



Kathmandu Institute of Child Health

Audit Report 2076-2077

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
KATHMANDU INSTITUTE OF CHILD HEALTH**

Opinion

We have audited the financial statements of Kathmandu Institute of Child Health "KIOCH" for the year ended 31 Ashad 2077 (15 July 2020) which comprise of the Balance Sheet, Income Statement and Statement of Cash Flow for the year ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the organization as at 31 Ashad 2077 (15 July 2020) and of its financial performance and cash flows for the year then ended and have been properly prepared in accordance with Nepal Accounting Standards;

Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of KIOCH in accordance with the hand book of code of ethics issued by ICAN, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of Our Report

This report, including the opinion, has been prepared for and only for the members of KIOCH and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Responsibilities of Management for the Financial Statements

The management is responsible for the preparation of financial statements that give a true and fair view in accordance with generally accepted accounting principles, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the organization or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists.



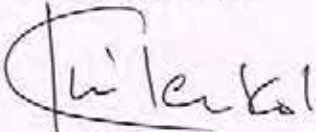

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the organization;
- Conclude on the appropriateness of the managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

For and on behalf of

Sunil Devkota, FCA

Partner

S. Devkota and Company

Chartered Accountants

Date: 8 November 2020

UDIN: 201108CA00195z8EzA

Kathmandu Institute of Child Health

Balance Sheet

As at Ashad 31, 2077 (July 15, 2020)

Particulars	Schedule	As at 15-Jul-20 Rs.	As at 16-Jul-19 Rs.
EQUITY & LIABILITIES			
Equity			
Member's Fund	1	14,232,002	6,225,829
Reserve Fund & Accumulated Profit	2	(3,977,705)	(702,775)
Total Equity		10,254,297	5,523,054
Current Liabilities			
Trade & Other Payables	3	118,676	100,968
Provisions	4	-	-
Total Current Liabilities		118,676	100,968
TOTAL EQUITY & LIABILITIES		10,372,973	5,624,022
ASSETS			
Non Current Assets			
Property Plant & Equipment	5	5,798,370	-
Total Non Current Assets		5,798,370	-
Current Assets			
Cash & Bank Balances	6	4,173,543	5,609,622
Prepayments, Loans, Advances & Deposits	7	391,460	-
Total Current Assets		4,565,003	5,609,622
Preoperating Expenses	8	9,600	14,400
TOTAL ASSETS		10,372,973	5,624,022
Significant Accounting Policies & Notes to the Accounts	12		

As per our attached report on even date


Mandar Shikhar Bandyopadhyaya
 Admin. Consultant


Prof. Dr. Bhagawan Koirala
 Chairman


Sunil Devkota, FCA
 Partner
 S. Devkota & Company
 Chartered Accountants




Location: Kathmandu
 Date : October 2020

Kathmandu Institute of Child Health
Income Statement
For the year ended Ashad 31, 2077 (July 15, 2020)

Particulars	Schedule	Current Year	Previous Year
Income			
Hospital Income	9	-	-
Direct Expenses			
Hospital Expenditure	10	-	-
Gross Profit			
Administrative Expenses	11	3,151,761	385,946
Depreciation		123,169	-
Operating Profit		(3,274,929)	(385,946)
Profit Before Tax		(3,274,929)	(385,946)
Provision for Staff Bonus		-	-
Profit Before Tax		(3,274,929)	(385,946)
Provision for Income Tax		-	-
Profit for the year		(3,274,929)	(385,946)
Significant Accounting Policies & Notes to the Accounts	12	As per our attached report on even date	


Mandar Shikhar Bandyopadhyaya
Admin. Consultant


Prof. Dr. Bhagawan Koirala
Chairman


Sunil Devkota, FCA
Partner

S. Devkota & Company
Chartered Accountants



Location: Kathmandu
Date : October 2020

Kathmandu Institute of Child Health
Cash Flow Statement
For the year ended Ashad 31, 2077 (July 15, 2020)

