



SACCO
Muganga
D r e a m & a c h i e v e

2022

Annual Report

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In this report

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ORGANIZATIONAL INFORMATION



1. ORGANIZATIONAL INFORMATION

1.1. INTRODUCTION

The 2022 Annual Report covers the period from January 1, 2022, to December 31, 2022, and provides a comprehensive overview of its financial and operational performance during the past year, as well as insights into strategic direction and key initiatives.

During the reporting period, the SACCO faced numerous challenges and opportunities, such as continued economic uncertainty, and evolving members' needs and preferences. Despite these challenges, the SACCO remained committed to its core values of integrity, objectivity, accountability, confidentiality, public interest, mutual respect and team work, effectiveness and efficiency, quality and equality service delivery and worked tirelessly to deliver value to its members and employees.

The report contains information on the SACCO's financial performance, including its balance sheet, income statement, and cash flow statement. It also provides details on the SACCO's business segments, which was largely Retail Banking. Retail Banking remained the SACCO's largest business segment, accounting for more than half of its total revenue. The SACCO continued to focus on providing exceptional member experience by investing in digital capabilities, enhancing product offerings, and expanding its distribution channels.

Additionally, the report highlights the SACCO's achievements over the past year, which include its continued focus on digital transformation, its efforts to improve customer or in the SACCO's case member experience, and its commitment to sustainability. The SACCO made significant progress in its digital transformation journey by launching new digital banking tools, enhancing mobile banking capabilities, and leveraging data analytics to improve customer/member insights.

Overall, the report aims to provide a clear and transparent view of the Muganga SACCO's performance and outlook, and it is expected to be a valuable resource for its members and partners. The SACCO remains confident in its ability to navigate the challenges and opportunities of the future by staying true to its values and principles and focusing on delivering exceptional value to its members, employees, and partners.

1.2. ORGANIZATION PROFILE

History

Muganga SACCO is a Savings and Credit Cooperative for health sector staff in Rwanda. Its primary objective is to improve members' socio-economic conditions and promote access to finance, by assisting them to make savings and access low-rate loans, therefore contributing significantly to their retention. The SACCO was established as a result of the Government of Rwanda's advice to the Ministry of Health to find strategies to motivate and retain healthcare professionals in the public sector, which is one of the constraints hindering the quality of healthcare services in Rwanda.

Muganga SACCO's mandate is not only to serve public health professionals but also to extend its services to the private healthcare industry. In addition to private health professionals and facilities, Muganga SACCO also caters to Community Health Workers (CHWs). This allows Muganga SACCO to provide financial services to a wider range of individuals and corporations involved in the health sector, ensuring that they have access to affordable financial solutions that meet their unique needs. By serving both public and private healthcare sectors, Muganga SACCO demonstrates its commitment to providing financial inclusivity and support to the entire healthcare industry in Rwanda.

Major Landmarks

Major Landmarks of Muganga SACCO

 Date	 Event
● October 2017	➤ Establishment of HSS-MAG (Health Sector Staff Mutual Aid Group) as a tontine.
● October 2021	➤ HSS-MAG General Assembly approved a resolution to shift from a tontine to a SACCO.
● January 2022	➤ Muganga SACCO acquired a legal personality as a Savings and Credit Cooperative from Rwanda Cooperative Agency (RCA).
● July 2022	➤ Muganga SACCO acquired a license to operate as a deposit taking microfinance cooperative from the National Bank of Rwanda.
● December 2022	➤ Muganga SACCO was integrated in Interbank transactions system (RIPPS) by the BNR.

Dream & Achieve



OUR MOTO

Dream & Achieve

WHO WE ARE OUR

VISION

To be the leader in provision of financial products, services and solutions to the health care professional; contributing to their sustainable development and work retention.

MISSION

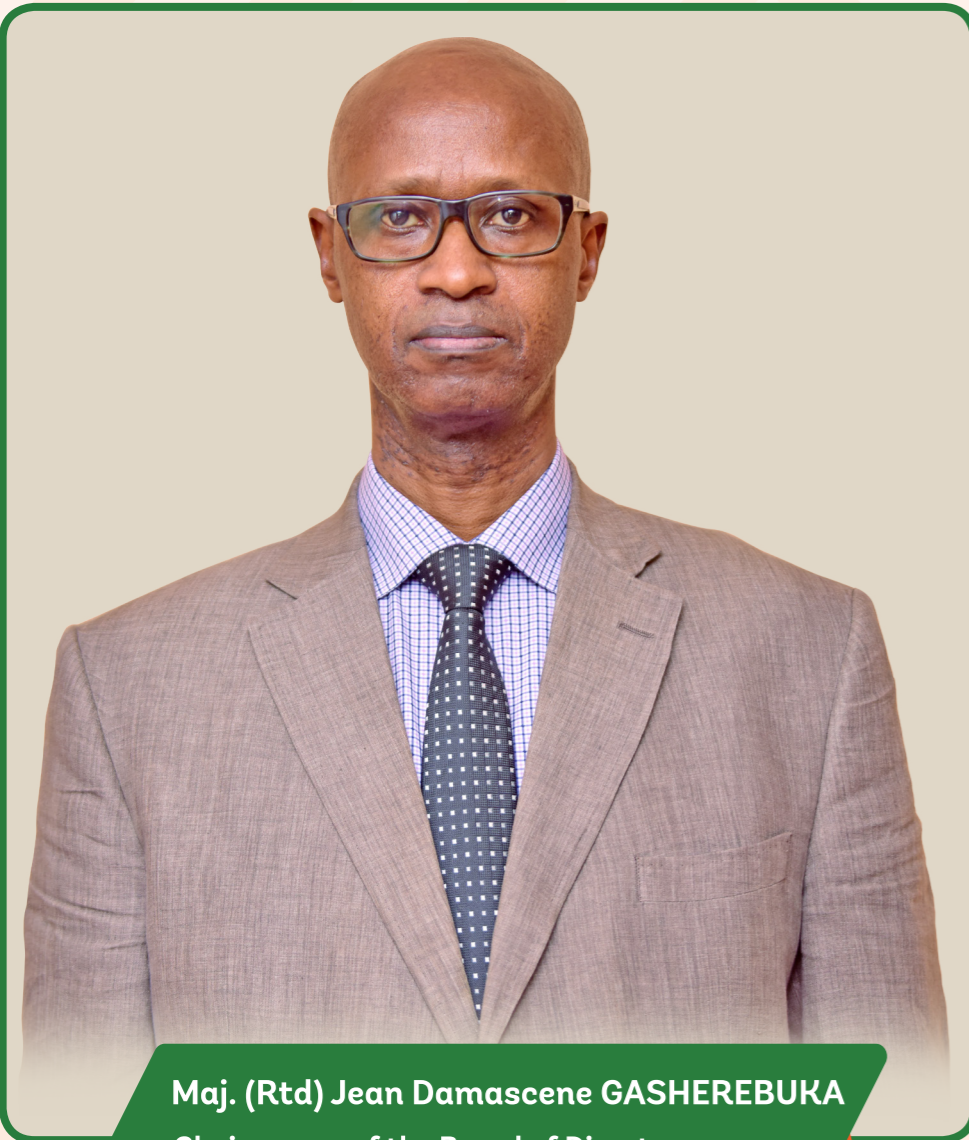
To provide reputable and innovative financial and personal development solutions through excellent services that exceed stakeholder expectations, while caring for our members' needs in an efficient, friendly and professional manner.

