme administered by Old Mutual.

Obligations for contributions are recognised as an expense in the statement of comprehensive income.

1.11 Provisions and contingencies

The association recognises provisions in circumstances where it has a present obligation resulting from past events, which can be measured reliably and for which it is probable that the association will be required to settle the obligation.

There is always a degree of estimation uncertainty involved with provisions as they are measured at management's best estimate of the amount which will be required to settle the obligation. When the effect of discounting is material, the provision is measured at the present value of such amounts.

Contingent assets and contingent liabilities are not recognised.

1.12 Income

Grant income

Grant income is recognised initially as deferred income when there is reasonable assurance that it will comply with conditions attaching to it. Income that compensate for expenses incurred are recognised as revenue in the profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate for the cost of an asset are recognised in the profit or loss as revenue on a systematic basis over the useful life of the asset and the unamortised grants are carried forward as capital grants.

Rental income

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

Interest income

Interest income is recognised in the income statement for all interest bearing instruments on an accruals basis, using the effective yield method.

1.13 Drug revolving fund

The association maintains a revolving fund which aims at providing and distributing drugs to the Health Units at a low cost.

The beneficiaries to this fund, the Health Units, contribute for customs clearing costs to the fund based on the level of their requirements to cover the costs of administering the funds and facilitating the receiving and distribution of these drugs. These contributions are recognised as operating income by the association.

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Malawi Kwachas, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are translated at the end of the reporting period using the closing rate.

Cash flows arising from transactions in a foreign currency are recorded in Malawi Kwachas by applying to the foreign currency amount the exchange rate between the Malawi Kwacha and the foreign currency at the date of the cash flow.

Refer to the individual accounting policies for financial instruments for the detailed foreign exchange accounting policies.

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Accounting Policies

1.15 Related parties

The association provides services to its member units and coordinates various projects at a fee. The services are sourcing, advancing, accounting and coordination of funds / grants to the units. Membership fees, which is 1.5% of the Government grants (salary, pension and leave grants only) payable to the Units is charged to the health units and is accounted for in the period for which they are due. An administration fee is also charged on the various projects coordinated by the association.

1.16 New and amended standards

The following amendments became effective as at 1 January 2023:

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12):

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning obligations.

International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12):

The amendments provide relief from deferred tax accounting for Pillar Two top-up taxes and introduce new disclosures about exposure to these taxes.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2):

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. It also aims to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments further, explain how an entity can identify a material accounting policy and also provides guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Information is material if its omission, misstatement, or obscuring could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make based on those financial statements which provide financial information about a specific reporting entity.

The financial statements have been presented and its notes disclosed in line with IAS 1 amendment following the four-step materiality process. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The accounting policies have been reviewed and updates made to the information disclosed in the Material accounting policies note (2022: Significant accounting policies) in certain instances in line with the amendments.

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Notes to the Financial Statements

Figures in thousand Malawi Kwacha

2023

2022

2. Property, plant and equipment

	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	1,198,500	-	1,198,500	1,198,500	-	1,198,500
Buildings	1,100,000	(25,969)	1,074,031	1,100,000	(25,969)	1,074,031
Furniture and fixtures	33,412	(33,412)	-	33,412	(33,332)	80
Motor vehicles	263,777	(263,778)	(1)	263,777	(263,778)	(1)
IT equipment	94,328	(69,303)	25,025	94,328	(62,427)	31,901
Owner occupied houses	402,500	(13,793)	388,707	402,500	(13,793)	388,707
Intangible assets	30,602	(30,602)	-	30,602	(29,602)	1,000
Work in progress	33,839	-	33,839	33,839	-	33,839
Total	3,156,958	(436,857)	2,720,101	3,156,958	(428,901)	2,728,057

Reconciliation of property, plant and equipment - 2023

	Opening balance	Depreciation	Total
Land	1,198,500	-	1,198,500
Buildings	1,074,031	-	1,074,031
Furniture and fixtures	80	(80)	-
Motor vehicles	(1)	-	(1)
IT equipment	31,901	(6,876)	25,025
Owner occupied houses	388,707	-	388,707
Intangible assets	1,000	(1,000)	-
Work in progress	33,839	-	33,839
	2,728,057	(7,956)	2,720,101

