

PRIVATE AND CONFIDENTIAL

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**FINANCIAL STATEMENTS**

**OF**

**KARUNA TRUST**

**FOR THE YEAR ENDED**

**MARCH 31, 2018**

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

THIS DOCUMENT CONTAINS 10 PAGES

SEPTEMBER 25, 2018



## 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, 2018
- b). Statement of financial position as at March 31, 2018
- c). Statement of changes in accumulated fund for the year ended March 31, 2018
- d). Cash flow statement for the year ended March 31, 2018

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, 2018 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, 2018

Karuna Trust  
Registered No: L-82501  
67, UDA Industrial Estate, Katuwana Road, Homagama  
Statement of financial activities

	Note	2 0 1 8			2 0 1 7
		Restricted Funds (Education and Scholarships) Rs.	Unrestricted Funds (Common Funds) Rs.	Total Rs.	Rs.
<b>Incoming resources</b>					
Funds transferred from respective fund accounts		3,689,169.35	7,871,775.77	11,560,945.12	8,124,636.05
<b>Expenditure</b>					
Projects -					
Library		76,484.00	-	76,484.00	213,375.24
Rambuka School		11,500.00	-	11,500.00	405,290.00
Donation		-	638,265.75	638,265.75	11,068.20
School books and stationery		76,495.00	-	76,495.00	-
Miscellaneous		2,965.00	-	2,965.00	145,114.00
Thelejjavila/Kelasiyabalawa Dhamma School		1,553,825.00	-	1,553,825.00	26,007.00
Galle School Children's		-	-	-	60,000.00
Cataract and giving sight giving life		-	5,636,835.54	5,636,835.54	-
Vision 2020 Project		-	-	-	3,589,529.26
School Leavers Training		-	-	-	150,000.00
Agarauda Tube Well Project		-	105,400.00	105,400.00	20,000.00
Vauniya South Irrigation Tank		-	-	-	366,510.00
Flood Relief Project		-	1,457,941.15	1,457,941.15	434,228.39
Piliyandala Hospital Project		-	-	-	252,830.25
Kotiyagala Library Building Project		-	-	-	250,000.00
Disposal expenses	06	-	33,333.33	33,333.33	9,194.84
Others -					
Bank charges		6,335.00	-	6,335.00	2,980.00
Insurance		102,198.96	-	102,198.96	83,456.74
Maintenance of vehicles		709,268.44	-	709,268.44	324,583.57
Fuel - KN 9725/CAW 0525		243,870.00	-	243,870.00	356,903.00
Stationery and postage		567.50	-	567.50	1,510.00
Telephone		-	-	-	5,435.07
Advertisement		4,800.00	-	4,800.00	11,099.00
Depreciation		570,600.45	-	570,600.45	855,493.49
Semi Luxury tax		-	-	-	15,000.00
Accounts clerk fees		27,000.00	-	27,000.00	21,000.00
Computer maintenance		-	-	-	6,500.00
Scholarships		303,260.00	-	303,260.00	507,528.00
		<u>3,689,169.35</u>	<u>7,871,775.77</u>	<u>11,560,945.12</u>	<u>8,124,636.05</u>



Karuna Trust

Registered No: L-82501

67, UDA Industrial Estate, Katuwana Road, Homagama

Statement of financial position

		As at March 31,	
		2018	2017
		Rs.	Rs.
<b>Assets</b>			
<b>Non current assets</b>			
Property and equipment	01	7,807,192.96	5,111,126.74
Loan - Pan Hydro (Pvt) Ltd.		42,000,000.00	46,000,000.00
<b>Total non current assets</b>		<u>49,807,192.96</u>	<u>51,111,126.74</u>
<b>Current assets</b>			
Interest receivable	02	478,350.00	625,095.00
Cash at banks	03	55,984,553.35	42,888,688.95
Cash in hand		19,081.18	4,301.18
<b>Total current assets</b>		<u>56,481,984.53</u>	<u>43,518,085.13</u>
<b>Total assets</b>		<u>106,289,177.49</u>	<u>94,629,211.87</u>
<b>Accumulated fund</b>			
Restricted Funds	04	83,059,441.43	74,553,923.24
Unrestricted Funds (Common Funds)	05	20,071,353.86	17,163,248.43
<b>Total accumulated fund</b>		<u>103,130,795.29</u>	<u>91,717,171.67</u>
<b>Current liabilities</b>			
Temporary loan - Mr. M.W. Karunaratne		2,298,222.20	2,198,222.20
Income tax payable		860,160.00	713,818.00
<b>Total current liabilities</b>		<u>3,158,382.20</u>	<u>2,912,040.20</u>
<b>Total accumulated fund and liabilities</b>		<u>106,289,177.49</u>	<u>94,629,211.87</u>

  
Trustee

  
Trustee

Colombo.