CORE VALUES

- Integrity
- Objectivity
- Accountability
- Confidentiality
- Public interest
- Mutual respect and team work
- Accountability
- Effectiveness and efficiency
- Quality and equality service delivery

1.3. CHAIRMAN'S ADDRESS

Introspection on the new era!



Maj. (Rtd) Jean Damascene GASHREBUKA
Chairperson of the Board of Director

It is with great pleasure that I present to you the 2022 Annual Report of Muganga SACCO. As we reflect on the past year, it is important to note that it has been a challenging period for the institution. However, we have been steadfast in our commitment to addressing the issues that have arisen from our past operations as an informal microfinance institution, since our inception as a Mutual Aid Group in 2017.

In 2022, our focus has been on transitioning from an informal institution to a formal one. This involved several key initiatives, including the establishment of a state-of-the-art head office, which we moved into in August 2022. We are grateful to the Ministry of Health for hosting us since 2017. Additionally, we have put in place governing policies that meet the regulatory requirements of the National Bank of Rwanda and the Rwanda Cooperative Agency. We have also invested in reinforcing our digital banking platforms, which our members will use conveniently from their homes. Lastly, we worked on acquiring a license from the National Bank of Rwanda and the Legal Personality from the Rwanda Cooperative Agency.

It is worth noting that all these milestones were achieved amidst the challenges of the pandemic. However, the Government of Rwanda's strong measures to curb the pandemic have enabled us to continue operating, and we are proud to report that our goals for 2022 were achieved on a commendable level. Our SACCO has remained resilient, delivering strong financial results, which is a testament to the dedication and hard work of our employees and management team.

I would like to extend our gratitude to the Board of Directors, who played an instrumental role in guiding Muganga SACCO through the challenging year of 2022. They provided strategic direction and oversight to ensure that the SACCO operated safely and effectively. Regular General Assembly and Board meetings were held, and the management team worked closely with the board to monitor the SACCO's financial performance and risk management strategies.

MEMBERSHIP

As at December 2022, our cooperative recorded a total membership of 9,500 individuals across various health facilities in the country, covering both public and private institutions, and Community Health Workers (CHWs). Our membership comprises of both corporate and individual members, whose contributions are equally crucial to the growth of our Cooperative. Although this figure may seem impressive, considering the number of healthcare professionals in the country, we acknowledge that there is still much work to be done. Consequently, we have set our sights on expanding our membership in the coming years, recognizing that our strength lies in our numbers, and this will help us in accomplishing our mission.

In the beginning as a Mutual Aid Group, we initially limited our membership to public health facilities; however, this is no longer the case. We believe that the entire health sector benefits when professionals work together towards a common goal. Therefore, we have actively welcomed healthcare professionals from private health facilities, and we intend to continue this outreach in 2023. We also recognize the significant role played by Community Health Workers in the health sector, and we have not overlooked their importance. Our goal is to serve as an all-inclusive SACCO that caters to the diverse needs of healthcare professionals and institutions, thus positioning us to achieve our mission effectively.

LEGAL PERSONALITY AND LICENSE

In the annual report for the year 2022, we are pleased to announce that Muganga SACCO has obtained legal personality from the Rwanda Cooperative Agency and a license from the National Bank of Rwanda. This achievement has further strengthened our position in the financial sector and enabled us to provide improved financial services to our members. We would like to extend our gratitude to the Rwanda Cooperative Agency and the National Bank of Rwanda for their support in this process. We are committed to maintaining the highest standards of governance and compliance in all our operations, and this recognition is a testament to our efforts in this regard.

GOVERNANCE

During the year 2022, Muganga SACCO held all of its statutory general assembly meetings, as well as its statutory board meetings, supervisory committee sessions, and credit committee sessions in accordance with our by-laws. Our commitment to adhering to the by-laws demonstrates our strong governance practices and commitment to transparency and accountability. Through these meetings, members were able to participate in important decision-making processes and contribute to the success of the cooperative. We are proud of our governance practices and will continue to uphold our commitment to responsible and ethical management in the future.

FUTURE OUTLOOK

Looking ahead, the Board of Directors is confident in our cooperative's ability to navigate the challenges and opportunities that lie ahead. We are committed to investing in technology and digitalization to enhance the customer experience and improve operational efficiency.

Digitalization is a key priority for our SACCO, and we have already taken significant steps towards digitizing our products and services. We have also invested in cutting-edge technology to improve our risk management capabilities and ensure that we can respond quickly to changing market conditions.

Furthermore, we recognize that effective communication with our members is essential for building strong relationships and enhancing the customer experience. To that end, we will continue to invest in our communication channels to ensure that we are providing timely and relevant information to our members.

CONCLUDING REMARKS

In conclusion, I would like to reiterate my appreciation for the support and trust that the Ministry of Health have placed in our cooperative. I would also like to thank members of the both Supervisory and Credit committees for a well-done work in 2022.

The Board of Directors is committed to providing strategic guidance and oversight to ensure that we continue to deliver strong financial results while operating our business in a responsible and sustainable manner.

We are confident in our ability to navigate the challenges and opportunities ahead, and we look forward to working together with our members, partners, and employees to achieve our strategic objectives and create value for all stakeholders.

Thank you for your continued support.

“

Looking ahead, the Board of Directors is confident in our cooperative's ability to navigate the challenges and opportunities that lie ahead. We are committed to investing in technology and digitalization to enhance the customer experience and improve operational efficiency

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Maj. (Rtd) Jean Damascene GASHREBUKA

Chairperson of the Board of Directors

1.4. DIRECTOR GENERAL'S ADDRESS

*Transitioning from a Tontine (Mutual Aid Group)
to a formal SACCO.*



Claudine UWAMBAYINGABIRE
Director General

It is with great pleasure that I share with you the news that Muganga SACCO has successfully transitioned to a formal SACCO recognized by the National Bank of Rwanda and Rwanda Cooperative Agency. This transition marks a significant milestone in the growth and development of the cooperative.

From its humble beginnings as a mutual aid group in October 2017, Muganga SACCO has come a long way in just a few short years. We have worked tirelessly to establish ourselves as a trusted financial institution that serves the needs of health professional.

The process of transitioning to a formal SACCO has been challenging, but we have risen to the occasion. In 2022, we focused our efforts on putting in place all the necessary banking infrastructure and other requirements to operate by following prudential norms as set by the regulators. This included developing policies and procedures, upgrading our technology systems, and ensuring compliance with all regulatory requirements.

I am proud to say that our hard work and dedication have paid off, and we are now able to offer our members a wider range of financial services, with greater security and stability. As a formal SACCO, we can provide our members with access to affordable credit, and savings plans that can help them achieve their financial goals.

Looking ahead, we remain committed to our mission of empowering our members and supporting economic growth in our community. We will continue to work hard to meet the evolving needs of our members and to uphold the highest standards of financial integrity and responsibility.

I want to thank each and every one of our members for their unwavering support during this transition. Your confidence in us has been essential to our success, and we look forward to continuing to serve you in the years to come.

FINANCIAL PERFORMANCE

As we continue to reflect the year 2022, it is important to note that Muganga SACCO has continued to make significant progress towards our financial goals. Despite the challenges posed by the pandemic, we have remained committed to providing our members with reliable financial services and support.

Our financial statements for 2022 demonstrate strong growth across all key performance indicators. Total assets increased from 5 billion to 6 billion Rwandan Francs, representing a 18 % increase from the previous year. The net income for the year amounted to 32 million Rwandan Francs, which can be attributed to a significant one-time investment made towards enhancing the banking systems and establishing our head office. As we are in our initial stages of formal operations, it is reasonable to expect a lower level of income due to these investments. Nonetheless, we are confident that our focus on delivering superior services and cultivating strategic partnerships will result in continued growth and profitability in the future.

