

**CHRISTIAN HEALTH ASSOCIATION
OF MALAWI**

FINANCIAL STATEMENTS

31 DECEMBER 2022

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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CHRISTIAN HEALTH ASSOCIATION OF MALAWI

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors have pleasure in submitting their report together with the financial statements for the year ended 31 December 2022.

Incorporation and registered office

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 members units.

The registered office of the Association is
Christian Health Association of Malawi
CHAM Building
Opposite Red Cross Area 14
P.O Box 30378
Lilongwe 3

Financial performance

The results and state of affairs of the Association are set out in the accompanying statements of financial position, income and expenditure, changes in funds, and cash flows, significant accounting policies and other explanatory information.

Board of 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 Four (4) 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 secretariate is responsible for the strategic plan implementation and coordination of member units and the stakeholders.

The following Directors served during the year:-

| NAME | BODY REPRESENTING | PERIOD |
|-------------------|-------------------|-----------|
| Rt Rev John Ryan | Chairperson | Full year |
| Mr. Isaac Songea | Member | Full year |
| Mrs Evelyn Itimu | Member | Full year |
| Mrs Mphatso Phiri | Member | Full year |

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Board of Directors

The following Directors served during the year:-

| | | |
|---------------------------------|------------------|-----------|
| Very Rev Emmanuel Makalande | Chairperson | Full year |
| Rev. Fr. Benard Silungwe | Vice Chairperson | Full year |
| Rev. Fr. Dr Alfred Chaima | Member | Full year |
| Rev. Alemekenzeke Kenneth Phiri | Member | Full year |
| Mr. Justus Kishindo | Member | Full year |
| Mr. Patrick Chimutu | Member | Full year |
| Mr. Moses Kasitomu | Member | Full year |
| Mrs. Rose Chamanga | Member | Full year |
| Mr. Moses Yakobe | Member | Full year |
| Dr. Ann Phoya | Member | Full year |
| Mr. Henry Chilingulo | Member | Full year |
| Mr. Duffren Msukwa | MOH Ex officio | Full year |

Bankers


First Capital bank
National Bank of Malawi
Standard Bank
CDH Investment Bank

Attorneys

T.F Partners
Nasasha Building
P.O Box 724
Lilongwe

Independent auditors


The Association's independent auditors, Graham Carr, Chartered Accountants (Malawi), have expressed their willingness to continue in office as independent auditors in respect of the Association's 31 December 2023 financial statements and a resolution proposing their re-appointment will be tabled at the next Annual General Meeting.



CHAIRPERSON

31/05/2024

DATE



DIRECTORS

31/05/2024

DATE

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association as at end of the financial year and of the operating results for the period.

The Directors are also required to ensure the Association keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Trustees Incorporation Act, 1962 and the financial reporting provisions of the relevant financing agreements.

In preparing the financial statements, the Directors accept responsibility on behalf of the Association for the following:


- maintenance of proper accounting records;
- selection of suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- compliance with applicable Accounting Standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- preparation of financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities or falsification of entries in the books of account.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Association and of its operating results.

The financial statements were authorised for issue by the Board of Directors on 31/05/2023 and are signed on their behalf by:


CHAIRPERSON


DIRECTOR

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHRISTIAN HEALTH ASSOCIATION OF MALAWI**

**ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Opinion

We have audited the financial statements of Christian health Association in Malawi, which comprise the statement of income and expenditure, statement of financial position, statement of changes in funds and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Christian Heath Association in Malawi as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting provisions of the relevant financing agreements and the requirements of the Trustees Incorporation Act 1962.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty in relation to going concern

We draw your attention to Note 23 in the financial statements, which indicates that the Association has made an overall deficit of K106million (2021: deficit of K7.4 million) and net current liabilities of M225.6million (2021: net current liabilities of MK55.6 Million). The ability of the Association to continue as a going concern is dependent on continued support from its donors and the Malawi Government. Our opinion is not modified in respect of this matter.

Other matters - limitation of distribution and use

The Association's financial statements have been prepared for the responsible party to meet the user's requirements. As a result, the Association's financial statements may not be suitable for other purposes.

Our report has been prepared solely for the use of the responsible party and the user and should not be distributed to or used by any other parties.

We have modified our opinion in respect of this matter.

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Audit . Tax . Advisory

Partners: Cornwell Banda, Dorothy Ngwira Mrs, Martha Nyirongo Mrs

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHRISTIAN HEALTH ASSOCIATION OF MALAWI

ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Responsibilities of Directors and those charged with governance for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) 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 Association'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 Association or cease operations, or have no realistic alternative but to do so.