September 25, 2018.



Karuna Trust

Statement of changes in accumulated fund for the year ended March 31, 2018

	2 0 1 8			2 0 1 7
	Restricted Funds (Education and Scholarships) Rs.	Unrestricted Funds (Common Funds) Rs.	Total Rs.	Rs.
Balance - beginning of the year - Reported	74,553,923.24	17,163,248.43	91,717,171.67	83,822,653.66
Add: Funds received during the year	4,834,651.00	10,779,881.20	15,614,532.20	10,482,883.40
Interest received on deposits and loan	8,638,531.81	-	8,638,531.81	6,300,088.66
	<u>88,027,106.05</u>	<u>27,943,129.63</u>	<u>115,970,235.68</u>	<u>100,605,625.72</u>
Funds transferred to financial activities	3,689,169.35	7,871,775.77	11,560,945.12	8,124,636.05
Income tax	860,160.00	-	860,160.00	763,818.00
	<u>4,549,329.35</u>	<u>7,871,775.77</u>	<u>12,421,105.12</u>	<u>8,888,454.05</u>
Balance - end of the year	<u>83,477,776.70</u>	<u>20,071,353.86</u>	<u>103,549,130.56</u>	<u>91,717,171.67</u>



Karuna Trust

Cash flow statement

	2018 Rs.	2017 Rs.
<b>Project activities:</b>		
Funds received	15,614,532.20	10,482,883.40
Cash paid for project activities -		
Project expenses	(9,559,711.44)	(5,912,884.14)
Other expenses	(1,497,299.90)	(1,335,995.38)
Government for taxes	(713,818.00)	(780,000.00)
<b>Net cash flow from project activities</b>	<b><u>3,843,702.86</u></b>	<b><u>2,454,003.88</u></b>
<b>Investing activities:</b>		
<b>Cash was provided by</b>		
Sale of motor vehicle	4,600,000.00	-
<b>Cash was used to</b>		
Purchased of non current assets	(7,800,000.00)	(15,637.50)
<b>Net cash used to investing activities</b>	<b><u>(3,200,000.00)</u></b>	<b><u>(15,637.50)</u></b>
<b>Financing activities:</b>		
<b>Cash was provided by</b>		
Interest received	8,366,941.54	5,951,253.26
Temporary loan	4,100,000.00	4,007,000.00
<b>Net cash provided by financing activities</b>	<b><u>12,466,941.54</u></b>	<b><u>9,958,253.26</u></b>
<b>Net increase in cash and cash equivalents</b>	<b><u>13,110,644.40</u></b>	<b><u>12,396,619.64</u></b>
Cash and cash equivalents as at April 01,	42,892,990.13	30,496,370.49
<b>Cash and cash equivalents as at March 31,</b>	<b><u>56,003,634.53</u></b>	<b><u>42,892,990.13</u></b>
<b>Note - A - Cash and cash equivalents as at March 31,</b>		
Cash at bank	55,984,553.35	42,888,688.95
Cash in hand	19,081.18	4,301.18
	<b><u>56,003,634.53</u></b>	<b><u>42,892,990.13</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 statement of financial position, 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, 2017 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.