Reconciliation of property, plant and equipment - 2022

	Opening balance	Revaluations	Depreciation	Total
Land	1,009,500	189,000	-	1,198,500
Buildings	895,740	178,291	-	1,074,031
Furniture and fixtures	2,177	-	(2,097)	80
Motor vehicles	13,671	-	(13,672)	(1)
IT equipment	35,872	-	(3,971)	31,901
Owner occupied houses	269,588	119,119	-	388,707
Intangible assets	2,500	-	(1,500)	1,000
Work in progress	33,839	-	-	33,839
	2,262,887	486,410	(21,240)	2,728,057

A register of property, plant and equipment is maintained at the registered office of the association and is open for inspection by members or their duly authorized agents.

3. Investment property

Residential house	120,500	96,446
Revaluation surplus	-	24,054
	120,500	120,500

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Notes to the Financial Statements

Figures in thousand Malawi Kwacha

2023 2022

3. Investment property (continued)

Investment property relates to a residential house from which CHAM gets rentals.

4. Trade and other receivables

Financial instruments:

Membership fees	306,086	351,181
Drug Revolving Fund debtors	52,717	-
Loss allowance	(55,120)	(84,049)
Trade receivables at amortised cost	303,683	267,132
Sub-grant balances	-	1,434
Utilities	13,574	-
Other debtors	155,749	179,610
Pension board expenses	3,372	1,115
Fuel imprest	6,231	-
Unliquidated cash advances	43,736	56,213

Non-financial instruments:

Salary in advance	-	50
Total trade and other receivables	526,345	505,554

Membership fees receivable represent amount due from CHAM facilities. The association provides services to its member units and coordinates various projects at a fee of 1.5% of the government grant.

5. Inventories

Drugs	44,224	115,796
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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	200
Bank balances	335,232	1,549,836
Fixed deposits	172,412	31,248
Total cash and cash equivalents	507,644	1,581,284

7. Trade and other payables

Financial instruments:

Trade payables	27	19,111
CHAM SACCO	7,266	-
Units salary refund	1,019,220	984,916
Other payables and accruals	61,815	104,951
LifeNet salaries	-	4,417
Medical scheme control	14,373	-
Malawi Revenue Authority taxes	107,320	123,366

Non-financial instruments:

Prepaid income	21,136	29,078
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Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Notes to the Financial Statements

Figures in thousand Malawi Kwacha

2023 2022

7. Trade and other payables (continued)

1,231,157 1,265,839

8. Deferred income

CDC	14,866	436,609
AMREF - VAM	22,816	167,020
Medic Mw	-	1,874
ACHAP	-	26,631
UNAIDS	-	76
TOME - Malaria	1,839	-
FHI360	-	64,837
COVID	-	20,333
CDC Preservice	31,807	317,168
CHAZFP	-	17,103
SRH/EU	-	3,092
EPN	4,457	-
GIZ	-	1,272
SLA	-	215,189
CDC HRH	1,323	443,694
CHEMONICS	-	42,118
	77,108	1,757,016

The deferred income represents advance receipts in respect of grants that were received by 31 December 2023. These are represented by bank balances and accrued expenses.

9. Grants

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Notes to the Financial Statements

Figures in thousand Malawi Kwacha

2023

2022

9. Grants (continued)

Grant income utilised

CDC - FCI project	15,191	1,903,095
MHR project	9,770	-
AMREF - VAN	330,928	22,103
NAC HRH	202,099	117,010
Medic Mw	-	2,724
GIZ	25,240	1,332
ACHAP	5,020	742
UNAIDS	-	4,124
TOME	258,480	63,510
FHI 360 Empower	345,275	311,922
SANOFI	115,276	-
AMR	63,412	-
MOH COVID 19 project	359	208
SMARTHEALTH	-	6,228
CDC Preservice project	1,056,864	946,882
CHAZFP	-	9,479
CCIH / SCOPE	116	114,958
GOM / MOH	35,715,379	30,815,091
SRH / EU	-	300
SLA	-	227,330
EPN	954	675
SLA	-	3,179,241
CDC HRH project	463	1,909,022
	38,144,826	39,635,976

Project funds are funds for donor projects which are being administered by the Association. This represented funds in the relevant bank accounts. Any payments from these accounts are charged to the project accounts and are passed through the CHAM statement of comprehensive income when spent. Periodically CHAM produces separate reports for the donors as accountability for funds spent. Project income is accounted for when actually spent.