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

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Association.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHRISTIAN HEALTH ASSOCIATION OF MALAWI**

**ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Auditor's responsibilities for the audit of the financial statements (Continued)

- Conclude on the appropriateness of the Association's 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 Association'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 Association 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 a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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. We also provide the Association with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Graham Carr
Chartered Accountants (Malawi)
Cornwell Banda

Date: 3rd June 2024

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Audit . Tax . Advisory

Partners: Cornwell Banda, Dorothy Ngwira Mrs, Martha Nyirongo Mrs

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | 2022 MK'000 | 2021 MK'000 |
|---|----------|---------------------|---------------------|
| INCOME | | | |
| Grant income utilised | 4 | 39,635,976 | 35,721,348 |
| Membership fees | | 313,382 | 370,798 |
| Drug sales | | 133,468 | 8,286 |
| Administration fees (projects) | | 75,842 | 30,594 |
| Other income | 3 | 168,807 | 170,641 |
| Total income | | 40,327,475 | 36,301,667 |
| EXPENDITURE | | | |
| Operating expenses | Appendix | (797,744) | (587,736) |
| Project expenses | 4 | (39,635,976) | (35,721,348) |
| Total expenses | | (40,433,720) | (36,309,084) |
| (Deficit) for the year | | (106,245) | (7,417) |
| Other comprehensive income | | | |
| Capital grants amortisation | 14 | (39,615) | (45,062) |
| Total other comprehensive income | | (39,615) | (45,062) |
| Total comprehensive (deficit) for the year | | (145,860) | (52,479) |

*The notes on pages 11 to 29 form part of these financial statements
Independent audit report - pages 4 to 6*

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

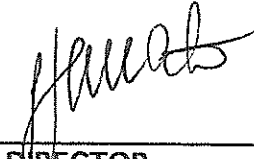
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

| | Note | 2022 MK'000 | 2021 MK'000 |
|---------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant & equipment | 5 | 2,728,057 | 2,262,887 |
| Investment Properties | 6 | 120,500 | 96,446 |
| Total non current assets | | 2,848,557 | 2,359,333 |
| Current assets | | | |
| Inventories | 7 | 115,796 | 9,649 |
| Trade & Other receivables | 8 | 505,554 | 1,119,896 |
| Project receivables | 4 | 594,612 | 238,803 |
| Cash and cash equivalents | 9 | 1,581,284 | 942,412 |
| Total current assets | | 2,797,247 | 2,310,760 |
| Total assets | | 5,645,804 | 4,670,093 |
| RESERVES AND LIABILITIES | | | |
| Reserves | | | |
| General Fund-Secretariat | 10 | 51,439 | 51,439 |
| General Fund-Programmes | 11 | 4,252 | 4,252 |
| Capital Reserves | 12 | 4,525 | 4,525 |
| Revaluation Reserves | 13 | 2,782,971 | 2,272,505 |
| Capital Grants | 14 | 55,477 | 95,091 |
| Accumulated deficit | 15 | (275,717) | (169,472) |
| Total reserves | | 2,622,947 | 2,258,341 |
| Non current liabilities | | | |
| Employee Benefit | 16 | - | 45,385 |
| Total non current liabilities | | - | 45,385 |
| Current Liabilities | | | |
| Payables | 17 | 1,265,841 | 802,559 |
| Deferred Grant Income | 4 | 1,757,016 | 1,563,809 |
| Total current liabilities | | 3,022,857 | 2,366,368 |
| Total reserves and liabilities | | 5,645,804 | 4,670,093 |

The financial statements were authorised for issue by the Board of Directors on 31/05/2024 and are signed on their behalf by:


CHAIRPERSON


DIRECTOR

The notes on pages 11 to 29 form part of these financial statements
Independent audit report - pages 4 to 6

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2022

| | General fund Secretariat MK'000 | General fund programmes MK'000 | Revaluation reserves MK'000 | Capital reserve funds MK'000 | Capital grants MK'000 | Accumulated deficit MK'000 | Total MK'000 |
|--------------------------------|---------------------------------------|---|-----------------------------------|---------------------------------------|-----------------------------|----------------------------------|-----------------|
| Balance at 1 January 2021 | 51,439 | 4,252 | 663,490 | 4,525 | 140,153 | (162,055) | 701,805 |
| Deficit for the year | - | - | - | - | - | (7,417) | (7,417) |
| Amortisation of Capital Grants | - | - | - | - | (45,062) | - | (45,062) |
| Revaluation Surplus | - | - | 1,609,015 | - | - | - | 1,609,015 |
| As at 1 January 2022 | 51,439 | 4,252 | 2,272,505 | 4,525 | 95,091 | (169,472) | 2,258,341 |
| Deficit for the year | - | - | - | - | - | (106,245) | (106,245) |
| Amortisation of Capital Grants | - | - | - | - | (39,615) | - | (39,615) |
| Revaluation Surplus | - | - | 510,466 | - | - | - | 510,466 |
| As at 31 December 2022 | 51,439 | 4,252 | 2,782,971 | 4,525 | 55,476 | (275,717) | 2,622,947 |

The notes on pages 11 to 29 form part of these financial statements
Independent audit report - pages 4 to 6