Particulars	Current Year	Previous Year
<u>Cash Flow form Operating Activities</u>		
Net Profit Before Tax	(3,274,929)	(385,946)
Adjustments		
Depreciation	123,169	-
Amortization of Pre-operating Expense	4,800	4,800
Cash Flow before change in Working Capital	(3,146,961)	(381,146)
<u>Changes in Working Capital</u>		
Decrease / (Increase) in Current Assets	(391,460)	-
(Decrease) / Increase in Current Liabilities	17,707	45,362
Net Cash from Operative Activities (A)	(3,520,713)	(335,784)
<u>Cash Flow from Investing Activities</u>		
Increase in Share Investment	-	-
Sale of Fixed Assets	-	-
Purchase of Fixed Assets	(5,921,539)	-
Net Cash Used in Investing Activities (B)	(5,921,539)	-
<u>Cash Flow from Financial Activities</u>		
Increase / (Decrease) in Member's Fund	8,006,173	3,955,500
Increase / (Decrease) in Secured Loan	-	-
Net Cash used in Financial Activities (C)	8,006,173	3,955,500
Net Cash Increase / (Decrease) (A+B+C)	(1,436,079)	3,619,716
Cash and Cash Equivalent at the beginning of the year	5,609,622	1,989,906
Cash and Cash Equivalent at the end of the year	4,173,543	5,609,622

Significant Accounting Policies &

Notes to the Accounts

12

As per our attached report on even date



Mandar Shikhar Bandyopadhyaya
Admin. Consultant



Prof. Dr. Bhagwan Koirala
Chairman



Sunil Devkota, FCA
Partner
S. Devkota & Company
Chartered Accountants



Location: Kathmandu
Date : October 2020

Kathmandu Institute of Child Health

Statement of Changes in Equity

For the year ended Ashad 31, 2077 (July 15, 2020)

Particulars	Member's Fund Rs	Reserve and Surplus Rs	Total Rs
Balance as at 16 July 2018	2,270,329.00	(316,829.00)	1,953,500.00
Additions during the year	3,955,500	(385,946)	3,569,553.79
Balance as at 16 July 2019	6,225,829.00	(702,775.21)	5,523,053.79
Additions during the year	8,006,173.00	(3,274,929.34)	4,731,243.66
Balance as at 15 July 2020	14,232,002.00	(3,977,704.55)	10,254,297.45



Kathmandu Institute of Child Health

Schedules forming part of the Accounts for the year ended Ashad 31, 2077

Particulars	As at 15-Jul-20 Rs.	As at 16-Jul-19 Rs.
Schedule: 1		
Member's Fund		
Opening Balance	6,225,829	2,270,329
Member's Contribution During the Year (Sub Schedule 1)	8,006,173	3,955,500
Total	14,232,002	6,225,829.00
Schedule: 2		
Reserve & Surplus		
Opening Balance	(702,775)	(316,829.00)
Add: Profit for the Year	(3,274,929)	(385,946.21)
Total	(3,977,705)	(702,775.21)
Schedule: 3		
Trade & Other Payables		
Audit Fee Payables	51,901	29,601
Sundry Creditors	51,200	51,200
SST Payables	-	2,121
TDS Payable	15,575	18,046
Total	118,676	100,968.21
Schedule: 4		
Provisions		
Provision for Income Tax	-	-
Total	-	-
Schedule: 6		
Cash & Bank Balances		
Cash balances	10,970	11,000.00
Bank Balances	4,162,573	5,598,622.00
Total	4,173,543	5,609,622.00
Schedule: 7		
Prepayments, Loans, Advances & Deposits		
Receivable From Karuna Foundation	16,200	-
Receivable From NCDI Project	117,626	-
Advance to Kshyamadevi Suppliers	246,898	-
Other Receivables	10,736	-
Total	391,460	-
Schedule: 8		
Pre-operating Expense		
Pre-operating Expense (to be written off)	9,600	14,400
	9,600	14,400

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Kathmandu Institute of Child Health