Our loan portfolio grew by 28%, reflecting increased demand from our members for affordable credit solutions. We are proud to report that our loan portfolio quality remained strong, with a low level of non-performing loans whereby we reduced non-performing loans to 7% from 25% in previous year. Even though the National Bank of Rwanda's standards is 5%, we are proud of the progress we made, and we believe that we will even reach the National Bank of Rwanda's standard in the coming year. This reflects our commitment to responsible lending practices and diligent risk management.

Our capital position also remained strong, with a capital adequacy ratio of 16.30%, exceeding regulatory requirements. This provides us with the necessary financial resources to continue growing and expanding our services to meet the needs of our members.

As we look ahead to the coming year, we remain optimistic about the future of Muganga SACCO. We will continue to focus on expanding our product offerings, improving operational efficiency, and maintaining strong risk management practices to ensure the long-term success and sustainability of our organization.

DIGITILIZATION

Digitalization is the future of banking and we have made great strides in digitizing our banking services over the past year. We are proud to have launched a self-serving web portal in 2021 that allowed our members to apply for loans digitally, providing them with more convenient and efficient access to our financial services.

We ended 2022 by successfully launching our mobile banking service, which has further enhanced the convenience and accessibility of our services. This digital transformation has not only improved the member experience but has also allowed us to streamline our operations, reduce costs, and increase efficiency.

Looking ahead to the coming year, we remain committed to our goal of continuous improvement and will focus on further enhancing our digital banking services. Our web portal will be improved to a full-fledged internet banking platform with a range of functionalities, including account management, fund transfers, and bill payments, among others. We will also launch a mobile app that will provide even greater flexibility and convenience for our members.

In addition, we are excited to announce that we will be introducing Muganga SACCO cards, which will allow our members to access their funds at ATMs. Our new digital loan products will enable members to apply and receive funds quickly and easily, providing them with much-needed financial support during challenging times.

We believe that digitalization is the future of banking and we are committed to providing our members with the best possible banking experience. We will continue to invest in new technologies, develop innovative products, and ensure the highest standards of data security to meet the evolving needs of our members.

As part of our commitment to provide our members with the best possible financial services, it is worth noting that Muganga SACCO has become an active member of the National Bank of Rwanda's clearing house, RIPPS five (5) months after acquiring the license. This membership will enable us to facilitate salary payments for our members and make seamless transactions with other banks. It is another step in our ongoing efforts to enhance our services and provide greater convenience, flexibility, and accessibility to our members.

INTERACTING WITH MEMBERS

At Muganga SACCO, we understand the importance of listening to our members, and we have taken several steps to ensure that their voices are heard. We have established a state-of-the-art call center that allows us to interact with our members and respond to their queries promptly. In addition, with the support of the Board of Directors, we have attended TV and radio talk shows to update our members on various developments and hear their feedback.

In 2023, with the support of the Board of Directors, we plan to take our efforts a step further by conducting direct outreach to facilities where our members are located. We will also be conducting a survey to gain a broader perspective on what our members want and how we can better serve them. We believe that by listening to our members, we can continue to improve our services and provide them with the best possible financial solutions.

CONCLUDING REMARKS

2022 was a challenging year and very much focused on transitioning from an informal mutual aid group to a formal SACCO that follow all prudential norms as defined by the regulators. It was a year that was important for the success we will have in 2023 and in the future. It was a foundation year for the SACCO.

Going forward, we have the full executive management team which is different from the previous year, thanks to the Board of Directors, we have adequate staff, even though we continue our investment in talent to better serve our members. I believe that with the launch of several digital platforms to members, we will continue to provide improved services through digitalization and it will help us to continue taking informed decision.

I extend my sincerest gratitude to our members and partners for their unwavering trust and support. I recognize that our success is directly attributed to the support of our partners, and we remain committed to serving you better.

Lastly, I appreciate the Board of Directors' continued guidance, policies, and overall support, which are invaluable to our mission of serving our members.

“

“We remain committed to our mission of empowering our members and supporting economic growth in our community. We will continue to work hard to meet the evolving needs of our members and to uphold the highest standards of financial integrity and responsibility”

”

Claudine UWAMBAYINGABIRE

Director General

KEY FIGURES

ITEMS2	021	2022	Variation (%)
Loan	2,027,244,813 Rwfs	2,841,003,949 Rwfs	40%
Total liquidity	2,867,989,151 Rwfs	2,961,779,588 Rwfs	3%
Savings	4,458,075,356 Rwfs	4,987,584,502 Rwfs	12%
Total Asset & Liabilities	5,114,581,885 Rwfs	6,054,389,266 Rwfs	18%

1.5. MEMBERSHIP

Muganga SACCO is a financial cooperative that serves health professionals in Rwanda. The organization has a diverse membership made up of individuals, corporates, and cooperatives who are actively engaged in the healthcare industry in Rwanda. Members come from a range of backgrounds, including those who work in public health facilities, private health facilities, and as Community Health Workers. As at December 2022, Muganga SACCO comprise of 9,500 members.

1.6. STRATEGY

ACCELERATING DIGITALIZATION AND IMPROVING OPERATIONAL EFFICIENCY

In recent years, the financial industry has experienced a significant shift towards digitalization, and Muganga SACCO has been at the forefront of this change. The institution's strategy for the year was to accelerate the digitalization of its banking operations, aiming for 90% automation, and improving operational efficiency.

As part of its strategy, Muganga SACCO has invested in cutting-edge technologies, including mobile banking, and online banking, to provide its members with seamless, fast, and secure access to their accounts.

One of the most significant benefits of Muganga SACCO's digital transformation is the ability to offer its members a range of innovative and customized financial products and services. Its mobile and online banking platforms have provided a convenient way for members to access banking services from anywhere, anytime, and on any device.

Furthermore, Muganga SACCO's efforts towards digitalization have improved its operational efficiency, leading to cost savings and better use of resources. Automation of processes such as loan applications, account opening, and loan disbursement has led to faster processing times, and reduced errors. The institution has also implemented measures to enhance cybersecurity, ensuring that its members' data is protected at all times.

In summary, Muganga SACCO's strategy of digitalization and improving operational efficiency has been successful, and it will continue to invest in this area. The institution's focus is on providing its members with a modern, convenient, and secure banking experience while achieving its business goals.



LEADERSHIP TEAM

Muganga SACCO's strategy for digitalization and improving operational efficiency can be summarized in four steps:

Automate processes

To automate processes such as loan applications, account opening, and loan disbursement to reduce processing times, minimize errors, and improve member satisfaction.

Enhance cybersecurity measures

To protect members' data, which includes implementing advanced security measures such as firewalls, intrusion detection, and prevention systems.



01

Invest in cutting-edge technologies

To provide members with fast and secure access to their accounts, and to enable efficient data collection and analysis.

02

Provide training and support to members

To ensure members can use digital banking services effectively, which includes online tutorials and dedicated customer service support.