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | 2022 MK'000 | 2021 MK'000 |
|--|-------------------------|------------------------|
| Cash inflow from operating activities | | |
| (Deficit) for the year | (106,245) | (7,417) |
| Depreciation charge | 21,239 | 45,431 |
| Capital grant amortisation | (39,615) | (45,062) |
| | <u>(124,620)</u> | <u>(7,048)</u> |
| Movements in working capital | | |
| (Increase) in inventories | (106,147) | (7,657) |
| Decrease/(increase) other receivables | 614,342 | (623,260) |
| (Increase) in project receivables | (355,807) | (148,464) |
| Increase in other payables and employee benefits | 417,897 | 161,791 |
| | <u>445,664</u> | <u>(624,638)</u> |
| Cashflows from investing activities | | |
| Purchase of property, plant and equipment | - | (10,411) |
| | <u>-</u> | <u>(10,411)</u> |
| Net cash (utilised in) investing activities | <u>-</u> | <u>(10,411)</u> |
| Cash flows from financing activities | | |
| Increase in deferred income | 193,207 | 1,092,545 |
| | <u>193,207</u> | <u>1,092,545</u> |
| Net cash inflow from financing activities | <u>193,207</u> | <u>1,092,545</u> |
| Increase in cash & cash equivalents | <u>638,871</u> | <u>457,496</u> |
| Cash and cash equivalents at the beginning of the financial year | 942,412 | 484,916 |
| | <u>1,581,283</u> | <u>942,412</u> |
| Cash and cash equivalents at the end of the financial year (Note 9) | <u><u>1,581,283</u></u> | <u><u>942,412</u></u> |

*The notes on pages 11 to 29 form part of these financial statements
Independent audit report - pages 4 to 6*

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 REPORTING ENTITY

The 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 Directors which is responsible for the provision of policy oversight and direction in the implementation of CHAM strategic plan. CHAM secretariate 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, Fredkorpset 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.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with the financial reporting provisions of the relevant financing agreements.

The financial statements have been prepared on the historical cost basis.

2.1 Property, plant and equipment

(i) Initial recognition

Items of plant, equipment and furniture are stated at cost, net of accumulated depreciation and accumulated impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately including major inspection and overhaul expenditure is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income as an expense when incurred.

SIGNIFICANT ACCOUNTING POLICIES(Continued)

(iii) Depreciation

Depreciation is calculated on the straight line basis at rates that will reduce cost of assets to estimated residual values over the anticipated useful lives of the assets. The estimated useful lives, residual value and depreciation rates are reviewed at each year end with the effect of any changes in estimate accounted for on a prospective basis.

- Office buildings 50 years
- Motor vehicles 4 years
- Furniture & equipment 5 years

The gain or loss arising on the disposal or retirement of an item or property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of comprehensive income.

(iv) Impairment

At each reporting date, the Association reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior year. A reversal of an impairment loss is recognised as income immediately.

2.2 Inventories

Inventories are valued at the lower cost and net realisable value on first in first out basis and relates to goods purchased but not used as at period end.

2.3 Pensions and other post-employment benefits and termination benefits

Retirement benefits are provided for the Association employees through independently administered 'defined contribution funds. Contributions to the defined contribution funds are charged to profit or loss as they fall due. Once the Association makes a contribution, there are no further obligations.

All other termination benefits are recognised as an expense immediately when the Association is committed to termination of employment of an employee.

SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements are measured using Malawi Kwacha, as functional currency of the primary economic environment in which the Association operates. The financial statements are presented in Malawi Kwacha, which is the Association's functional and presentation currency.

(b) Transactions and balances

Transactions in currencies other than Malawi Kwacha are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the reporting date. Profits or losses arising on retranslation are dealt with in the statement of comprehensive income.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2.5 Income

Grant income

Grants income is recognised initially as deferred income when there is reasonable assurance that it will comply with the 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.

2.6 Investment property

Investment property is property held either to earn rental income, or for capital appreciation or for both but not for sale in ordinary course of business. Use in the production and supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.7 Drug revolving fund

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

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

2.8 Taxation

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences arising from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2.9 Provision

A provision is recognised when the Association has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation

2.10 Receivables

Receivables are measured at amortised cost.

2.11 Financial instruments

2.11.1 Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.12 Financial liabilities and equity instruments

2.12.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2.12.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2.12.3 Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'.

2.12.4 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- It is a part of an identified portfolio of financial instruments that the Association manages together and has a recent.
 - (i) Actual pattern of short-term profit-taking; or
 - (ii) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Association's documented risk management or investment strategy and information about the grouping is provided internally on that basis;
- it forms part of a contract containing one or more embedded derivatives and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.12.5 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method (see 3.11.2 with interest expense recognised on an effective yield basis.

2.12.6 Financial risk management objectives

The Association has exposure to the following risks from its transactions in financial instruments:-

- Capital risk
- Foreign currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

This note represents information about the Association's exposure to each of the above risks, the Association's objectives, policies and processes for identification, measurement, monitoring and controlling risk and the Association's management of capital.

(a) Capital risk management

The entity manages its capital to ensure that it will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Association consists of mainly equity attributable to its equity holders, comprising capital fund, revaluation reserve and general fund as disclosed in the statement of changes in equity.

(b) Foreign currency risk management

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.

(c) Interest rate risk management

The Association is exposed to interest rate 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

SIGNIFICANT ACCOUNTING POLICIES(Continued)

(d) Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations, resulting in financial loss to the Association. The Association's exposure is continuously monitored and is spread over many approved counter parties.

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

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. The credit risks on bank balances are limited because the counter parties are banks with high credit ratings in Malawi.

(e) Liquidity risk management

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 banks 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 on going basis. Credit evaluations are performed on all customers requiring loans.

Provisions for loans and advances

Loans and advances are stated in the statement of 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 of once the probability of recovery becomes remote.

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

SIGNIFICANT ACCOUNTING POLICIES(Continued)

Interest on advances

Interest on advances is accrued to income until such times as reasonable doubt with regard to recovery , thereafter further interest is not included in income.