Schedules forming part of the Accounts for the year ended Ashad 31, 2077

Particulars	Current Year	Previous Year
Schedule: 9		
Income		
Hospital Income	-	-
Total	-	-
Schedule: 10		
Direct Expenses		
Direct Hospital Expenses	-	-
Total	-	-
Schedule: 11		
Administrative Expenses		
Salary & Allowance	970,975.00	151,515.15
Travelling and Transportation	82,553.00	54,740.00
Amortization of Pre-operating Expense	4,800.00	4,800.00
Annual General Meeting Expenses	44,820.96	-
Audit Fees	22,600.00	10,000.00
Bank Charge	410.00	55.00
Cleaning Expenses	38,071.25	-
Consultancy expense	-	117,647.06
Designig and Master Plan	9,097.00	-
Good Well Ambassador Announcement Event	66,233.00	-
Health Facility Survey	26,965.00	-
Hoarding Board Expenses	4,520.00	-
Hospitality	76,923.15	-
Insurance	-	13,489.83
Internet and Communication	24,139.00	-
Land Lease Rental	824,420.00	-
Legal Service Expenses	29,412.00	-
Meeting Expense	53,058.00	30,811.79
Miscellaneous Expense	22,000.00	562.38
Policy and System Development	341,756.00	-
Printing and Stationery	479,585.36	2,325.00
Renewal Expenses	29,422.00	-
Total	3,151,760.72	385,946.21



Kathmandu Institute of Child Health

Schedules forming part of the Accounts for the year ended Ashad 31, 2077 (July 15, 2020)

Schedule: 5 Fixed Assets

Particulars	Gross Block			Depreciation			Net Block	
	%	Up to Previous Year	Additions During the Year	Total	Up to Previous Year	During the Year	As on 2077.03.31	As on 2076.03.31
Furniture & Fixtures	25%	-	250,835	250,835	-	62,709	188,126	-
Television and Screen	25%	-	50,000	50,000	-	12,500	37,500	-
Computer and Electronic Device	25%	-	191,839	191,839	-	47,960	143,880	-
Vehicle	20%	-	-	-	-	-	-	-
Other Assets	15%	-	-	-	-	-	-	-
Total		-	492,674	492,674	-	123,169	369,506	-
Leasehold Development WIP		-	5,428,864	5,428,864	-	-	5,428,864	-
Grand Total		-	5,921,539	5,921,539	-	123,169	5,798,370	-



Kathmandu Institute of Child Health

Sub-Schedules forming part of the Accounts for the year ended Ashad 31, 2077

Particulars	Current Year	Previous Year
Sub-Schedule: I		
Member's Contribution During the Year		
Bhuwan Dahal	-	100,000.00
Bhagwan Koirala	-	100,000.00
Creating Possibilities	-	1,090,000.00
Bidur Khadka	25,500.00	-
Bipin Ku Bhurtel	25,000.00	-
BK Sharma	15,000.00	-
Dhruba Raj Karki	5,000.00	-
Gautam Thapa	25,000.00	-
Hari Saran Siwakoti	11,111.00	-
Kamal Nepal	5,000.00	-
Manjan Thapa	15,000.00	-
Nabin Tuladhar	34,000.00	-
Padam Bahadur Chhetri	5,000.00	-
Pralhad Thapa	10,000.00	-
Prem Bhusal	25,000.00	-
Sanotshi Lamichhane	5,000.00	-
Shreya Upreti	1,505.00	-
Sumi Karki	50,000.00	-
Surya Nath Adhikari	10,000.00	-
Tilak Pokharel	34,000.00	-
Umesh J Thapa	30,000.00	-
Donation Received From Rajan Basnet	10,000.00	-
Bal Krishna Ghimire	100,000.00	-
Bishnu Pd Jamkatel	5,000.00	-
Dhrub Prasad Acharaya	25,000.00	-
Dibya Mani Rajbhandari	300,000.00	-
Dinesh Acharaya	900,000.00	-
Dinesh Thapa	25,500.00	-
Janardan Rayamajhi	30,051.00	-
Jaya Kumar Thapa	5,000.00	-
Krimo Foundation	1,900,000.00	-
LRI School	500,005.00	-

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Madhav Thapa	10,000.00	-
Meditech Int.Pvt. Ltd	1,000,000.00	-
Nayan Sanjel	5,000.00	-
Nepal Construction	200,000.00	-
Noor Sanjal	5,000.00	-
Pawan Bista	50,000.00	-
Puspa KR Khadka	10,000.00	-
Rajendra Thapa	10,001.00	-
Sanima Bank	2,000,000.00	-
Sriram Thapa	26,000.00	-
Sunil Katuwal	51,000.00	-
Sunta Raut/Rajesh Raut	7,500.00	-
Prakash Wagle	500,000.00	-
Rajan Rai	-	2,500,000.00
Deepak Raj Sapkota	-	165,500.00
Total	8,006,173.00	3,955,500.00