10. Other income

Other grant income	121,051	101,579
Capital grants amortisation	28,426	39,615
Rental income - office block	21,646	24,127
Rent - residential houses	3,300	3,300
Interest received	15,011	187
	189,434	168,808

11. Drug revolving fund expenses

Benefits	7,894	-
Management expenses	244	-
Medical supplies expenses	88,753	-
Operational costs	2,617	-
Projects - salaries & allowances	2,104	-
Salaries	36,329	-
Training costs	305	-
	138,246	-

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Notes to the Financial Statements

Figures in thousand Malawi Kwacha

2023 2022

12. Cash (used in)/generated from operations

Profit before taxation	16,030	(106,245)
Adjustments for non-cash items:		
Depreciation, amortisation, impairments and reversals of impairments	7,956	21,239
Capital grant amortization	(28,426)	(39,615)
Changes in working capital:		
(Increase) decrease in inventories	71,572	(106,147)
(Increase) decrease in trade and other receivables	(20,741)	614,342
(Increase) decrease in project receivables	594,612	(355,807)
Increase (decrease) in trade and other payables	(34,734)	417,898
Increase (decrease) in deferred income	(1,679,909)	193,207
	(1,073,640)	638,872

13. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2023

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	4	526,345	526,345	526,345
Cash and cash equivalents	6	507,644	507,644	507,644
		1,033,989	1,033,989	1,033,989

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	4	505,504	505,504	505,504
Cash and cash equivalents	6	1,581,284	1,581,284	-
		2,086,788	2,086,788	505,504

Categories of financial liabilities

2023

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	7	1,210,019	1,210,019	-

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	7	1,236,761	1,236,761	-

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Notes to the Financial Statements

Figures in thousand Malawi Kwacha

2023

2022

13. Financial instruments and risk management (continued)

Financial risk management

Overview

The association is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Credit risk

Credit risk is the risk of financial loss to the association if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The association's exposure is continuously monitored and is spread over many approved counter parties.

The association's principal financial assets are bank balances and receivables. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses; represents the association's maximum exposure to credit risk.

Credit risk exposure arising on cash and cash equivalents is managed by the association through dealing with well-established financial institutions with high credit ratings.

A provision for doubtful receivables is made when there is an identified loss event which based on previous experience, indicates a reduction in the recoverability of future cash flows.

Liquidity risk

The association is exposed to liquidity risk, which is the risk that the association will encounter difficulties in meeting its obligations as they become due.

Ultimate responsibility of liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the association's short, medium and long term funding and liquidity requirements. The association manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows on a daily, weekly and monthly basis and matching the maturity profiles of financial assets and liabilities.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cashflow statements, cash and cash equivalents consist of cash in hand and deposits in banks, net of outstanding bank overdrafts, investments with short term maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

Credit risk

CHAM has a credit policy in place and the exposure of credit risk is monitored on an ongoing basis.

Provisions for loans and advances

Loans and advances are stated in the financial statement after the deduction of provision for doubtful debts. The provision is based upon management assessment of the loan portfolio which involves specific evaluation of loan advances taking into account economic conditions and changes in the nature and level of risk exposure.

Advance are written-off once the probability of recovery becomes remote.

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Notes to the Financial Statements

Figures in thousand Malawi Kwacha

2023 2022

13. Financial instruments and risk management (continued)

Foreign currency risk

The association undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters and the association endeavours to settle its foreign liabilities as soon as possible so as to minimise exposure to changing exchange rates.

Exchange rates

The average of the year-end buying and selling rates of the major foreign currencies affecting the performance of the association are stated below:

Malawi Kwacha per unit of foreign currency:

Kwacha / GBP	2,212.415	1,290.020
Kwacha / Euro	1,918.177	1,125.150
Kwacha / US Dollar	1,683.366	1,028.480
Kwacha / Rand	93.540	60.390

Interest rate risk

The association is exposed to interest risk as it borrows at floating interest rates. The absence of appropriate instruments in the economy makes it impossible to hedge against interest rate risks.

