

PRIVATE AND CONFIDENTIAL

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**FINANCIAL STATEMENTS**

**OF**

**KARUNA TRUST**

**FOR THE YEAR ENDED**

**MARCH 31, 2016**

**B.V. FERNANDO & CO.**  
CHARTERED ACCOUNTANTS

THIS DOCUMENT CONTAINS 10 PAGES

SEPTEMBER 25, 2016

# KARUNA TRUST

## MARCH 31, 2016

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**B V FERNANDO & Co.**

**Chartered Accountants.**  
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**Auditors report**

**To the members of Karuna Trust**

We have examined the following Financial Statements of the Karuna Trust.

- a). Statement of financial activities for the year ended March 31, 2016
- b). Statement of financial position as at March 31, 2016
- c). Statement of changes in accumulated fund for the year ended March 31, 2016
- d). Cash flow statement for the year ended March 31, 2016

These financial statements are the responsibility of the board of trustees of the Organization and our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Board, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

In our opinion, so far as appears from our examination, and to the best of our information and according to the explanations given to us, the said financial statements and notes thereto have been prepared and presented in accordance with the Sri Lanka Accounting Standards and give a true and fair view of the Organization's state of affairs as at March 31, 2016 and its financial activities and cash flows for the year then ended.

We further report that the Organization has maintained proper books of account and the financial statements referred to above are in agreement with such books of account.



**Chartered Accountants.**



Colombo  
September 25, 2016

Karuna Trust

Registered No: L-82501

67, Uda Industrial Estate, Katuwana Road, Homagama

Statement of financial activities for the year ended March 31, 2016

	2 0 1 6			2 0 1 5
	Restricted Funds (Education and Scholarships)	Unrestricted Funds (Common Funds)	Total	
	Rs.	Rs.	Rs.	Rs.
<b>Incoming resources</b>				
Funds transferred from respective fund accounts	4,236,182.92	3,741,785.21	7,977,968.13	7,003,021.58
<b>Expenditure</b>				
Projects -				
Library	900,661.25	-	900,661.25	328,796.65
Rambuka School	487,500.00	-	487,500.00	330,000.00
Sports Goods	-	-	-	2,830.00
Scholarships	617,138.80	-	617,138.80	87,700.00
Donation -				
School books, stationery and others	1,350,191.17	-	1,350,191.17	994,651.24
Miscellaneous	-	131,100.00	131,100.00	413,976.00
Kelasiyabalawa Dhamma School	200,000.00	-	200,000.00	-
Galle School Children's	67,082.00	-	67,082.00	-
Dellwa Pre-school	-	-	-	635,000.00
Cancer care Society	-	-	-	50,000.00
Madawala Pre-school	-	-	-	743,675.00
Thelejjavila Dahampasal	300,000.00	-	300,000.00	700,000.00
Asokapura Project	-	-	-	403,600.00
Vision 2020 Project	-	1,834,217.68	1,834,217.68	769,131.50
School Leavers Training	299,324.00	-	299,324.00	74,909.00
Others -				
Bank charges	-	3,580.00	3,580.00	2,440.00
Insurance and luxury tax	-	80,556.33	80,556.33	80,499.70
Maintenance of vehicles	-	434,328.57	434,328.57	130,941.98
Fuel - KN 9725	-	365,435.00	365,435.00	350,801.00
Stationery and postage charges	-	3,210.00	3,210.00	3,765.00
Telephone	-	5,154.16	5,154.16	11,036.17
Advertisement	14,285.70	-	14,285.70	-
Depreciation	-	884,203.47	884,203.47	889,268.34
	4,236,182.92	3,741,785.21	7,977,968.13	7,003,021.58