Employee benefits

The organisation contributes to a defined pension scheme administered by Inde Trust Limited.

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

Interest income

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

Foreign currency

Transactions in foreign currency are converted to Malawi kwacha at the foreign exchange rate ruling at the date of the transaction.

Foreign exchange differences arising on transactions are recognised in the profit and loss.

2.13 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.

2.14 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.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash and call deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2.17 Critical accounting judgments and key sources of estimation and uncertainty

(a) Critical judgements in applying the Associations accounting policies

No critical judgements were made by the Board of Trustees during the current year which would have a material impact on the financial statements.

(b) Key sources of estimation and uncertainty

The key assumption concerning the future, and the key sources of estimation and uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) 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.

(ii) Valuation of properties

The Board of Trustees have reviewed the remaining useful lives and the residual values used 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.

| | 2022 MK'000 | 2021 MK'000 |
|-----------------------------|----------------|----------------|
| 3 OTHER INCOME | | |
| Other grant income | 101,579 | 17,224 |
| Capital Grants Amortisation | 39,615 | 45,062 |
| Sundry income | - | 84,837 |
| Rental income-office block | 24,127 | 16,189 |
| Rent - residential houses | 3,300 | 5,600 |
| Interest received | 187 | 1,729 |
| | <u>168,807</u> | <u>170,641</u> |

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4 GRANT INCOME UTILISED/ DEFERRED INCOME

| | Opening balance MK'000 | Receipts MK'000 | Adjustments/ Refunds MK'000 | Grant income utilised MK'000 | Deferred income MK'000 | Project receivable MK'000 |
|------------------------|------------------------------|--------------------|-----------------------------------|------------------------------------|------------------------------|---------------------------------|
| CDC | 1,454,533 | 793,753 | 91,418 | 1,903,095 | 436,609 | - |
| AMREF - VAN | - | 189,117 | 6 | 22,103 | 167,020 | - |
| NAC HRH | (8,521) | 125,531 | - | 117,010 | - | - |
| Medic Mw | - | 4,471 | 126 | 2,724 | 1,874 | - |
| GIZ/DIFAEM | - | - | - | 1,332 | - | (1,332) |
| ACHAP | 17,075 | 10,190 | 109 | 743 | 26,631 | - |
| UNAIDS Current Account | 4,200 | - | - | 4,124 | 76 | - |
| Malaria - TOME | - | 57,086 | 2 | 63,510 | - | (6,422) |
| FHI360 Current Account | 54,982 | 321,776 | - | 311,922 | 64,837 | - |
| COVID | 20,541 | - | - | 208 | 20,333 | - |
| SMARTHEALTH | 1,568 | - | - | 6,228 | - | (4,660) |
| CDC Preservice | (2,253) | 1,278,360 | (12,056) | 946,882 | 317,168 | - |
| CHAZ FP | 18,214 | 8,027 | 341 | 9,479 | 17,103 | - |
| CCIH/SCOPE | 334 | 115,666 | (20,595) | 114,958 | - | (19,553) |
| GOM/MOH | (87,914) | 30,496,863 | 3,711 | 30,815,091 | - | (402,432) |
| SRH/EU | 3,392 | - | - | 300 | 3,092 | - |
| SLA | (52,035) | 120,390 | 2,056 | 227,330 | - | (156,920) |
| EPN | - | 960 | (699) | 675 | - | (414) |
| GIZ | 1,271 | - | - | - | 1,271 | - |
| NCA-2016 | (2,880) | - | - | - | - | (2,880) |
| SLA | 33,979 | 3,360,451 | - | 3,179,241 | 215,189 | - |
| CDC HRH | (362,916) | 2,611,644 | 103,986 | 1,909,022 | 443,693 | - |
| CHEMONICS | 42,081 | - | 38 | - | 42,118 | - |
| | <u>1,135,651</u> | <u>39,494,286</u> | <u>168,444</u> | <u>39,635,976</u> | <u>1,757,016</u> | <u>(594,612)</u> |

Project funds are funds for donor funded projects which are being administered by the Association. This is represented by 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.