The association's interest rate risk arises on interest-bearing bank overdrafts.

14. Commitments

The association had no capital commitments as at 31 December 2023.

15. Contingencies

There were no contingent liabilities as at 31 December 2023.

16. Related parties

Relationships

The association's activities are mainly to assist member units. Members pay annual membership fees to the CHAM Secretariat.

CHAM coordinates donor funded projects which also involve supply of services and other facilities on which administration fees are charged. The values of the transactions reflected as income are as follows:

Related party transactions

Membership fees	313,382	313,382
Administration fees	175,454	75,842

17. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

18. Events after the reporting period

Subsequent to the statement of financial position date no events have occurred necessitating adjustments to or disclosures in the financial statements.

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Supplementary Information

EXPENDITURE

Leadership and Good Governance

	2023 MK'000	2022 MK'000
7000-7035 Board meetings - Secretariat	18,837	387
7000-7036 Board subcommittees	5,980	-
7000-7050 Conduct annual general meeting	3,964	-
7000-7080 Management expenses	684	18,127
7000-7085 Welfare expenses	106	-
7000-7095 Staff development costs	2,800	-
8000-8000 Operational costs	-	90
	32,371	18,604

Health Financing and Recovery and Sustainability

8000-8005 Local travel expenses	420	-
8000-8070 Consumables	390	-
6000-6020 Drugs pharmaceutical supplies	-	50,276
7000-7000 Management expenses	-	3,080
7700-7700 Travel costs	-	1,196
8000-8000 Operational costs	-	167
	810	54,719

Health Service Delivery and Coordination

7000-7060 Attend conferences	903	-
8000-8005 Local travel expenses	6	-
7800-7820 Outreach clinics	150	-
8000-8005 Local travel expenses	95	-
8000-8080 Bank charges	22	-
8600-8620 Maternal ad newborn diagnostics and treatment	(14)	-
7700-7700 Travel costs	-	589
8000-8000 Operational costs	-	74
8200-8200 Projects salaries and allowances	-	380
5600 Purchase of assets costs	-	2,330
7000 Management expenses	-	1,170
7200 Training costs	-	126
8000 Operational costs	-	92
5500 Benefits	-	10,044
5600 Purchase of assets costs	-	1,833
6000 Medical supplies expenses	-	4,022
7000 Management expenses	-	66,507
7200 Training costs	-	3,707
7400 Meetings	-	2,727
7600 Technical activities	-	3,023
7700 Travel costs	-	9,264
8000 Operational costs	-	68,620
8400 IEC material costs	-	2,190
8600 SLA payments to facilities	-	29,428
	1,162	206,126

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Supplementary Information

Human Resources Management and Capacity Building

	2023 MK'000	2022 MK'000
5000-5000 Salaries	289,940	328,581
5500-5500 Benefits	-	60,757
5500-5505 Benefits - pension	33,960	-
5500-5515 Benefits - group life	3,175	-
5500-5545 Benefits - Tevet levy	2,886	-
7700-7745 Supportive supervision	(129)	-
8000-8055 External audit	7,165	-
8000-8060 Residential houses maintenance	3,158	-
8000-8070 Consumables	218	-
8000-8080 Bank charges	752	-
8000-8025 Telex/fax/email/postage and courier charges	2,125	-
8000-8000 Operational costs	-	22,264
5600-5600 Purchase of assets costs	-	4,032
7000-7000 Management expenses	-	11,263
7400-7400 Meetings	-	630
7700-7700 Meetings	-	124
8200-8200 Project salaries and allowances	-	34,460
8400-8400 IEC materials	-	35
	343,250	462,146

Pharmaceutical Services and Drug Revolving Fund

6000-6015 Drug disposal	845	-
6000-6020 Drugs pharmaceutical supplies	1,000	-
	1,845	-

Monitoring, Evaluation, Accountability and Learning

7700-7745 Supportive supervision	9,761	-
7000-7135 Support supervision in health facilities	270	-
7600-7610 Baseline/Mid/End-term assessments	867	-
7600-7640 Report writing	999	-
	11,897	-