## Karuna Trust

Registered No: L-82501

67, Uda Industrial Estate, Katuwana Road, Homagama

Statement of financial position as at March 31, 2016

	Note	March 31,	
		2016 Rs.	2015 Rs.
<b>Assets</b>			
<b>Non current assets</b>			
Property and equipment	01	5,971,245.77	6,835,449.24
<b>Current assets</b>			
Temporary loan - Pan Hydro (Pvt) Ltd.		50,000,000.00	50,000,000.00
Interest receivable - Pan Hydro (Pvt) Ltd.		276,259.60	-
Cash at banks	02	30,495,303.91	18,889,016.77
Cash in hand		1,066.58	2,388.94
<b>Total current assets</b>		<u>80,772,630.09</u>	<u>68,891,405.71</u>
<b>Total assets</b>		<u>86,743,875.86</u>	<u>75,726,854.95</u>
<b>Accumulated fund</b>			
Restricted Funds	03	66,402,104.19	57,907,707.81
Unrestricted Funds (Common Funds)	04	17,420,549.47	15,188,647.18
<b>Total accumulated fund</b>		<u>83,822,653.66</u>	<u>73,096,354.99</u>
<b>Current liabilities</b>			
Temporary loan - Mr. M.W. Karunaratne		2,191,222.20	2,174,722.20
Income tax payable		730,000.00	455,777.76
<b>Total current liabilities</b>		<u>2,921,222.20</u>	<u>2,630,499.96</u>
<b>Total accumulated fund and liabilities</b>		<u>86,743,875.86</u>	<u>75,726,854.95</u>

  
Trustee

  
Trustee

Colombo.

September 25, 2016.



Karuna Trust

## Statement of changes in accumulated fund for the year ended March 31, 2016

	2 0 1 6			2 0 1 5
	Restricted Funds (Education and Scholarships)	Unrestricted Funds (Common Funds)	Total	
	Rs.	Rs.	Rs.	Rs.
Balance - beginning of the year - Reported	57,787,732.17	15,188,647.18	72,976,379.35	66,577,527.14
Add: Previous year adjustments -				
Overprovision of income tax	90,629.00	-	-	90,629.00
Overstatement of interest income	29,346.64	-	-	29,346.64
Adjusted balance - beginning of the year	57,907,707.81	15,188,647.18	72,976,379.35	66,697,502.78
Add: Funds received during the year	9,387,226.31	5,973,687.50	15,360,913.81	6,871,434.32
Interest received on deposits and loan	4,210,525.64	-	4,210,525.64	6,901,010.47
	<u>71,505,459.76</u>	<u>21,162,334.68</u>	<u>92,547,818.80</u>	<u>80,469,947.57</u>
Funds transferred to financial activities	4,236,182.92	3,741,785.21	7,977,968.13	6,589,045.94
Income tax	867,172.65	-	867,172.65	370,571.36
	<u>5,103,355.57</u>	<u>3,741,785.21</u>	<u>8,845,140.78</u>	<u>6,959,617.30</u>
Balance - end of the year	<u>66,402,104.19</u>	<u>17,420,549.47</u>	<u>83,702,678.02</u>	<u>73,510,330.27</u>



Karuna Trust

**Cash flow statement**

	<b>2016</b>	<b>2015</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Project activities:</b>		
Funds received	15,360,913.81	6,871,434.32
Cash paid for project activities -		
Project expenses	(6,207,214.90)	(5,559,269.39)
Other expenses	(906,549.76)	(579,135.21)
Government for taxes	(505,777.03)	28,997.64
<b>Net cash flow from project activities</b>	<b><u>7,741,372.12</u></b>	<b><u>762,027.36</u></b>
<b>Investing activities:</b>		
<b>Cash was used to</b>		
Purchased of office equipment	-	26,000.00
<b>Net cash provided by investing activities</b>	<b><u>-</u></b>	<b><u>(26,000.00)</u></b>
<b>Financing activities:</b>		
<b>Cash was provided by</b>		
Interest received	3,847,092.66	6,901,010.47
Temporary loan	16,500.00	167,012.77
<b>Cash was used to</b>		
Temporary loan	-	(50,000,000.00)
<b>Net cash provided by financing activities</b>	<b><u>3,863,592.66</u></b>	<b><u>(42,931,976.76)</u></b>
<b>Net increase in cash and cash equivalents</b>	<b><u>11,604,964.78</u></b>	<b><u>(42,195,949.40)</u></b>
Cash and cash equivalents as at April 01,	18,891,405.71	61,087,355.11
<b>Cash and cash equivalents as at March 31,</b>	<b><u>30,496,370.49</u></b>	<b><u>18,891,405.71</u></b>
<b>Note - A - Cash and cash equivalents as at March 31,</b>		
Cash at bank	30,495,303.91	18,889,016.77
Cash in hand	1,066.58	2,388.94
	<b><u>30,496,370.49</u></b>	<b><u>18,891,405.71</u></b>



