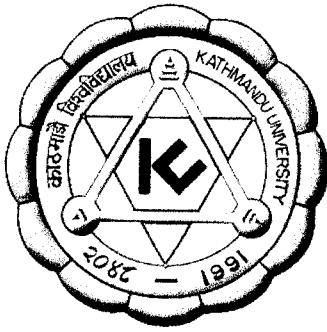


Kathmandu University

Dhulikhel, Nepal



Financial Statements

Fiscal Year: 2077/078 (2020/021)

M.B. SHRESTHA & CO.
Chartered Accountants
Kathmandu, Nepal
Tel: 977-1-4791818
Fax No: 977-1-4791789
Email: mbsshrestha@gmail.com
G.P.O. Box: 720
Kathmandu, Nepal

6 Jestha 2080 (20 May 2023)

INDEPENDENT AUDITOR'S REPORT TO THE SENATE OF KATHMANDU UNIVERSITY

Report on the Audit of Financial Statements

A. Opinion

1. We have audited the accompanying financial statements of **Kathmandu University** (hereinafter "KU" or "Organisation") comprising of the Balance Sheet as at 15 July 2021 (Corresponding to 31 Ashad 2078), Income Statement, Cash Flow Statement and Statement of Change in Net Assets for the year then ended and a summary of Significant Accounting Policies and Notes to Accounts.
2. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organisation as at 15 July 2021, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies as summarised in the Notes to Accounts.
3. As the financial statements of Organisation have not been prepared in compliance with the Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standards Board of Nepal, no opinion is expressed on the same.

B. Basis for Opinion

4. 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 the Organisation in accordance with the Handbook of The Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Nepal (ICAN) and we have fulfilled our ethical responsibilities in accordance with the ICAN's Handbook of The Code of Ethics for Professional Accountants.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

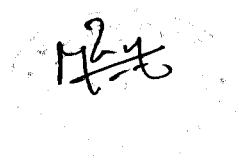
C. Emphasis of Matter

6. Emphasis of Matter – Basis of Accounting

- 6.1 We draw attention to Notes to Accounts to the financial statements which describe the basis of accounting and significant accounting policies. The financial statements are prepared to assist to meet the requirements of section 19 of Kathmandu University Act, 2048. The financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

7. Emphasis of Matter-Write of Assets relating to KUSMS Program of the University

- 7.1 We draw attention to Note 3.18 of the financial statements, which describes the write-off of various assets, including cash and bank balances relating to the KUSMS Program of the University. Our opinion is not modified in respect of this matter.

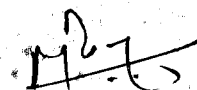


D. Responsibilities of Management and Those Charged with Governance for the Financial Statements

8. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting and accounting policies as summarised in Notes to Accounts to the financial statements 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.
9. In preparing the financial statements, the management is responsible for assessing the Organisation'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 management either intends to liquidate the Organisation or to cease operations or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the Organisation's financial reporting process.

E. Auditor's Responsibilities for the Audit of Financial Statements

11. 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.
12. As part of an audit in accordance with NSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
 - 12.1 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 omission, misrepresentations, or the override of internal control.
 - 12.2 Obtained 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 of the effectiveness of the organization's internal control.
 - 12.3 Evaluate appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the management.
 - 12.4 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 entity'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 Organisation to cease to continue as a going concern.

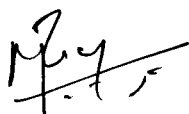
12.5 Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

13. We communicated 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.

14. We also provide those charged with governance 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 our independence and where applicable, related safeguards.

For and on behalf of

M.B. Shrestha & Co., Chartered Accountants



Maheswarendra Bdr. Shrestha, FCA

Proprietor

Place: **Kathmandu**

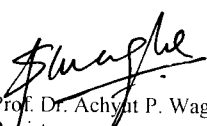
UDIN: 230520CA00117IC5dk

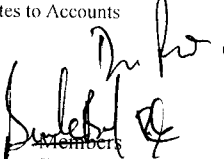
Kathmandu University
Balance Sheet
As at 31 Ashadh 2078 (15 July 2021)