CHRISTIAN HEALTH ASSOCIATION OF MALAWI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5 PROPERTY, PLANT & EQUIPMENT

| | Land MK*000 | Buildings MK*000 | Owner occupied houses MK*000 | Motor Vehicle: MK*000 | Furniture & Fittings MK*000 | Computer/IT Equipment MK*000 | Intangible Assets MK*000 | Work in Progress MK*000 | Total MK*000 |
|------------------------|----------------|---------------------|---------------------------------------|--------------------------|-----------------------------------|------------------------------------|--------------------------------|-------------------------------|-----------------|
| Cost | | | | | | | | | |
| As at 1 January 2021 | 129,500 | 328,379 | 172,418 | 263,777 | 33,412 | 94,328 | 30,602 | 23,428 | 1,075,844 |
| Additions | - | - | - | - | - | - | - | 10,411 | 10,411 |
| Revaluation | 880,000 | 593,330 | 110,963 | - | - | - | - | - | 1,584,293 |
| As at 1 January 2022 | 1,009,500 | 921,709 | 283,381 | 263,777 | 33,412 | 94,328 | 30,602 | 33,839 | 2,670,548 |
| Additions | - | - | - | - | - | - | - | - | - |
| Revaluation | 189,000 | 178,291 | 119,119 | - | - | - | - | - | 486,409 |
| As at 31 December 2022 | 1,198,500 | 1,100,000 | 402,500 | 263,777 | 33,412 | 94,328 | 30,602 | 33,839 | 3,156,957 |
| Depreciation | | | | | | | | | |
| As at 01 January 2021 | - | 25,969 | 13,793 | 216,585 | 28,524 | 50,757 | 26,602 | - | 362,230 |
| Charge for the year | - | - | - | 33,521 | 2,711 | 7,699 | 1,500 | - | 45,431 |
| As at 01 December 2021 | - | 25,969 | 13,793 | 250,106 | 31,235 | 58,456 | 28,102 | - | 407,661 |
| As at 01 January 2022 | - | 25,969 | 13,793 | 250,106 | 31,235 | 58,456 | 28,102 | - | 407,661 |
| Charge for the year | - | - | - | 13,671 | 2,097 | 3,971 | 1,500 | - | 21,239 |
| As at 31 December 2022 | - | 25,969 | 13,793 | 263,777 | 33,332 | 62,427 | 29,602 | - | 428,900 |
| Carrying amount | | | | | | | | | |
| As at 31 December 2022 | 1,198,500 | 1,074,031 | 388,707 | - | 80 | 31,900 | 1,000 | 33,839 | 2,728,057 |
| As at 31 December 2021 | 1,009,500 | 895,740 | 269,588 | 13,671 | 2,177 | 35,872 | 2,500 | 33,839 | 2,262,887 |

The fair value measurements of the secretariat's leasehold and buildings as at 31 December 2022 were based on revaluation done on 14th December 2022 by T.G. Msonda and Associates, who are Chartered Property Valuers, based in Lilongwe. The basis of valuation used was open market value. The Association's valuation policy is to revalue property every year. The Association's land and buildings are stated at fair value amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses. The resultant surpluses were taken to other comprehensive income and allocated to property valuation reserve in the statement of changes in funds.

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 MK'000 | 2021 MK'000 |
|--|----------------|------------------|
| 6 INVESTMENT PROPERTY | | |
| Residential House | 96,446 | 69,000 |
| Revaluation surplus | 24,054 | 27,446 |
| | <u>120,500</u> | <u>96,446</u> |
| The investment property relates to a residential house from which CHAM gets rentals. | | |
| 7 INVENTORIES | | |
| Drugs | <u>115,796</u> | <u>9,649</u> |
| 8 TRADE AND OTHER RECEIVABLES | | |
| Membership fees | 351,181 | 374,989 |
| Provision for doubtful debts | (84,049) | (68,357) |
| | <u>267,132</u> | <u>306,632</u> |
| Other debtors | 179,610 | 88,079 |
| Salary in advance | 50 | 9,378 |
| Subgrant balances | 1,434 | 527,725 |
| Pension Board Expenses | 1,115 | 4,047 |
| Unliquidated Cash advances | 56,213 | 182,666 |
| Prepayments | - | 1,369 |
| | <u>505,554</u> | <u>1,119,896</u> |

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

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 MK'000 | 2021 MK'000 |
|------------------------------------|----------------|----------------|
| 11 GENERAL FUND -PROGRAMMES | | |
| Balance brought forward | 4,252 | 4,252 |
| Balance carried forward | 4,252 | 4,252 |
| 12 CAPITAL RESERVES | | |
| Balance brought forward | 4,525 | 4,525 |
| Balance carried forward | 4,525 | 4,525 |
| 13 REVALUATION RESERVE | | |
| Balance brought forward | 2,272,505 | 663,490 |
| Arising during the year | 510,466 | 1,609,015 |
| Balance carried forward | 2,782,971 | 2,272,505 |

This represents the surplus on revaluation of property, plant and equipment as detailed in note 5. The reserve is non-distributable and amortisation is reflected on a yearly basis to take into account the use of the related assets.

14 CAPITAL GRANTS

| | Buildings | Motor Vehicles | Office Equipment | Total |
|------------------------|-----------|-------------------|---------------------|---------|
| COST | | | | |
| As at 01 Jan. 2022 | 10,091 | 250,541 | 70,251 | 330,883 |
| Additions | - | - | - | - |
| As at 31 Dec. 2022 | 10,091 | 250,541 | 70,251 | 330,883 |
| Depreciation | | | | |
| As at 01 Jan. 2022 | 6,434 | 163,499 | 65,859 | 235,792 |
| Charge for the year | 1,514 | 35,973 | 2,128 | 39,615 |
| As at 31 Dec. 2022 | 7,948 | 199,472 | 67,987 | 275,407 |
| Carrying amount | | | | |
| As at 31 Dec. 2022 | 2,144 | 51,069 | 2,264 | 55,477 |
| As at 31 Dec. 2021 | 3,657 | 87,042 | 4,392 | 95,091 |