03

04

2. LEADERSHIP TEAM

BOARD OF DIRECTORS



Maj. (Rtd)
Jean Damascene GASHREBUKA
Chairperson



Dr Philbert MUHIRE
Vice-Chairman



Dr Deborah ABIMANA
Secretary



Diana MUTONI
Member



Maj. Innocent KAGABO
Member

MEMBERS OF ELECTED CREDIT COMMITTEE



Clarisse KAYITASIRE
Chairperson



Jean Pierre IRAFASHA
Vice-Chairperson



Beata NIYITEGEKA
Secretary



Jean Paul NGARAMBE
Member



Innocent MUDACUMURA
Member

MEMBERS OF ELECTED SUPERVISORY COMMITTEE



Fidele KARANGWA

Chairperson



Francoise BERWA

Secretary



George NTAGANDA

Member

EXECUTIVE MANAGEMENT



Claudine UWAMBAYINGABIRE

Director General



Olive UZAYISENGA

Director of Operations

EXECUTIVE MANAGEMENT



Isaac NKUBITO

Director of Finance &
Administration



Jean Marie Vianney
NZABAMWITA

Director of Credit



Victor ABIZEYIMANA

Director of ICT



Jean Paul BUGIRIMFURA

Director of Business
Development



Jean Paul NTAKIRUTIMANA

Senior Internal Auditor

GOVERNANCE

3.

3. GOVERNANCE

3.1. HEADLINES FROM THE YEAR

UNVEILING NEW BRANDING GUIDELINES: LOGO AT THE CENTER

Muganga SACCO has implemented a comprehensive branding guideline aimed at improving member communication and experience. The guideline, which was developed in 2022, places the institution's logo at the center of its branding identity.

The new logo, launched during the March 2022 General Assembly, features a powerful pyramid and two dots. The pyramid symbolizes the SACCO's importance and unique role in empowering health workers in Rwanda, while the dots represent accessibility and robustness, signifying quick and easy access to services for members, and a strong and healthy institution.

The branding guidelines were developed to ensure consistency in Muganga SACCO's communication across all channels. The institution's slogan, "Dream & Achieve," reflects its commitment to daring members to dream big and witness their dreams come true.



MAJOR MILESTONE: ESTABLISHMENT OF THE HEAD OFFICE & MAIN BRANCH



In 2022, one of the greatest accomplishments of Muganga SACCO was the establishment of its very own head office, marking a significant milestone in the institution's history. The move was a testament to the commitment and dedication of members, and Board of Directors in achieving the organization's mission.

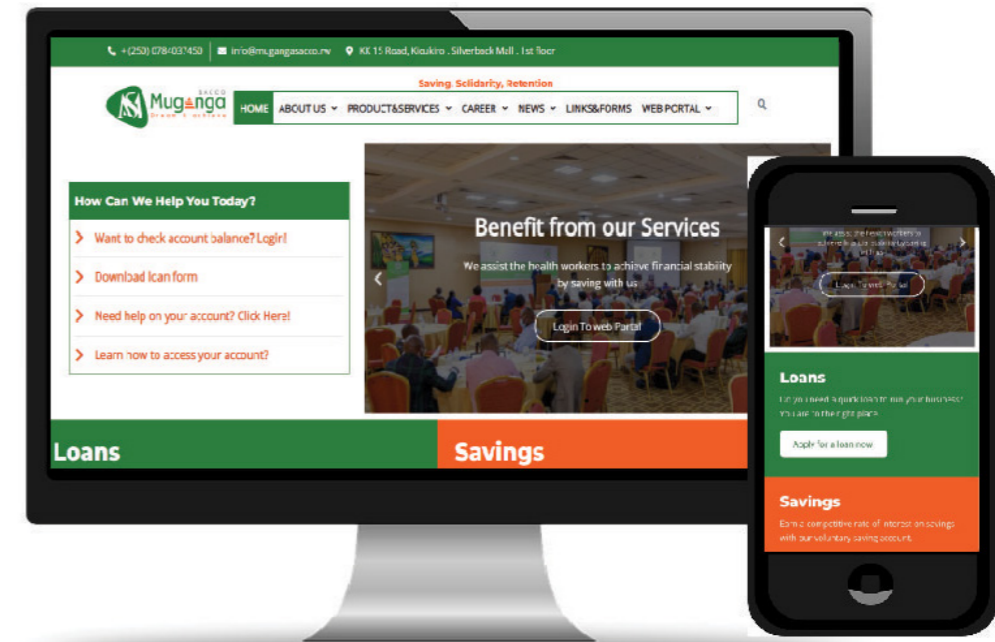
The new head office is not just a physical structure but a symbol of growth, progress, and stability for Muganga SACCO. The modern facility is equipped with state-of-the-art technology and facilities that will facilitate seamless operations, improved service delivery, and enhanced member experiences.

The new office also represents a significant step towards the institution's vision of expanding its reach and providing financial inclusion to even more health practitioners. With a central location and increased capacity, the head office is poised to offer

even more comprehensive financial services to its members, including loans, savings, and other products through digital channels.

Moreover, the establishment of the head office is a source of pride for the entire Muganga SACCO community, including the members, members of the governing organs, management team, and staff. It is a testament to the collective efforts of all involved in building a financially stable and sustainable institution that will continue to serve the needs of its members for many years to come.

Overall, the establishment of the head office is a significant milestone that demonstrates the organization's commitment to growth, progress, and excellence. It is an achievement that deserves recognition and celebration and will be remembered as a defining moment in the institution's history. The head office is located at Kicukiro Sonatube, 1st floor of the Silverback Mall.



REVAMPED WEBSITE

A revamped website was launched in 2022. This is part of long-term strategy to remain vibrant and relevant to members and stakeholders. The new website is a result of a commissioned branding exercise and is a testament to commitment to becoming a digitally driven institution.

The main objective with the revamped website is to provide quick and seamless services to members. The new site is designed to be faster, easier to navigate, and to enhance the user experience, making it as simple as possible. The new website is full of rich content and serves as a digital hub for Muganga SACCO's members, stakeholders, and the general public.

As part of Muganga SACCO's commitment to providing timely and relevant information to members, the website is updated regularly with new savings and

loan product launches, FAQs, news, events, internet and mobile banking, and much more. This is to ensure that members have access to the latest information, which is crucial to making informed decisions about their financial well-being.

The revamped website is a crucial component of Muganga SACCO's branding strategy and underscores commitment to delivering innovative solutions to members.

Overall, the launch of the revamped website is an important milestone in the journey towards digital transformation. The new website will help to better serve members, engage with stakeholders, and achieve long-term goals. The public is invited to visit the website at www.mugangasacco.rw and experience the new digital hub for themselves.



Call us Now!

0788 124 500

LAUNCH OF CALL CENTER

State-of-the-Art Call Center to Improve Customer Service!

The state-of-the-art facility provides members with exceptional service and support. The call center is staffed by a team of highly trained professionals who are dedicated to providing the best possible experience for members. They are equipped with the latest technology and tools to ensure that all calls are handled efficiently and effectively. In addition to providing support for our existing products and services, the call center is also a valuable resource for members who have questions or need assistance with any aspect of their experience with Muganga SACCO. Whether it's a simple question or a more complex issue, the call center team is ready and willing to help.

The call center is an important step in the SACCO's commitment to providing the best possible customer experience. It will be a valuable resource for members and will help to better serve their needs.

RIPPS APPROVAL MARKS A NEW ERA!

Muganga SACCO As an Active Member of BNR's Clearing House!

Muganga SACCO achieved a significant milestone by becoming an active member of the National Bank of Rwanda's clearing house, RIPPS.

With its membership in RIPPS, Muganga SACCO has enabled its members to channel their salaries directly through the SACCO, making it easier for them to receive their pay. This service ensures that the SACCO's members can access their funds quickly and efficiently, without having to go through the hassle of multiple transactions or lengthy processing times.