Notes to financial statements for the year ended March 31, 2018

Note - 01 - Property and equipment

	C o s t				
	Balance as at April 01, 2017	Additions during the year	(Disposals during the year)	Balance as at March 31, 2018	
	Rs.	Rs.	Rs.	Rs.	
Nissan Motor Car - WP KN 9725	8,500,000.00	-	(8,500,000.00)	-	
Motor Car - CAW 0525	-	7,800,000.00	-	7,800,000.00	
Office equipment -					
Filing cabinet	11,137.50	-	-	11,137.50	
Computer and accessories	13,000.00	-	-	13,000.00	
	<u>8,524,137.50</u>	<u>7,800,000.00</u>	<u>(8,500,000.00)</u>	<u>7,824,137.50</u>	
	D e p r e c i a t i o n				
	Rate	Accumulated as at April 01, 2017	For the year	(On disposals)	Accumulated as at March 31, 2018
	%	Rs.	Rs.	Rs.	Rs.
Nissan Motor Car - WP KN 9725	10	3,400,000.00	566,666.67	(3,966,666.67)	-
Office equipment -					
Filing cabinet	25	1,160.16	2,784.38	-	3,944.54
Computer and accessories	33 1/3	11,850.60	1,149.40	-	13,000.00
		<u>3,413,010.76</u>	<u>570,600.45</u>	<u>(3,966,666.67)</u>	<u>16,944.54</u>
<b>Net book value</b>		<u>5,111,126.74</u>			<u>7,807,192.96</u>

Note - 02 - Interest receivable

	2018 Rs.	2017 Rs.
Pan Hydro (Pvt) Ltd.	-	625,095.00
Pan Asia Bank	478,350.00	-
	<u>478,350.00</u>	<u>625,095.00</u>

Note - 03 - Cash at banks

Fixed deposits -

Bank of Ceylon - Homagama	12,533,600.00	5,000,000.00
Pan Asia Banking Corporation PLC - Homagama	31,000,000.00	30,000,000.00
Sanasa Development Bank	5,500,000.00	5,500,000.00
Commercial Bank of Ceylon PLC	2,500,000.00	-

Current accounts -

Bank of Ceylon - Homagama -		
A/c No: 711444	1,329,680.81	1,760,499.36
A/c No: 81010542	1,722,884.45	-
Commercial Bank of Ceylon PLC - Battaramulla -		
Current A/c No: 1750029929	1,398,388.09	628,189.59
	<u>55,984,553.35</u>	<u>42,888,688.95</u>



Karuna Trust

	2018 Rs.	2017 Rs.
<b>Note - 04 - Restricted funds</b>		
Balance - beginning of the year	74,553,923.24	66,402,104.19
Funds received during the year (Note - 04:01)	4,834,651.00	9,666,615.80
Interest received on deposits and loan (Note - 04:02)	8,220,196.54	6,300,088.66
	<u>87,608,770.78</u>	<u>82,368,808.65</u>
Less: Funds transferred to financial activities	3,689,169.35	7,051,067.41
Provision for income tax	860,160.00	763,818.00
	<u>4,549,329.35</u>	<u>7,814,885.41</u>
Balance - end of the year	<u>83,059,441.43</u>	<u>74,553,923.24</u>
<b>Note - 04 :01 - Funds received during the year</b>		
Education and scholarship fund	4,834,651.00	7,285,087.72
Vision 2020 Project	-	2,365,028.08
Dhamma School Projects	-	16,500.00
	<u>4,834,651.00</u>	<u>9,666,615.80</u>
<b>Note - 04 :02 - Interest received on deposits and loan</b>		
Fixed deposits	4,636,195.54	2,491,903.42
Savings deposits	-	515.04
Temporary loan - Pan Hydro (Pvt) Ltd	3,584,001.00	3,807,670.20
	<u>8,220,196.54</u>	<u>6,300,088.66</u>
<b>Note - 05 - Unrestricted fund</b>		
Balance - beginning of the year	17,163,248.43	17,420,549.47
Funds received (Note - 05:01)	10,779,881.20	816,267.60
	<u>27,943,129.63</u>	<u>18,236,817.07</u>
Less: Funds transferred to financial activities	7,871,775.77	1,073,568.64
	<u>20,071,353.86</u>	<u>17,163,248.43</u>
<b>Note - 05:01 - Funds received</b>		
Cataract Project	4,211,570.78	40,000.00
Vauniya Irrigation Tank Project	-	99,160.00
Piliyandala Hospital Project	-	150,000.00
Flood Relief Fund	2,125,525.42	527,107.60
Donations	4,442,785.00	-
	<u>10,779,881.20</u>	<u>816,267.60</u>
<b>Note - 06 - Disposal expenses</b>		
Profit on sale of motor vehicle Nissan Motor Car - WP KN 9725		
Sale proceeds	4,600,000.00	
Less: Net book value		
Cost	8,500,000.00	
Commission	100,000.00	
	<u>8,600,000.00</u>	
Depreciation	3,966,666.67	
	<u>4,633,333.33</u>	
	<u>(33,333.33)</u>	