Capital & Liabilities	Schedule	This Year Amount (NRs.)	Previous Year Amount (NRs.)
Fund			
Capital Fund	1	1,456,671,753	1,326,295,180
Land Re-evaluation Reserve		40,530,379	40,530,379
Reserve Fund	2	873,874,359	873,874,359
Reserve Fund (KUSMS)		-	27,154,961
Building Construction Fund	3	247,560,754	247,560,754
Building Construction Fund (KUSMS)	3	-	80,000,000
Corpus Fund		775,000,000	775,000,000
Corpus Fund (KUSMS)		-	285,838,846
Staff Vehicle / House Loan Fund		100,323,885	100,323,885
Human Resources Development Fund		5,500,000	5,500,000
Grant Assets Replacement Reserve		140,907,227	118,994,322
Endowment Funds	4	305,266,696	140,090,871
Scholarship Fund	5	90,547,933	178,751,375
Balance Transferred from Appropriation Account		51,576,909	27,199,152
Total		4,087,759,896	4,227,114,085
Fixed Assets			
Fixed Assets	6	1,639,479,023	1,613,124,757
Fixed Assets (Projects)	7	191,911,533	195,682,930
Fixed Assets (KUSMS)		-	3,395,287
Fixed Assets (KUTTC)		547,001	596,938
Investment of Funds	8	2,158,019,244	2,100,819,244
Total Fixed Assets		3,989,956,801	3,913,619,156
Current Assets			
Cash & Bank Balance		905,318,722	695,097,471
Cash & Bank Balance (KUSMS)		-	374,294,279
Advance & Deposit	9	115,873,427	127,351,089
Inventory Stock (As Certified by the Management)		499,703	1,844,555
Prepaid Expenses		238,680	356,792
Receivable		31,514,583	24,607,249
Inhouse Programs	16	39,899,399	(8,022,726)
Total Current Assets (A)		1,093,344,514	1,215,528,708
Less: Current Liabilities & Provision			
Payable & Deposit	10	801,902,854	674,272,781
Research & Development program	16	188,564,038	223,539,891
Contingent Liabilities		5,074,527	4,221,107
Total Current Liabilities & Provision (B)		995,541,418	902,033,779
Net Current Assets C (A - B)		97,803,095	313,494,929
Total		4,087,759,896	4,227,114,085


Schedule 1 to 16 are integral parts of the financial statements.

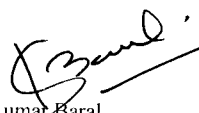
Significant Accounting Policies and Notes to Accounts



Prof. Dr. Achyut P. Wagle
Registrar

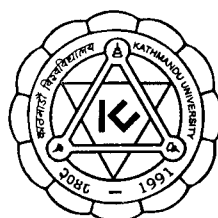

Prof. Dr. Bhola Thapa
Executive Council

17

Prof. Dr. Bhola Thapa
Vice-Chancellor

As per our report of 
Maheswarendra B. Shrestha, FCA
M.B. Shrestha & Co.


Kumar Baral
Chief, Finance Division


Chandeswor Shrestha
Manager, Finance Division



Date: 2023 May 07
Place: Kathmandu, Nepal

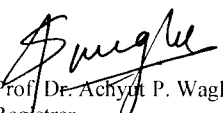
Kathmandu University
Income Statement
1 Shrawan 2077 to 31 Ashadh 2078 (16 July 2020 to 15 July 2021)

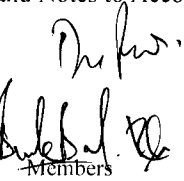
Income	Schedule	This Year Amount (NRs.)	Previous Year Amount (NRs.)
Students Fee	11	637,298,750	765,732,022
Students Fee (KUSMS)		337,839,843	600,010,514
Affiliation Fee	12	24,620,654	34,852,382
Research & Development Income	16	263,963,909	228,312,518
Other Income	13	180,186,735	185,022,174
Exchange Gain		-	17,637,927
Total Income (A)		1,443,909,891	1,831,567,537
Expenditure			
Staff Expenses	14	506,821,717	527,734,461
Administrative Expenses	15	192,593,931	256,226,736
Research & Development Expenses	16	263,963,909	228,312,518
Medical Program Expenses		337,839,843	654,569,232
Exchange Loss		949,232	-
Depreciation Expenses	6,7	110,975,373	114,067,112
Write Off Expenses		-	-
Amortization of Leasehold Property	6	388,128	388,128
Total Expenses (B)		1,413,532,134	1,781,298,188
Surplus (A-B)		30,377,757	50,269,349
Total		1,443,909,891	1,831,567,537

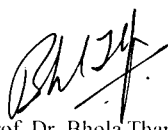
Schedule 1 to 16 are integral parts of the financial statements.
Significant Accounting Policies and Notes to Accounts


17


As per our report of even date



Prof. Dr. Achyut P. Wagle
Registrar


Members
Executive Council


Prof. Dr. Bhola Thapa
Vice-Chancellor


Maheswarendra B. Shrestha, FCA
M.B. Shrestha & Co.


Kumar Baral
Chief, Finance Division


Chandeswor Shrestha
Manager, Finance Division



Date: 2023 May 07
Place: Kathmandu, Nepal

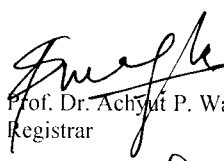
Kathmandu University
Income Statement Appropriation Account
1 Shrawan 2077 to 31 Ashadh 2078 (16 July 2020 to 15 July 2021)

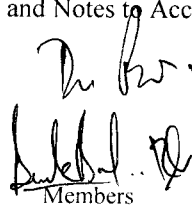
Income	Schedule	This Year Amount (NRs.)	Previous Year Amount (NRs.)
Opening Balance		27,199,152	28,193,075
Surplus during this year		30,377,757	50,269,349
Total Surplus		57,576,909	78,462,424
Transfer to Corpus Fund (KUSMS)		-	39,254,478
Bidhya Acharya Scholarship Fund		-	(517,750)
Transfer to Corpus Fund		-	(90,000,000)
Transfer to Reserved Fund		-	-
Transfer to Dr. Mahesh Nath Scholarship Fund		(6,000,000)	-
Total Transfer		(6,000,000)	(51,263,272)
Net Surplus transfer to Balance Sheet		51,576,909	27,199,152

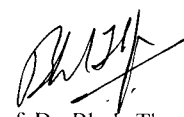
Schedule 1 to 16 are integral parts of the financial statements.
Significant Accounting Policies and Notes to Accounts


17


As per our report of even date


Prof. Dr. Achyut P. Wagle
Registrar


Members
Executive Council


Prof. Dr. Bhola Thapa
Vice-Chancellor


Maheswarendra B. Shrestha, FCA
M.B. Shrestha & Co.