Moreover, the SACCO's membership in RIPPS has also allowed it to make quick transactions with other financial institutions, thereby facilitating seamless financial transactions between different institutions.

NEW DIVERSIFIED LOAN PRODUCTS

In 2022, the launch of new loan products was a noteworthy achievement. As a mutual aid group, consumer loans were the only products offered. However, to align with the new status as a SACCO, business and mortgage loans were developed. Starting January 2023, members can now access these new loans.

This expansion demonstrates the commitment to meet the changing needs of members and support their financial goals. By diversifying the loan portfolio, greater access to credit for members will be provided, whether it is for personal expenses, business start-ups, or home purchases.

The introduction of these new loan products is an exciting development. The positive impact on members' financial well-being is anticipated.

INTERACTION WITH MEMBERS THROUGH TV/RADIO TALKSHOW



During the year, Muganga SACCO participated in a televised and radio talk show to engage and update its members nationwide. This interactive platform provided an opportunity for members to receive timely information about the organization's activities and progress.

Through the talk show, Muganga SACCO was able to reach a wider audience and create a platform for feedback and suggestions from its members. The show allowed for open dialogue and provided a chance for the cooperative to address member concerns and questions.

The talk show was graced by a representative of the Ministry of Health, who shed more light on the Ministry's agenda in line with the establishment of Muganga SACCO.

LOAN PRODUCTS

Descriptions

QUICK CASH LOAN

A Quick Kash is a lending arrangement which allows the salary earner to get cash which does not exceed 50% of his net salary. This facility will enable our members to spend their monthly salary before it is credited.

OVERDRAFT LOAN

An Overdraft is a lending arrangement which allows members to get small amount of money equivalent to their monthly net salaries but not exceeding 2 millions and being repaid in short term, not over 3 months. It may be also an additional facility to non-salary earners which allow them to cover normal operational costs; and it is disbursed based on their repayment capacity and security offered.

EMERGENCY LOAN

Emergency Loan is a loan that helps Muganga SACCO members to get cash in emergency situations. Members typically need those loans right away to cover unexpected payments. Emergency Loans may be requested for any number of reasons such as: Vehicle repair, Hospital bills, School fees, Funeral expenses, Replacement of household equipment etc.....

SCHOLAR LOAN

A scholar loan is designed to help members who wish to upgrade their academic level in the country.

VEHICLE LOAN

These are credit schemes which are set up by Muganga SACCO to support members who wish to own their vehicle. This loan enables our customers to purchase a vehicle of their choice, and this will usually be a vehicle for personal use. The vehicle can either be new or used but should have a resale value and serviceable at the time of application.

SALARY ADVANCE

Salary advance is an unsecured and secured loan eligible for individual members who channel their salaries through Muganga SACCO.

PROJECT/BUSINESS LOAN

These are credit schemes which are set up by the SACCO to extend financial support to specific categories of members engaged in viable small and medium enterprise businesses, without necessarily insisting on the normal security and other conventional borrowing requirements. Business loans are disbursed to for expansion of existing income generating ventures or startups.

MORTGAGE LOAN

Muganga SACCO Mortgage loan is intended to promote provision of shelter to its members through financing purchase or development of residential and commercial properties. This loan will be offered in 3 categories: construction, house purchase, and plot purchase.

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US ON**



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#DreamandAchieve

NOW ON SOCIALS!

To enhance member interaction, the SACCO joined social media. By using platforms like Facebook, Twitter, and LinkedIn among others, the SACCO creates a dynamic and engaging experience for members. Real-time communication and feedback foster a sense of community and ownership within the institution.

Social media is a game-changer, increasing member engagement and improving the overall member experience. Muganga SACCO is thrilled to be a part of it! Connect with Muganga SACCO on Twitter, Facebook, LinkedIn & YouTube at @mugangasaccorw.

3.2. CORPORATE GOVERNANCE

CORPORATE STRUCTURE

The corporate structure of Muganga SACCO is designed to support the SACCO's mission and to ensure that it operates in a responsible, ethical, and sustainable manner. The SACCO's corporate structure is based on the principles of transparency, accountability, and member participation, and it is designed to promote effective governance and management of the organization.

General Assembly is the highest body of the Cooperative. Delegates of the General Assembly elect members of the governing organs in Board of Directors, Supervisory Committee, and Credit Committee. Members of Muganga SACCO have equal power in decision making as they have equal shares. The share of each member in the share capital is valued at Fifty thousand Rwandan Francs (Frw 50,000) and is equal to every.

LEGITIMACY

Muganga SACCO was established pursuant to the decision of the General Assembly of 28 October 2021 to transform the Mutual Aid Group into a SACCO (Savings and Credit Cooperative), the law n° 024/2021 of 27/04/2021 governing cooperatives in Rwanda, the law n° 072/2021 of 05/11/2021, governing deposit taking microfinance institutions in Rwanda.

Muganga SACCO has a legal personality from the Rwanda Cooperative Agency and therefore regulated by the Agency. The SACCO is also licensed by the National Bank of Rwanda as a deposit taking microfinance.



GENERAL ASSEMBLY MEETINGS

The General Assembly is the supreme authority of the Cooperative, vested with the full power to review and make decisions concerning the Cooperative's affairs. As an inclusive democratic forum, each member has the right to participate and be elected as a representative in the meetings of the General Assembly, providing a platform for equitable representation and active involvement.

The General Assembly's composition comprises of elected delegates representing members from their respective health facilities, ensuring diversity and inclusion of various perspectives. The elected representatives serve a term of five years, providing long-term continuity and stability to the Cooperative's decision-making process.

The governing organs are elected from the delegates attending the General Assembly, ensuring a competent and experienced leadership team with a

deep understanding of the Cooperative's values and objectives.

The General Assembly convenes two ordinary meetings annually, providing a consistent platform for members to express their views, deliberate on important matters and make informed decisions. In March and November 2022, the two General Assembly meetings took place, during which crucial decisions regarding the Cooperative's affairs were made. The establishment of the head office, among other important decisions, was made during these meetings, underscoring the significance and impact of the General Assembly on the Cooperative's operations.

BOARD OF DIRECTORS

The Board of Directors is the governing body of Muganga SACCO that implements the decisions and regulations set by the General Assembly, in accordance with the law governing Cooperatives, National Bank of Rwanda regulations, the by-laws, internal rules and regulations and other governing policies.

The Board of Directors is composed of five (5) persons elected in accordance with the bylaws and in accordance with the principle of gender balance (30% of women) between women and men.

Board Meetings

The Board of Directors meets quarterly and whenever necessary for the benefit of the SACCO but not more than twice a month. The meeting is convened by the Chairperson; in his/her absence it can be convened by the Vice-Chairperson. In the absence of both, the Meeting shall be convened at the request of at least 1/3 of its members. The Board Meetings are carried out in accordance with the clauses of the By-laws of Muganga SACCO.

In the year 2022, the elected Board of Directors demonstrated a remarkable level of commitment and dedication towards the transformation of the HSS-MAG from an informal mutual aid group to a formal Savings and Credit Cooperative (SACCO). This significant shift was initiated in October 2021, during the first General Assembly, where the decision was made to acquire the necessary license and legal status to operate as a fully-fledged SACCO.

To achieve this goal, the General Assembly assigned the Board Members the crucial responsibility of spearheading the entire process. Subsequently, the Board of Directors worked tirelessly to coordinate the establishment of governing policies, and organizational structure. This involved a rigorous and time-consuming process that required the Board to conduct research, consultations, and negotiations with various stakeholders.