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 MK'000 | 2021 MK'000 |
|---|-------------------------|-----------------------|
| 9 CASH AND CASH EQUIVALENTS | | |
| Fixed deposit | 31,248 | 27,537 |
| Dollar account(CDC) | 3,161 | 1,545 |
| CDC HIV Current account | 10,639 | 202,864 |
| Cham units current account | 216,562 | 228,353 |
| Dollar Account National Bank | 38,112 | 31,041 |
| Core Bank Account-Standard Bank | 48,418 | 12,727 |
| SLA Unit | 63 | 163,566 |
| MOH COVID | 20,333 | 20,541 |
| CHAM Salaries-Standard Bank | 10,790 | 17,327 |
| CHAM Core National Bank | 35,208 | 2,830 |
| Residential Property Standard Bank | 44,153 | 36,656 |
| CHAM SLA F irst Capital | - | 613 |
| DRF-Standard Bank | 6,275 | 4,714 |
| CHAM Gratuity Standard Bank | 4,727 | 4,960 |
| CHAM Euro account | 11,312 | 9,781 |
| UNAIDS Current Account | - | 23 |
| CDC HRH | 558,867 | 31,853 |
| FH360 | 29,535 | 49,633 |
| CDC Preservice | 331,906 | 66,153 |
| CCIH SCOPE | 321 | 16,163 |
| CHAM Pensions | 11,558 | 13,332 |
| AMREF Rcockefeller Va | 167,335 | - |
| CHAM DAPP | 563 | - |
| | <u>1,581,084</u> | <u>942,212</u> |
| Petty cash | 200 | 200 |
| Total cash and cash equivalents as presented in the statement of cashflows | <u><u>1,581,284</u></u> | <u><u>942,412</u></u> |
| 10 GENERAL FUND -SECRETARIATE | | |
| Balance brought forward | 51,439 | 51,439 |
| Balance carried forward | <u><u>51,439</u></u> | <u><u>51,439</u></u> |

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 MK'000 | 2021 MK'000 |
|-------------------------------|----------------|----------------|
| 15 ACCUMULATED DEFICIT | | |
| Balance brought forward | (169,472) | (162,055) |
| (Deficit) for the year | (106,245) | (7,417) |
| Balance carried forward | (275,717) | (169,472) |
| 16 EMPLOYEE BENEFIT | | |
| Severance pay | | |
| Balance brought forward | 22,782 | 22,782 |
| Payments during the year | (22,782) | - |
| Balance as at 31/12/2022 | - | 22,782 |
| Gratuity | - | 22,603 |
| Total as at 31/12/2022 | - | 45,385 |

Severance pay

In terms of the Employment Act, severance allowance is payable to employees on termination of employment by mutual agreement, death, retirement, voluntary retirement, retrenchment or redundancy.

Provision for severance allowance was made as at 31 December 2018 for staff that had been laid off in 2011 whose severance pay was not paid. In line with the Pensions Act, 2010 and the amended Employment Act of 2010, the amount provided for shall be remitted to a pension fund administrator to be transferred into pension not later than eight years from the effective date of the Pension Act. The Association is yet to remit all the outstanding amounts.

17 PAYABLES

| | | |
|--------------------------------|-----------|---------|
| Malawi Revenue Authority taxes | 123,366 | 46,100 |
| Units Salary refunds | 984,916 | 668,898 |
| Creditors | 19,111 | 1,329 |
| Other payables and accruals | 104,952 | 50,123 |
| Prepaid income | 29,078 | 29,021 |
| CHAM Sacco | - | 2,671 |
| LifeNet salaries | 4,417 | 4,417 |
| | 1,265,841 | 802,559 |

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

18 RELATED PARTIES

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

CHAM also 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:

| | 2022 MK'000 | 2021 MK'000 |
|---------------------|----------------|----------------|
| Membership fees | 313,382 | 370,798 |
| Administration fees | 75,842 | 30,594 |
| | <u>389,224</u> | <u>401,392</u> |

Total funds received and transferred to or on behalf of projects were K39.5billion (2021: K36.5 billion) represented by total project grants note 4 and the figures include CHAM units salary grants.

19 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2022.

20 CAPITAL COMMITMENTS

The Association had no capital commitments as at 31 December 2022.

21 SUBSEQUENT EVENTS

There were no significant subsequent events which needed disclosure or adjusting the financial statements.

22 SIGNIFICANT ACCOUNTING JUDGEMENTS

In the process of applying the Association's accounting policies, there were no critical judgements and estimates made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

23 MATTER OF UNCERTAINTY RELATING TO GOING CONCERN

The Association had made a deficit of MK151 million (2021: deficit of MK7.4 million) and has net current liabilities of K270.3 million (2021: net current liabilities of K55.6 million). The going concern of the Association is dependent on the support from the donors and the Government of Malawi.

The Association is expected to continue being in business and has already operated for two years after the year end with support from donors and the Government of Malawi.

24 EXCHANGE RATES AND INFLATION

The average of the year-end buying and selling rates of the major foreign currencies affecting the performance of the Association are stated below, together with the increase in the National Consumer Price Index, which represent an official measure of inflation.

| | 2022 MK | 2021 MK |
|------------------|------------|------------|
| Kwacha/ GBP | 1,290.02 | 1,189.34 |
| Kwacha/Euro | 1,125.15 | 997.58 |
| Kwacha/US Dollar | 1,028.48 | 816.91 |
| Kwacha/Rand | 60.39 | 61.04 |
| Inflation rate | 25.4% | 11.5% |

At the time of signing the financial statements
the exchange rates were as follows:-

| | | |
|------------------|----------|----------|
| Kwacha/ GBP | 2,287.85 | 2,181.34 |
| Kwacha/Euro | 1,947.82 | 1,867.69 |
| Kwacha/US Dollar | 1,733.83 | 1,683.33 |
| Kwacha/Rand | 96.27 | 91.18 |