Kumar Baral
Chief, Finance Division


Chandeswor Shrestha
Manager, Finance Division




Date: 2023 May 07
Place: Kathmandu, Nepal

Kathmandu University
Cash Flow Statement
1 Shrawan 2077 to 31 Ashadh 2078 (16 July 2020 to 15 July 2021)

	Particulars	This Year Amount (NRs.)	Previous Year Amount (NRs.)
A	<u>Cash Flow from Operating Activities</u>		
	Net Surplus of this year	51,576,909	27,199,152
	Add :		
	Depreciation	110,975,373	114,067,112
	Amortization of Leasehold Property	388,128	388,128
	Cash Flow before Change in Working capital	162,940,411	141,654,392
1	Increase/Decrease in Current Assets	(41,888,833)	145,325,585
2	Increase/Decrease in Current Liabilities	93,507,640	(172,183,711)
	Net Cash Flow from Operating Activities	214,559,217	114,796,266
B	<u>Cash flow from Investing Activities</u>		
1	Purchase/Sale of Fixed Assets	(130,501,147)	(188,367,218)
2	Increase/Decrease in Investment	(57,200,000)	(508,136,000)
	Net Cash Flow from Investing Activities	(187,701,147)	(696,503,218)
C	<u>Cash flow from Financial Activities</u>		
1	Increase /Decrease in Capital Fund	(190,931,098)	200,664,784
	Net Cash Flow from Financial activities	(190,931,098)	200,664,784
	Net Cash Flow During the Year (A+B+C)	(164,073,028)	(381,042,168)
	Cash & Bank Balance at Beginning of the Year	1,069,391,750	1,450,433,918
	Cash & Bank Balance at the End of the Year	905,318,722	1,069,391,750


Schedule 1 to 16 are integral parts of the financial statements.
Significant Accounting Policies and Notes to Accounts 17


As per our report of even date


Prof. Dr. Achyut P. Wagle
Registrar




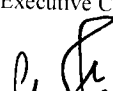
Members
Executive Council


Prof. Dr. Bhola Thapa
Vice-Chancellor


Maheswarendra B. Shrestha, FCA
M.B. Shrestha & Co.




Kumar Baral
Chief, Finance Division


Chandeswor Shrestha
Manager, Finance Division



Date: 2023 May 07
Place: Kathmandu, Nepal

Kathmandu University


Statement of change in Net Assets

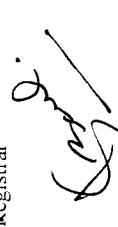
1 Shrawan 2077 to 31 Ashadh 2078 (16 July 2020 to 15 July 2021)


Particulars	Capital Fund	Reserve Fund, Land Revaluation Reserve, Building Construction Fund, Corpus Fund, Staff Vehicle /House Loan Fund, Human Resource Development Fund, Grant Assets Replacement Reserve	Endowment Fund	Scholarship Fund	Surplus	Total
Opening Balance	1,326,295,180	2,554,777,507	140,090,871	178,751,375	27,199,152	4,227,114,085
Adjustment:						
Capital Fund	130,376,572	-	-	-	-	130,376,572
Reserve Fund, Land Revaluation Reserve, Building Construction Fund, Corpus Fund, Staff Vehicle /House Loan Fund, Human Resource Development Fund, Grant Assets Replacement Reserve	-	(371,080,902)	-	-	-	(371,080,902)
Endowment Fund	-	-	165,175,825	-	-	165,175,825
Scholarship Fund	-	-	-	(88,203,442)	-	(88,203,442)
Medal Fund	-	-	-	-	-	-
Surplus	-	-	-	-	24,377,757	24,377,757
Closing Balance	1,456,671,753	2,183,696,605	305,266,696	90,547,933	51,576,909	4,087,759,896

As per our report of even date

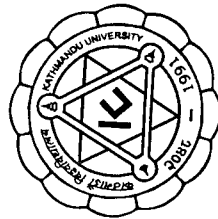
Schedule 1 to 16 are integral parts of the financial statements.
Significant Accounting Policies and Notes to Accounts 17


Prof. Dr. Achyut P. Wagle
Registrar


Kumar Baral
Chief, Finance Division


Chandeswor Shrestha
Manager, Finance Division


Prof. Dr. Bhola Thapa
Vice-Chancellor



Maheswara B. Shrestha, FCA
M.B. Shrestha & Co.

Date: 2023 May 07
Place: Kathmandu, Nepal