Business Development Unit

7000-7015 Affiliation fees	3,908	-
7000-7020 Fundraising costs	7,550	-
	11,458	-

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Supplementary Information

Secretariat Administration Costs

	2023 MK'000	2022 MK'000
5500-5520 Benefits - medical cover	25,919	-
5500-5535 Benefits - fuel	17,756	-
5500-5550 Benefits - fringe benefit tax	9,671	-
5600 Purchase of assets costs	-	384
5600-5610 Office buildings costs	3,173	-
5800-5880 Write-offs	-	1,705
5800-5855 Motor vehicle depreciation	-	13,672
5800-5870 ICT equipment depreciation	4,951	2,046
5800-5865 Movable storage depreciation	1,925	1,925
5800-5860 Intangible assets amortisation	1,000	1,500
5800-5840 Furniture & equipment depreciation	80	2,097
5800-5875 Bad debt provision	(28,929)	15,692
4200-4200 Administration fees - projects	34	-
7000-7005 National health days	90	-
7000-7010 TWGs	267	-
7000-7030 Attend other facility meetings	1,035	-
7000-7035 Board meetings - Secretariat	6,383	-
7000-7036 Board's subcommittee meetings	187	-
7000-7045 Collection of membership fees	90	-
7000-7050 Annual General Meeting (AGM)	3,563	-
7000-7060 Attend conferences	242	-
7000-7065 Regional meetings	14,376	-
7000-7070 Renew of software licenses	325	-
7000-7080 Staff recruitment costs	5,085	-
7000-7085 Staff welfare expenses	11,000	-
7000-7090 Staff professional subscriptions	1,460	-
7000-7095 Staff development costs	7,703	-
7000-7100 Cost of debt recovery	90	-
7000-7115 Advertising	3,940	-
7000-7140 ACHAP meetings and other external travel	622	-
7000-7145 Visiting facilities and proprietors	220	-
7000-7150 Non-current asset valuation	2,784	-
7000-7155 LAN re-organisation	3,562	-
7000-7160 Webhosting and domain	4,837	-
7000-7061 Pay fees for emails	726	-
7000-7162 Pay for antivirus and firewall renewal	1,353	-
7000-7163 Pay for software maintenance - binary systems	1,779	-
7000-7164 Pay fees for website	150	-
7200-7300 Financial /grants management training	566	-
8000-8095 Legal fees	4,700	-
7200-7275 College graduations at training institutions	288	-
7200-7225 Conduct training for health workers	274	-
7200-7230 Human resources training	164	-
7400-7405 Coordination, review and planning meeting	(273)	-
7600-7645 Review of standards	171	-
7600-7655 Conduct QA/QI assessment in all colleges	441	-
0400-0400 Membership	(1,338)	-
8000 Operational costs	-	17,128
8000-8005 Local travel expense	7,855	-
8000-8010 Maintenance of office equipment	693	-
8000-8015 Vehicle service and maintenance	22,933	-
8000-8020 Newspapers	119	-
8000-8025 Tel/fax/postage and courier charges	1,475	-
8000-8030 Project administration costs	10	-
8000-8035 Cleaning services	2,836	-
8000-8040 Landscape services	2,526	-
8000-8045 Stationery supplies	2,101	-
8000-8050 General insurance, all risks, workers, burglary, fire etc	42	-

Christian Health Association of Malawi

Financial Statements for the year ended December 31, 2023

Supplementary Information

8000-8055 External audits	11,381	-
8000-8060 Residential houses maintenance	7,090	-
8000-8065 City rates	1,744	-
8000-8070 Consumables	3,229	-
8000-8075 Car park maintenance	385	-
8000-8080 Bank charges	7,477	-
8000-8090 Local running fuel	1,404	-
8000-8095 Legal fees	13,057	-
8000-8100 Water	2,115	-
8000-8105 Electricity	1,200	-
8000-8110 Security	5,606	-
8000-8115 IT support	1,290	-
8000-8120 Internet subscription	156	-
8000-8125 Airtime / communication	6,845	-
8000-8140 Vehicle hire	941	-
8200-8230 Casual labour	1,895	-
8200-8240 HCW salaries	14,783	-
8400-8412 Conduct distribution exercise of IEC materials (T-shirts, bungles)	1,691	-
	235,321	56,149
Total	638,114	797,744