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Kathmandu Institute of Child Health

Bansbari, Kathmandu

Details of Schedule 5 of the Income Tax Return

Income Year 2076-77

INCOME

1 Hospital Income

2 Other Income

Total

EXPENSES

1 Interest Expenses

Interest as per section 14 of IT Act

2 Repair & Improvement Cost

R & I cost as per section 16 of IT Act

3 Depreciation

Depreciation as per Income Tax Act

123,168.62

5 Other Expenses

Direct Expenses

Administrative Expenses

3,151,760.72

Total

3,151,760.72

Less:

Donation & Charity

Repair & Maintenance Expenses (Claim Separately)

Total Other Expenses

3,151,760.72

Total Allowable Expenses

3,274,929.34

Profit / Loss Account (Loss)

(3,274,929.34)

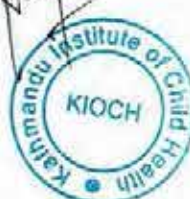
Accumulated Loss upto Previous Year

(702,775.21)

Taxable Income

(3,977,704.55)

Tax Liability



Schedule 12: Significant Accounting Policies & Notes to Accounts

1. Background

Kathmandu Institute of Child Health is a not for profit company registered with the Office of Companies Registrar on Ashad 2074 and registered under PAN with the Inland Revenue Department. The objective of the company is to provide medical facilities especially focusing on the child health care and undertaking research in the pediatric segment. The company has already obtained "Letter of No Objection" for establishment of the child care hospital from the Ministry of Health and Population. The company is still under preliminary phase as no letter of permission is yet issued by the Ministry of Health and Population.

2. Significant Accounting Policies

The financial statements are prepared and presented in accordance with Generally Accepted Accounting Policies for not for profit organization. Major policies are described as follows:

2.1 Basis of Accounting

The financial Statements are prepared under the historical cost convention on an accrual basis except as stated in the related notes.

2.2 Revenue Recognition:

a. Sales Income

The sales income recognized immediately on raising of the invoices after the customers have acquired the services.

b. Interest income:

Interest Income from the bank deposit is recognized on the basis of receipt net of tax.

2.3 Property Plant and Equipment:

The value of fixed assets is capitalized on the basis of the cost of acquisition less depreciation for the period used in the various projects. The cost of acquisition is composed of invoice price plus duties and other directly attributable costs required to bring the asset to location and condition for its use.

Depreciation is charged on written value method based on the rates as per the Income Tax Act, 2058. No depreciation is charged in the year when the assets are disposed or written off.



2.4 Member Fund

The Company does not have share capital rather it obtains donations from individuals/ corporates which is treated as members fund. The contribution received from the members are directly credited to member fund which is disclosed in the financial statement.

2.5 Contingent Liabilities

Management has not estimated any material contingent liability associated with the business of the program conducted by this organization.

2.6 Income Tax

The entity is a not for profit organization. Further, no profit is accrued for the related financial year hence no provision for tax has been created.

2.7 Pre-operating Expenses

Expenses incurred on the registration of the company are categorized as pre-operating expenses which are amortized over a period of 5 years. As such, pre-operating expenses totaling Rs. 4,800 has been amortized in this year 2076/77. The remaining balance of Rs. 9,600 shall be amortized in following years.

The expenses incurred till the current financial year is a part of the preliminary expenses which shall be amortized only after the company comes into commercial operation.

2.8 Comparative Figures:

The previous year's comparative figures are presented in the Financial Statements and they have been regrouped and re-arranged wherever necessary.

3. Notes to Accounts

3.1 Leasehold Development

The Company has leased 41-10-3-0 ropanies of land at Budhanilakantha, Kathmandu for a period of 30 years commencing on 2076/10/15. Expenses incurred for leasehold development being the preparatory works for construction of building including the cost of fencing and earthworks aggregating to Rs 5,428,864 on the leased land is disclosed as leasehold development WIP in Schedule 5 of the financial statement. The expenses thus incurred shall be capitalized once the construction of the building is completed and shall be amortized over the remaining lease period.