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

ADDITIONAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

*The following pages do not form
part of the financial statements*

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

INCOME AND EXPENDITURE SUMMARY REPORT
FOR THE YEAR ENDING 31 DECEMBER 2022

| | | Appendix | |
|--|---|----------------|----------------|
| | | 2022 MK'000 | 2021 MK'000 |
| EXPENDITURE | | | |
| Good Governance | | | |
| 7000-7035 | Board meetings - Secretariat | 387 | 19,956 |
| 7000-7036 | Board Subcommittees meetings | - | 2,368 |
| 7000-7050 | Conduct Annual General Meeting | - | 1,241 |
| 7000-7000 | Management Expenses | 18,127 | - |
| 8000-8000 | Operational Costs | 90 | - |
| | Sub Total | 18,604 | 23,565 |
| Financial Recovery and Sustainability | | | |
| 6000-6010 | VVMC Supplies | - | 396 |
| 6000-6020 | Drugs pharmaceutical supplies | 50,276 | 500 |
| 6000-6030 | Cost of Sales | - | 3,740 |
| 7000-7045 | Collect membership fees | - | 491 |
| 7000-7020 | Fundraising Costs | - | 500 |
| 8000-8055 | External Audits | - | 4,182 |
| 7700-7720 | Internal Audit | - | 3,203 |
| 7000-7120 | Reserved | - | 1,435 |
| 7000-7000 | Management Expenses | 3,080 | - |
| 7700-7700 | Travel Costs | 1,196 | - |
| 8000-8000 | Operational Costs | 167 | - |
| | Sub Total | 54,719 | 14,447 |
| Networking and Advocacy | | | |
| 7000-7060 | Attend conferences | - | 13,547 |
| 7000-7125 | Commemoration of Activities | - | 1,552 |
| 7000-7130 | Conduct Secretariat quarterly review meetings | - | 186 |
| 7000-7135 | Support Supervision in health Facilities | - | 2,623 |
| 7000-7145 | Visiting Facilities and properties | - | 2,302 |
| 7000-7140 | ACHAP Meetings and other external travel | - | 82 |
| 7000-7065 | Conduct Regional meetings | - | 3,681 |
| 7700-7700 | Travel Costs | 589 | - |
| 8000-8000 | Operational Costs | 74 | - |
| 8200-8200 | Projects - Salaries & Allowances | 380 | - |
| | Sub Total | 1,042 | 23,973 |

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

INCOME AND EXPENDITURE SUMMARY REPORT
FOR THE YEAR ENDING 31 DECEMBER 2022

| | | Appendix | |
|---|---|----------------|----------------|
| | | 2022 MK'000 | 2021 MK'000 |
| Human Resource Management | | | |
| | Basic Salaries | | |
| 5000-5000 | Salaries | 328,581 | 152,112 |
| | Benefits | | |
| 5500-5505 | Benefits - Pension | - | 16,812 |
| 5500-5510 | Benefits - Gratuity | - | 96,920 |
| 5500-5515 | Benefits - Group life | - | 1,093 |
| 5500-5520 | Benefits - Medical Cover | - | 31,067 |
| 5500-5535 | Benefits - Fuel | - | 8,250 |
| 5500-5545 | Benefits - Tevet | - | 549 |
| 5500-5550 | Benefits - Fringe benefit tax | - | 7,456 |
| 7000-7080 | Recruitments | - | 391 |
| 7000-7085 | Social Welfare | - | 139 |
| 7000-7090 | Staff professional Subscriptions | - | 1,689 |
| 7000-7095 | Staff Development Costs | - | 497 |
| 7000-7105 | Staff relocation costs | - | 956 |
| 7200-7230 | Human resource training | - | 3,172 |
| 5500-5500 | Benefits | 52,927 | - |
| 5600-5600 | Purchase of Assets Costs | 4,032 | - |
| 7000-7000 | Management Expenses | 11,263 | - |
| 7400-7400 | Meetings | 630 | - |
| 7700-7700 | Meetings | 124 | - |
| 8000-8000 | Operational Costs | 22,264 | - |
| 8200-8200 | Projects - Salaries & Allowances | 34,460 | - |
| 8400-8400 | IEC Materials Costs | 35 | - |
| | Other Compensation | | |
| 8200-8225 | Allowances for interns | - | 6,584 |
| 8200-8230 | Casual labour | - | 187 |
| 8200-8235 | Units pension | - | 561 |
| | Sub Total | 454,317 | 328,435 |
| Coordination and Technical Support for Health Services | | | |
| 7000-7015 | Affiliation fees | - | 1,663 |
| 7400-7406 | Conduct coordination meetings with partners | - | 143 |
| 7400-7410 | Brief meetings | - | 279 |
| 7800-7805 | Awareness campaign | - | 124 |
| 7800-7807 | Facility based review meetings | - | 1,153 |
| 7800-7820 | Outreach clinics | - | 12 |
| 5600 | Purchase of Assets Costs | 2,330 | - |
| 7000 | Management Expenses | 1,170 | - |
| 7200 | Training Costs | 126 | - |
| 8000 | Operational Costs | 92 | - |

