

APAG/ADK/AD

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CENTRE FOR POLICY ALTERNATIVES (GUARANTEE) LTD**

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying Financial Statements of Centre for Policy Alternatives (Guarantee) Ltd, ("the Organization") which comprise the Statement of Financial Position as at 31 December 2018, and Statement of Comprehensive Income, Statement of Changes in Reserves and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 06 to 20.

In our opinion, the financial statements give a true and fair view of the financial position of the Centre for Policy Alternatives (Guarantee) Ltd as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Statement of Recommended Practice for Not-for-Profit Organizations (Including Non-Governmental Organization) (SL SoRP-NPO's [including NGO's]) issued by the Institute of Chartered Accountants of Sri Lanka.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Organization in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Board of Directors ("the Board") is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Statement of Recommended Practice for Not-for-Profit Organizations (Including Non-Governmental Organization) (SL SoRP-NPO's [including NGO's]) issued by the Institute of Chartered Accountants of Sri Lanka, and for such internal control as Board determines 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, Board 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 Board either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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



(Contd...2/-)



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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 SLAuSs 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 SLAuSs, 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- 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.

30 August 2019
Colombo



STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 Rs.	2017 Rs.
ASSETS			
Non Current Assets			
Property Plant and Equipment	6	3,509,520	4,231,803
		<u>3,509,520</u>	<u>4,231,803</u>
Current Assets			
Receivables	7	14,973,731	10,741,766
Short Term Investments	8	34,212,113	34,467,902
Cash and Bank Balances	17	10,433,926	4,052,687
		<u>59,619,770</u>	<u>49,262,355</u>
Total Assets		<u><u>63,129,290</u></u>	<u><u>53,494,158</u></u>
FUNDING AND LIABILITIES			
Accumulated Funds			
Unrestricted Funds	10	(3,911,457)	(11,438,432)
Restricted Funds	11	37,220,746	34,952,003
Capital Reserve		10,727,139	11,708,591
		<u>44,036,428</u>	<u>35,222,162</u>
Non Current Liabilities			
Retirement Benefit Liability	12	13,980,325	11,983,300
		<u>13,980,325</u>	<u>11,983,300</u>
Current Liabilities			
Payables	9	5,112,537	4,728,610
Tax Payable		-	202,001
Bank Overdrafts	17	-	1,358,085
		<u>5,112,537</u>	<u>6,288,696</u>
Total Equity & Liabilities		<u><u>63,129,290</u></u>	<u><u>53,494,158</u></u>

These Financial Statements are in compliance with the requirements of the Companies Act No : 07 of 2007.



 Finance Manager

The Board of Directors are responsible for these Financial Statements. Signed for and on behalf of the Board by;



 Director



 Director

The accounting policies and notes on pages 07 through 21 form an integral part of the Financial Statements.



Centre for Policy Alternatives (Guarantee) Ltd
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	Notes	2018 Rs.	2017 Rs.
Incoming Resources	3	<u>117,042,103</u>	<u>98,095,045</u>
Project Expenditure	4		
Staff Costs		33,975,433	31,359,482
Other Direct Costs		41,309,212	35,158,788
Other Indirect Expenditure		<u>40,757,458</u>	<u>31,576,775</u>
Total Project Cost		<u>116,042,103</u>	<u>98,095,045</u>
Net Surplus on Projects		1,000,000	-
Revenue Earned from Other Activities	13	12,274,618	5,595,272
Administrative Expenses	14	(5,670,574)	(7,283,064)
		<u>7,604,044</u>	<u>(1,687,792)</u>
Finance Cost	15	(77,069)	(42,961)
Net Surplus Before Tax		<u>7,526,975</u>	<u>(1,730,753)</u>
Income Tax Expenses	16	-	(66,106)
Net Surplus for the Year		<u>7,526,975</u>	<u>(1,796,859)</u>
Other Comprehensive Income for the Year		-	-
Total Comprehensive Income for the Year		<u>7,526,975</u>	<u>(1,796,859)</u>

The accounting policies and notes on pages 07 through 21 form an integral part of the Financial Statements.



STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 Rs.	2017 Rs.
Cash Flow From/(Used in) Operating Activities			
Net Surplus/(Deficit) Before Tax		7,526,975	(1,730,753)
Adjustments for			
Depreciation	6	1,687,779	2,707,790
Provision for Defined Benefit Plans	12	2,145,975	1,295,650
Finance Cost	15	77,069	42,961
Project funds written off		-	469,940
Interest Earned		(1,812,586)	(1,757,704)
Disposal gain		(5,000)	156,567
Transfer to Unrestricted Funds through Income Statement		29,484	(344,827)
Funds Transferred through Payable		-	(355,944)
Amortization of Project Assets Capitalized Through Capital Reserve		(981,452)	(2,610,588)
Exchange gain		-	(343,244)
Write Back from Projects		(270,295)	(397,328)
Refundable Deposit Written Off		-	876,052
		<u>8,397,949</u>	<u>(1,991,428)</u>
(Increase) / Decrease in Receivables		(4,323,669)	11,714,463
Increase / (Decrease) in Payables		383,927	(45,337)
Cash Generated from Operations		<u>4,458,207</u>	<u>9,677,698</u>
Tax Paid		-	(387,414)
Finance Costs Paid		(77,069)	(42,961)
Defined Benefit Plan Costs Paid	12	<u>(148,950)</u>	<u>(480,600)</u>
Net Cash Flow from Operating Activities		<u>4,232,188</u>	<u>8,766,723</u>
Cash Flow From/(Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	6	(965,497)	(45,750)
Sale Proceeds from Property, Plant & Equipment		-	258,786
Investment in Government Securities and Fixed Deposits		(255,789)	(3,798,972)
Interest Earned		1,489,162	1,570,458
Net Cash Flow from Investing Activities		<u>267,876</u>	<u>(2,015,478)</u>
Cash Flow From/(Used in) Financing Activities			
Cash Received from Donors not Used for Projects		2,239,259	(6,212,785)
Funds Returned to Donor		-	(3,979,338)
Funds received for restricted activities		1,000,000	-
Net Cash Flow from Financing Activities		<u>3,239,259</u>	<u>(10,192,123)</u>
Net Increase in Cash and Cash Equivalents		7,739,323	(3,440,878)
Cash & Cash Equivalents at the Beginning of the Year	17	2,694,602	6,135,481
Cash & Cash Equivalents at the End of the Year	17	<u>10,433,926</u>	<u>2,694,602</u>

The accounting policies and notes on pages 07 through 21 form an integral part of the Financial Statements.