## General information and accounting policies

### 1). General information

- 1.1. Karuna Trust is a non governmental organization as per the definition provided in the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organizations (including Non Governmental Organizations).
- 1.2. The notes to the financial statements on page 10 is an integral part of the financial statements.
- 1.3. All values presented in the financial statements are in Rupees unless otherwise indicated.

### 2). Summary of significant accounting policies

#### 2.1 General Policies

##### 2.1.1 Basis of Preparation

The balance sheet, statement of financial activities, statement of changes in accumulated fund and the cash flows, together with the accounting policies and notes to the financial statements as at March 31, 2016 and for the year then ended comply with the Sri Lanka Statement of Recommended Practice for Not-for-Profit Organizations (including Non Governmental Organizations) issued by the Institute of Chartered Accountants of Sri Lanka.

##### 2.1.2 Comparative Information

The Accounting policies have been consistently applied, unless otherwise stated, and are consistent with those used in previous years.

##### 2.1.3 Taxation

###### Current Taxes

Income tax is provided in accordance with the provisions of the Inland Revenue Act No. 10 of 2006, on the profits earned by the Organization and in terms of S: 102(1) and is based on the elements of income and expenditure reflected in the statement of financial activities and on the elements of grants received, subject to exemptions of grants received for rehabilitation and the provision of infrastructure facilities and livelihood support to displaced persons.



## 2.2. Accounting for the receipt and utilization of Funds

### 2.2.1 Funds

#### a). Unrestricted Funds

Unrestricted funds are those that are available for use by the Organization at the discretion of the Board, in furtherance of the general objectives of the Organization and which are not designated for any specific purpose.

#### b). Designated Funds

Unrestricted funds designated by the Board to a specific purpose are identified as designated funds. The activities for which these funds may be used are identified in the financial statements.

#### c). Restricted Funds

Where grants are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the statement of financial activities to match with expenses incurred in respect of that identified project. Unutilized funds are held in their respective fund accounts and included under accumulated fund in the balance sheet until such time as they are required.

### 2.2.2 Grants and Subsidies

Grants and subsidies related to assets are generally deferred in the balance sheet and credited to the statement of financial activities over the useful life of the asset.

In the case of grants received to fund an entire project or activity, which includes the purchase of an asset, and the cost of such asset is charged with the project costs to the statement of financial activities, the grant value is recognized as income in the same period as the cost of the asset is charged to the statement of financial activities. On conclusion of the project, in the event that the asset is not handed over to the beneficiary or returned to the original donor, the cost of the asset is included in a memorandum inventory of property plant and equipment identified as such in the financial statements.



### 2.3. Valuation of assets and their bases of measurement

#### 2.3.1 *Receivables*

Receivables are stated at the amounts they are estimate to realize net of provisions for bad and doubtful debts.

#### 2.3.2 *Cash and cash equivalents*

Cash and cash equivalents are defined as cash in hand, demand deposits, short term investments readily convertible to identified amounts of cash and which are not subject to any significant risk of change in value.

For purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and bank deposits, net of outstanding bank overdrafts. Investments with short maturities (i.e. of 3 months or less from the date of acquisition) are also treated as cash equivalents.

### 2.4. Statement of Financial Activities

#### 2.4.1 *Income recognition*

##### Incoming Resources

Income realized from restricted funds is recognized in the statements of financial activities only when there is certainty that all of the conditions for receipt of the funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the statement of financial activities. Unutilized funds are carried forward as such in the balance sheet.

#### 2.4.2. *Expenditure recognition*

Expenses in carrying out the projects and other activities of the Organization are recognized in the statement of financial activity during the period in which they are incurred. Other expenses incurred in administering and running the Organization and in restoring and maintaining the property plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the statement of financial activities.