Throughout the year 2022, the Board of Directors demonstrated their commitment to this task by holding a total of six (6) meetings. Three (3) of these meetings were ordinary Board Meetings, which were held to discuss routine matters concerning the SACCO's operations, while the remaining three (3) were extraordinary board meetings, called to address pressing issues that required immediate attention.

SUPERVISORY COMMITTEE

The Supervisory Committee is made up of elected delegates responsible for ensuring that the cooperative is operating in compliance with laws and regulations and following its own policies and procedures. The committee is typically composed of members of the cooperative who are elected by the General Assembly's delegates to oversee the management of the cooperative's financial affairs.

The primary responsibilities of the supervisory committee include conducting internal audits of the cooperative's financial statements and ensuring that the cooperative's assets are being safeguarded. They also monitor the performance of the cooperative's management, and report their findings to the General Assembly.

The Supervisory Committee serves as a check and balance on the management of the cooperative, ensuring that the interests of the membership are being served and that the cooperative is being run in a financially sound and ethical manner.

Supervisory Committee is composed of three (3) members elected by the General Assembly in accordance with the Cooperative law; the By-laws and taking into account "gender" balance where possible.

In 2022, the Supervisory Committee of Muganga SACCO convened three (3) times to perform an audit in accordance with industry standards and regulations, and they were also trained on the best practice of auditing by the Rwanda Cooperative Agency. The purpose of these meetings was to assess the financial statements, internal controls, and operational procedures of the organization. The committee's findings were documented in a comprehensive report, which provided valuable insights into Muganga SACCO's financial health and performance. Through this diligent process, the committee aimed to ensure that the cooperative's operations were transparent, accountable, and sustainable, thereby promoting the trust and confidence of its members and stakeholders.

CREDIT COMMITTEE

Credit Committee is one of the governing organs that is responsible for overseeing the credit function of the cooperative.

The primary responsibility of the Credit Committee is to ensure that the SACCO's lending practices are sound and that the credit risk of the cooperative is well-managed. The committee is responsible for reviewing and approving some loan applications, and monitoring the performance of the cooperative's loan portfolio.

Overall, the credit committee plays a crucial role in ensuring the financial stability and success of the cooperative by ensuring that its lending

practices are sound, prudent, and in line with the cooperative's overall goals and objectives.

The Credit Committee is composed by five (5) members elected by General Assembly. The General Assembly appoint the Chairperson and the Vice Chairperson among elected Credit Committee members. Members of Credit Committee takes decisions on loan application which is above Management Credit Committee threshold.

Throughout the year 2022, Muganga SACCO's Credit Committee convened three (3) times to review and assess the loan portfolio. During these meetings, the committee not only monitored the loan portfolio, but also devoted time to expanding their knowledge of the SACCO's new credit policy. In addition, the committee provided valuable insights and recommendations to enhance the policy's effectiveness.

3.3. REGULATORS, PARTNERS, AND MEMBERS

Muganga SACCO believes that collaboration and regulatory compliance are essential to its success as a financial institution and to its ability to serve its members and communities. During the year 2022, the SACCO had the opportunity to work with a range of partners and receive oversight from regulators, all of whom helped it to achieve its goals and fulfill its mission.

In this section of the annual report, the SACCO would like to acknowledge and thank its members, partners and regulators for their contributions to its success during the year. An overview of the SACCO's partnerships and collaborations, as well as its compliance with relevant regulations and laws, will be provided. This information will help its stakeholders to better understand the role that external organizations play in its operations. The SACCO is grateful for the support and guidance of its members, partners and regulators, and looks forward to continuing to work together in the future.

Regulators and partners

REGULATORS

REGULATORS	OVERSIGHT RESPONSIBILITIES	REGULATORY LAWS AFFECTING SACCO
The National Bank of Rwanda	Licensing and supervision of MFIs in which SACCOs are included.	Several laws
Rwanda Cooperative Agency	Registration and governance of cooperatives.	Law governing cooperatives in Rwanda N° 024/2021 of 27/04/2021

MEMBERS

MEMBERS	ROLE IN THE SACCO	COLLABORATIONS
Members	<ul style="list-style-type: none"> - The shareholders of the cooperative through equal share capital; - Providing feedback on products and services by the SACCO; - Actively engaged in sensitization of prospective members. 	<ul style="list-style-type: none"> - Electing delegates of the General Assembly; - Attending the General Assembly; - Providing inputs on how the cooperative should be run.

PARTNERS

PARTNERS	ROLE IN THE SACCO	COLLABORATIONS
Ministry of Health	<ul style="list-style-type: none"> - Muganga SACCO is an initiative of the Ministry of Health; - Providing direct linkage to the members and prospective members; - Providing linkage to government agencies as well as local authorities. 	<ul style="list-style-type: none"> - The successful preparation of the General Assembly meetings; - Correspondences to government agencies on behalf of the SACCO; - Sensitization of new members.
Association of Microfinance Institution in Rwanda (AMIR)	<ul style="list-style-type: none"> - Umbrella body for microfinance institutions in Rwanda; - Advocacy and sector representation; - Capacity building. 	<ul style="list-style-type: none"> - Acquisition of banking software; - Participation in the microfinance events/summits.
Media	<ul style="list-style-type: none"> - Increasing visibility; - Increasing awareness of the SACCO's brand, products, and services; - Support for SACCO events and initiatives; - Advertisement of SACCO's products. 	<ul style="list-style-type: none"> - TV/Radio talk show; - Coverage of the General Assembly meetings; - Advertisement.

3.4. INTERNAL CONTROL PROCEDURES AND AUDIT

Muganga SACCO has implemented a robust system of internal control procedures designed to ensure the accuracy and reliability of its financial reporting. These procedures are regularly reviewed and updated to address changes in the SACCO's operations and external environment.

To ensure the effectiveness of the internal control procedures, Muganga SACCO engaged RSK ASSOCIATES LTD as its external auditor to perform an independent audit of the SACCO's financial statements. RSK ASSOCIATES LTD was approved by the General Assembly following normal procurement procedures and in compliance with the National Bank of Rwanda's regulations. The scope of the audit is determined by the management and covers all material financial statements and disclosures.

In addition to the external audit, Muganga SACCO has an internal audit function that reports to the Supervisory Committee and the Supervisory that reports to the General Assembly. The internal audit function provides independent assurance on the effectiveness of the internal control procedures and identifies areas for improvement. The scope of the internal audit is determined by the executive management in consultation with the internal auditor and covers all significant areas of the SACCO's operations.

During the reporting period of 2022, RSK ASSOCIATES LTD carried out an audit as and provided a fair opinion on Muganga SACCO's financial statements. Both the external auditor and internal auditor identified no material weaknesses in the SACCO's internal control procedures. Muganga SACCO takes any issues raised by the auditors seriously and works to remediate them promptly.

The External Auditor's report can be found on page 48 to 64

FINANCIAL STATEMENTS



4.1. BACKGROUND

AUDITOR

RSK Associate
Certified Public Accountants
KIGALI
P.O.Box:6556 Kigali

MUGANGA SACCO is a Saving and Credit Cooperative registered with RCA on 24th January 2022 (RCA/0015.2022) and licensed by the National Bank of Rwanda on 25th July 2022, MUGANGA SACCO is headed by the board of the directors composed by 5 directors elected by the General Assembly of its members. They have also elected two committees which are the credit committee and Audit committee.

The Law No 40/2008 Of 26/08/2008 Providing for the Establishment, Organisation and functioning of microfinance Organisations in Rwanda requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of MUGANGA SACCO as at the end of the financial year and of the operating results of MUGANGA SACCO for that year. It also requires the directors to ensure MUGANGA SACCO keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of MUGANGA SACCO.