CHRISTIAN HEALTH ASSOCIATION OF MALAWI

INCOME AND EXPENDITURE SUMMARY REPORT FOR THE YEAR ENDING 31 DECEMBER 2022

Appendix

| | | 2022 MK'000 | 2021 MK'000 |
|-----------|--|----------------|----------------|
| | Trainings | | |
| 7200-7210 | Emergency preparedness & response | - | 3,685 |
| 7200-7215 | Conduct facility based orientation | - | 1,513 |
| 7200-7225 | Conduct training for health workers | - | 5,045 |
| 7200-7245 | Biannual HIV Care | - | 104 |
| 7200-7255 | Clinical Officers | - | 1,350 |
| 7200-7265 | Medical Assistants | - | 580 |
| 7200-7275 | College graduations | - | 558 |
| 7200-7285 | Training sessions for HCWs | - | 660 |
| 7200-7305 | Exchange/learning visits | - | 6,526 |
| 7200-7355 | Training project staff in data collections | - | 857 |
| 7200-7362 | Refresher training for YCBDAs | - | 156 |
| | Sub Total | 3,718 | 24,408 |
| | Monitoring, Evaluation and Research | | |
| 7000-7160 | Webhosting and domain | - | 31 |
| 7000-7161 | Pay fees for Emails | - | 4,764 |
| 7000-7162 | Pay for antivirus and firewall renewal | - | 1,079 |
| 7000-7163 | Software maintenance | - | 432 |
| 7000-7164 | Pay Fees for Website | - | 1,500 |
| 7000-7070 | Software licences/ renewals | - | 3,225 |
| 7600-7625 | Sensitisation , documentation of best practice | - | 6,125 |
| 7600-7635 | Report writing | - | 57 |
| 766-7655 | Conduct Q A/Q assessment in all colleges | - | 140 |
| 7600-7660 | Project evaluation | - | 2,838 |
| 7700-7735 | Monitoring & evaluation | - | 4,064 |
| 7700-7745 | Preservice HIV/AIDS | - | 1,183 |
| | Sub Total | - | 25,438 |
| | Secretarial Operation Costs | | |
| | Capital Expenditure | | |
| 5600-5661 | Procure Accounting package | - | 5,999 |
| 5600-5670 | Purchase of computer and IT Equipment | - | 133 |
| 5600-5671 | Purchase of computer accessories | - | 307 |
| 5600 | Purchase of Assets Costs | 384 | - |
| | Depreciation | | |
| 5800-5840 | Furniture & Equipment Depreciation | 2,097 | 2,711 |
| 5800-5855 | Motor Vehicles Depreciation | 13,672 | 33,521 |
| 5800-5860 | Intangible Assets Amortisation | 1,500 | 1,500 |
| 5800-5865 | Movable storage Depreciation | 1,925 | 1,925 |
| 5800-5870 | ICT Equipment Depreciation | 2,046 | 5,774 |
| 5820-5875 | Bad Debt Provision | 15,692 | - |
| 5830-5880 | Write-offs | 1,705 | - |

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|-----------|---|----------------|----------------|
| | | 2022 MK'000 | 2021 MK'000 |
| | Other | | |
| 8000-8005 | Local Travel expenses | - | 4,573 |
| 8000-8010 | Maintenance of Office Equipment | - | 4,453 |
| 8000-8015 | Vehicle Service and Maintenance | - | 2,824 |
| 8000-8020 | Newspapers | - | 54 |
| 8000-8025 | Tel/fax/email/postage and courier charges | - | 2,017 |
| 8000-8030 | Project administration cost | - | 7,727 |
| 8000-8035 | Cleaning Services | - | 2,458 |
| 8000-8040 | Landscape Services | - | 1,381 |
| 8000-8045 | Stationery supplies | - | 4,122 |
| 8000-8060 | Residential houses maintenance | - | 184 |
| 8000-8065 | City rates | - | 1,893 |
| 8000-8070 | Consumables | - | 17,931 |
| 8000-8075 | Car Park maintenance | - | 2,372 |
| 8000-8080 | Bank Charges | - | 5,852 |
| 8000-8090 | Local running fuel | - | 1,640 |
| 8000-8095 | Legal Fees | - | 4,956 |
| 8000-8100 | Water | - | 207 |
| 8000-8105 | Electricity | - | 4,979 |
| 8000-8110 | Security | - | 6,757 |
| 8000-8115 | IT Support | - | 2,392 |
| 8000-8120 | Internet subscription | - | 5,460 |
| 8000-8125 | Airtime/Communication | - | 1,511 |
| 8000-8140 | Vehicle hire | - | 3,160 |
| 7000-7115 | Advertising | - | 3,197 |
| 5500 | Benefits | 7,830 | - |
| 8000 | Operational Costs | 17,126 | - |
| | | 63,977 | 143,970 |

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| | | Appendix | |
|---------------------------|----------------------------|----------------|----------------|
| | | 2022 MK'000 | 2021 MK'000 |
| Health Units Costs | | | |
| 8600- 8630 | Other interventions | - | 3,500 |
| 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 Materials Costs | 2,190 | - |
| 8600 | SLA Payments to Facilities | 29,428 | - |
| | Sub Total | 201,366 | 3,500 |
| Total Expenditure | | 797,744 | 587,736 |