Karuna Trust

## Notes to financial position as at March 31, 2016

## Note - 01 - Property and equipment

	C o s t		
	Balance as at April 01, 2015	Additions during the year	Balance as at March 31, 2016
	Rs.	Rs.	Rs.
Nissan Motor Car - WP KN 9725	8,500,000.00	-	8,500,000.00
Office equipment -			
Writing table and office cupboard	25,298.75	-	25,298.75
Computer and accessories	26,000.00	-	26,000.00
	<u>8,551,298.75</u>	<u>-</u>	<u>8,551,298.75</u>

		D e p r e c i a t i o n		
		Accumulated as at April 01, 2015	For the year	Accumulated as at March 31, 2016
	Rate %	Rs.	Rs.	Rs.
Nissan Motor Car - WP KN 9725	10	1,700,000.00	850,000.00	2,550,000.00
Office equipment -				
Writing table and office cupboard	25	7,905.86	6,324.69	14,230.55
Computer and accessories	33 1/3	7,943.65	7,878.78	15,822.43
		<u>1,715,849.51</u>	<u>864,203.47</u>	<u>2,580,052.98</u>
<b>Net book value</b>		<u>6,835,449.24</u>		<u>5,971,245.77</u>

	2016 Rs.	2015 Rs.
<b>Note - 02 - Cash at banks</b>		
Fixed deposits -		
Bank of Ceylon - Homagama	-	11,500,000.00
Commercial Bank of Ceylon PLC - Homagama	-	1,593,380.00
Pan Asia Banking Corporation PLC - Homagama	21,000,000.00	-
Sanasa Development Bank	7,500,000.00	-
Current accounts -		
Bank of Ceylon - Homagama - A/c No: 711444	674,877.30	4,284,454.30
Commercial Bank of Ceylon PLC - Battaramulla - A/c No: 8290016173	19,422.13	18,950.93
A/c No: 1750029929	1,301,004.48	1,492,231.54
	<u>30,495,303.91</u>	<u>18,889,016.77</u>



## Karuna Trust

	2016 Rs.	2015 Rs.
<b>Note - 03 - Restricted funds</b>		
Balance - beginning of the year	57,787,732.17	49,664,466.79
Add: Previous year adjustment		
Overprovision of income tax	90,629.00	90,629.00
Overstatement of interest income	29,346.64	29,346.64
Adjusted balance - beginning of the year	57,907,707.81	49,784,442.43
Funds received during the year	9,387,226.31	3,912,938.06
Interest received on deposits and loan	4,210,525.64	7,366,832.47
	<u>71,505,459.76</u>	<u>61,064,212.96</u>
Less: Funds transferred to financial activities	4,236,182.92	2,320,112.15
Provision for taxation -		
Income tax	867,172.65	836,393.00
	<u>5,103,355.57</u>	<u>3,156,505.15</u>
Balance - end of the year	<u>66,402,104.19</u>	<u>57,907,707.81</u>
<b>Note - 03 :01 - Funds received during the year</b>		
Education and scholarship fund	8,724,576.31	-
Library Projects	-	401,100.29
School Leavers Training Programme	662,650.00	648,500.00
Vision 2020 Project	-	1,878,561.55
Asokapura Project	-	342,765.62
Madawala Pre-school Project	-	607,010.60
Miscellaneous	-	35,000.00
	<u>9,387,226.31</u>	<u>3,912,938.06</u>
<b>Note - 03 :02 - Interest received on deposits and loan</b>		
Fixed deposits	960,013.47	5,843,132.02
Savings deposits	512.17	742.45
Temporary loan - Pan Hydro (Pvt) Ltd	3,250,000.00	1,522,958.00
	<u>4,210,525.64</u>	<u>7,366,832.47</u>
<b>Note - 04 - Unrestricted fund</b>		
Balance - beginning of the year	15,188,647.18	16,913,060.35
Funds received	5,973,687.50	2,958,496.26
	<u>21,162,334.68</u>	<u>19,871,556.61</u>
Less: Funds transferred to financial activities	3,741,785.21	4,682,909.43
	<u>17,420,549.47</u>	<u>15,188,647.18</u>