They are also responsible for safeguarding the assets of MUGANGA SACCO.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with General Accepted Accounting Principles GAAPs and in a manner required by the law governing the Microfinance institutions. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of MUGANGA SACCO and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the microfinance will not remain a going concern for at least the next twelve months from the date of this statement.

Kigali, on March 22/03/2023

Maj. (Rtd) GASHREBUKA Jean Damascene
Board Chairperson

4.2. INDEPENDENT AUDITOR'S REPORT

To the Members of MUGANGA SACCO

Opinion;

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MUGANGA SACCO as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with (GAAP).

We have audited the financial statements of the MUGANGA SACCO, which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion;

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements in this report. We are independent of the SACCO within the meaning of the code of Ethics for professional Accountants as prescribed by the International Ethics Standards Board for Accountants (IESBA code) and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern

The SACCO's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the SACCO or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the SACCO's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the SACCO's ability to continue as a going concern.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors are responsible for overseeing the SACCO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit 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 judgment and maintain professional skepticism throughout the planning and performance of 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 entity's internal control system.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide Board of Directors 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.

Report on Other Legal and Regulatory Requirements

The Companies Act of Rwanda which was promulgated on 27 April 2009 requires that in carrying out our audit, we consider and report to you the following matters. We confirm that:

- i. We have no relationship, interests and debts in the MUGANGA SACCO,
- ii. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- iii. In our opinion, proper books of account have been kept by MUGANGA SACCO, so far as appears from our examination of those books;
- iv. We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.

Signed on Behalf of RSK ASSOCIATES LTD by

Kigali, on March 22/03/2023



RSK ASSOCIATES LTD
B.P. 6556 - Kigali
Kigali, Rwanda

4.3. FINANCIAL STATEMENTS

4.3.1. STATEMENT OF COMPREHENSIVE INCOME FOR THE ENDED ON 31 DECEMBER 2022

	Notes	31-Dec-2022 Frw	31-Dec-2021 Frw
ASSETS			
Interest Income	2	567,858,712	386,753,414
Financial expenses	3	(309,050)	(245,020)
NET INTEREST INCOME		567,549,662	386,508,394
Provision for loan losses (PPL)	4	(104,165,161)	-
Provision on loans written off	4	(26,856,763)	-
Recovery on loans	5	53,828,791	-
Other operating revenue	6	2,705,817	3,080,000
Operating expenses	7	(433,209,358)	(144,484,284)
OPERATING INCOME		59,852,988	245,104,110
Operating profit		59,852,988	245,104,110
Grant Income	8	-	-
Non-operating income	9	-	-
Non-operating expenses	10	(26,803,308)	-
PROFIT BEFORE TAXATION		33,049,680	245,104,110
TAXATION CHARGE	11	-	-
PROFIT AFTER TAXATION		33,049,680	245,104,110

The financial statements on pages 53 to 56 were approved by the Board of Directors on 22/03/2023 and were signed on its behalf by:

Kigali, on March 22/03/2023



Maj. (Rtd) GASHREBUKA Jean Damascene
Board Chairperson



UWAMBAYINGABIRE Claudine
Director General

4.3.2. STATEMENT OF THE FINANCIAL POSITION

	Notes	31-Dec-2022 Frw	31-Dec-2021 Frw
ASSETS			
Cash in Vaults	12	15,766,725	18,100
Current account held in BNR	13	10,106,235	
Cash held in Banks and Other Financial Institutions	14	261,829,406	467,342,027
Loans and advances to customers	15.1	2,841,003,949	2,027,244,813
Provision for loan losses	15.2	-57,752,721	0
Financial Investments	16	2,674,077,222	2,400,629,024
Other Assets	17	80,501,153	164,129,246
Property and equipment	18	217,245,779	8,193,674
Intangible Assets	19	4,342,718	47,025,000
Intangible Assets in progress	20	7,268,800	
Total Assets		6,054,389,266	5,114,581,885
LIABILITIES			
Customer deposits	21	4,987,584,502	4,458,075,356
Borrowings	22		-
Other liabilities	23	79,717,486	24,956,431
Total liabilities		5,067,301,988	4,483,031,787
EQUITY			
Share capital	24	424,766,373	86,165,054
Subsidies	25		0
Retained earnings	26	529,271,225	300,280,934
Profit/loss for the year		32,049,680	245,104,110
Total equity		987,087,278	631,550,098
Total Liabilities and equity		6,054,389,266	5,114,581,885

The financial statements on pages 53 to 56 were approved by the Board of Directors on 22/03/2023 and were signed on its behalf by:

Kigali, on March 22/03/2023



Maj. (Rtd) GASHREBUKA Jean Damascene
Board Chairperson



UWAMBAYINGABIRE Claudine
Director General

4.3.3. STATEMENT OF CHANGE IN EQUITY

Description	Share capital	Retained earnings	Total
	Frw	Frw	Frw
At 31 DECEMBER 2020	86,165,054	300,280,934	386,445,988
At 01 January 2021	86,165,054	300,280,934	386,445,988
Issue of shares	0		0
Comprehensive income for the year		245,104,110	245,104,110
At 31 DECEMBER 2021	86,165,054	545,385,044	631,550,098
At 01 January 2022	86,165,054	545,385,044	631,550,098
Issue of shares	338,601,319		338,601,319
Additional solidarity funds			0
Prior year adjustment		(16,113,819)	-16,113,819
Comprehensive income for the year		33,049,680	32,988,960
At 31 DECEMBER 2022	424,766,373	562,320,905	987,026,558

The financial statements on pages 53 to 56 were approved by the Board of Directors on 22/03/2023 and were signed on its behalf by:

Kigali, on March 22/03/2023



Maj. (Rtd) GASHREBUKA Jean Damascene
Board Chairperson



UWAMBAYINGABIRE Claudine
Director General

4.3.4. STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2022

	2022
Cash flows from operating activities	Rwf
Profit for the year before income tax	33,049,680
Adjustment for:	
Depreciation of property and equipment (+)	48,262,643
Prior year adjustment	
I. Operating profit before changes in operating assets and liabilities	139,004,324
Changes in operating assets and liabilities	
a. Decrease/(increase) in loans and advances	813,759,136
b. Increase/(decrease) in other assets	(83,628,092)
c. Decrease/(increase) in customers deposits	529,509,146
d. Increase/(decrease) in and other payables	54,761,057
II. Cash used in operations	(145,860,841)
Income tax paid (-)	-
Net cash generated from operating activities (I + II)	(6,856,517)
Cash flows from investing activities	
Purchase of property and equipment (-)	(239,720,235)
Adjustment of fixed assets' cost	(1,765,870)
Financial investment	273,448,198
Proceeds from disposal of property and equipment (+)	-
III. Net cash used in investing activities	511,402,563
Cash flows from financing activities	
Proceeds from issue of shares (+)	338,601,319
Proceeds from long and short term borrowings (+)	-
Adjustment of Retained earnings (-)	
Repayment of borrowings	-
IV. Net cash generated from financing activities	338,601,319
Net increase/(decrease) in cash and cash equivalents	(179,657,761)
Cash and cash equivalents at the beginning of the year	467,360,127
Cash and cash equivalents at the end of the year	287,702,366

The financial statements on pages 53 to 56 were approved by the Board of Directors on 22/03/2023 and were signed on its behalf by:

Kigali, on March 22/03/2023

Maj. (Rtd) GASHERBUKA Jean Damascene
Board Chairperson

UWAMBAYINGABIRE Claudine
Director General

4.4. NOTES TO THE FINANCIAL STATEMENTS

4.4.1. Incorporation and Activities

MUGANGA SACCO is a Saving and Credit Cooperative registered with RCA on 24th January 2022 (RCA/0015.2022) and licensed by the National Bank of Rwanda on 25th July 2022,

MUGANGA SACCO is headed by the board of the directors composed by 5 directors elected by the General Assembly of its members. They have also elected two committees which are the credit committee and Audit committee.

4.4.2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are prepared in compliance with IMF Regulation of BNR. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Rwandan Francs (Frw).

The preparation of financial statements in conformity with BNR requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Going Concern

The financial statements are prepared in accordance with the going concern concept, which assumes that the Bank will continue its operations in the foreseeable future.

Impairment Losses

At each balance sheet date, the bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount of the asset is estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses where applicable.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the income statement as an expense when incurred.

Depreciation is charged to the income statement on a declining basis, at the following rates, according to their estimated useful lives.

Furniture, fixtures and fittings	25%
Equipment	25%
Computers and accessories	50%

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and the sales proceeds. Such gains or losses are shown on the income statement in the year in which they arise.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization.

Amortization is charged to the income statement on a straight line basis designed to write off cost or valuation of assets over their estimated useful lives.

Intangible assets represent computer software licenses.

Functional Currency

MUGANGA SACCO's functional currency is the Rwandan Franc, being the currency of the primary economic environment in which it operates and the currency in which accounting records are maintained. The financial statements are presented in Rwandan Francs rounded to the nearest thousand.

Deposits

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

Provision for Loan Losses

Provisions have been established for probable loan losses. Provisions are recognized when the MUGANGA SACCO has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

The provisions for losses charged to operations are based on management's judgment of current economic conditions, the value of the underlying collateral, and the credit risk of the loan portfolio. Management believes that these allowances are adequate for loan losses inherent in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowances may be necessary based on changes in economic conditions.

The National Bank of Rwanda sets out the minimum level of provision required in each case. Under Regulation No. 02/2009 on credit classification and provisioning, credit facilities are classified into the following five categories:

- A. Loans with at least one instalment in arrears for at least 30 days: 25% of the outstanding balance due;
- B. Loans with at least one instalment in arrears for at least 90 days: 50% of the outstanding balance due;
- C. Loans with at least one instalment in arrears for at least 180 days: 100% of the outstanding balance due.

The bank applies both subjective and objective criteria, in determining the classification of a facility.

Significant departure from the primary source of repayment and modification of credit terms and conditions to cure delinquency shall warrant adverse classification even when the credit facility appears current or up-to-date.

The bank maintains specific provisions for all non-performing credit facilities. All credit facilities classified as Substandard, Doubtful or Loss are subject to specific provisions, regardless of whether the subjective or objective criteria were used in determining classification.

- Loans with at least one instalment in arrears for at least 30 days: 25% of the outstanding balance due;
- Loans with at least one instalment in arrears for at least 90 days: 50% of the outstanding balance due;
- Loans with at least one instalment in arrears for at least 180 days: 100% of the outstanding balance due.
- Any overdraft or credit facility not reimbursed within 30 days after date of maturity is subject to provisioning equal to 75% of the balance due and, if not reimbursed within 90 days, the provision is 100% of the balance due

The outstanding balance due is equal to the outstanding balance minus, where applicable deposits pledged as a guarantee with the microfinance institution, union or federation by the debtor and the debtor's surety.

A loan with at least one installment in arrears for at least 365 days is deemed non-recoverable. This is also applicable to an overdraft or credit facility not reimbursed after 180 days. A loan considered non-recoverable shall be written off.

Provisions for Other Risks

Provisions are recognized when MUGANGA SACCO has a present legal and constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

In the present financial statements, a provision for fraud cases which took place in the past year was constituted for Rwf 26,500,000.

Share Capital and Reserves

The MUGANGA SACCO classifies capital instruments as financial liabilities or equity instruments financial assets in accordance with the substance of the contractual terms of the instrument.

Comparative

When necessary, comparative figures are adjusted to conform to changes in presentation in the current Year.

Taxation

Corporate Tax

As a startup Saving and Credit Cooperative MUGANGA SACCO should seek to RRA a waiver to pay corporate income tax for the period of five years counted from its licensing date as provided by the tax law of Rwanda.

Employees benefit

MUGANGA SACCO pays a monthly salary to staff and related regulatory contribution of 5% to the national pension scheme. MUGANGA SACCO Ltd and its staff contribute to maternity leave fund for respectively 0.3% per month. Its staff contributes also to CBHI for 0.5% of its net monthly salary.

Subsequent Events

During audit of 2022, we noted that MUGANGA SACCO was in process to phase out its operating software (ADBanking) whose cost was Rwf 51,300,000. The software was acquired in March 2021 and a depreciation equals to 4,275,000 Rwf was accounted for at the end of 2021. At the end of 2022, we reviewed its depreciation rate from 10% to 50% and recomputed the depreciation from its acquisition date to date, and subsequent adjustment entries were proposed to Muganga Sacco.

Interest and Similar Income

Interest is recognized in the income statement when it was received. Interest income on lending is taken to income, until in the opinion of management and based on the National Bank of Rwanda's criteria, recovery is doubtful. MUGANGA SACCO recognizes its interest income on a time basis by reference to the principal outstanding and at the applied flat interest rate is 5% and 8%.

Financial Assets and Liabilities

Financial assets and liabilities are initially recognized in the bank's statement of financial position at cost using settlement date accounting, when the bank has become a party to the contractual provisions of the instrument. Specific accounting policies adopted by the bank on the financial instruments held as of the balance sheet date are summarized below.

Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, Cash and Cash equivalents comprise balances with less than 90 days maturity from the year end including cash and balance with the other banks of Rwanda, treasury bills and other eligible bills, amounts due from/to banks and trading securities.

Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the bank does not intend to sell immediately or in the near term.

Loans are reported at the principal amount outstanding, net of allowances for loan losses, impairments, and unearned loan fees. All loans and advances are recognized when cash is advanced to borrowers.

Other Financial Instruments

Held to maturity investments

Financial assets with fixed or determinable payments and fixed maturity where the bank has the positive intent and ability to hold to maturity other than loans and receivables originated by the bank are measured at amortized cost.

Available for sale financial assets

Financial assets that are not (a) loans and receivables originated by the bank, (b) held to maturity investments, or (c) financial assets held for trading are measured at their fair values.

Impairment and uncollectibility of financial assets

At the end of the each reporting date, all financial assets are subject to review for impairment.

If it is probable that the MUGANGA SACCO will be unable to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held to maturity investments carried at amortized cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly

or through use of an allowance account. The amount of the loss incurred is included in the income statement for the period.

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognized directly in equity and there is no objective evidence that the asset is impaired, the cumulative net loss that had been recognized directly in equity is removed from equity and recognized in the income statement for the period even though the financial asset has not been derecognized.

At the reporting date of 31st December 2022, no risk we noticed on treasury bonds that were acquired by Muganga Sacco.

Financial Liabilities

After initial recognition, the MUGANGA SACCO measures all financial liabilities including customer deposits other than liabilities held for trading at amortized cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

At the reporting date of 31st December 2022, no financial liability was contracted by Muganga Sacco.

Offsetting

Financial assets and liabilities are offset and stated at the net amount in the balance sheet when there is a legally enforceable right to set off, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.



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