



FINANCIAL STATEMENTS  
OF  
ATTIA WELFARE SOCIETY  
FOR THE YEAR ENDED  
JUNE 30, 2018

**BDO Ebrahim & Co. Chartered Accountants**

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

The Board of Directors  
Attia Welfare Society (AWS),  
Rajanpur.

October 3, 2018  
A-159/AA-0704/18

**AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

Dear Sirs,

We have completed the audit of your Society's financial statements for the above-referred year and are pleased to enclose herewith two copies of the draft financial statements together with our draft audit report thereon duly initialed by us for identification purposes. We shall be pleased to sign our report in its present or amended form after the financial statements are approved by the Board of Directors and signed on their behalf by the Chief Executive Officer and General Secretary and on receipt and review of following:

1. Letter of representation addressed to us on behalf of the Board of Directors signed by the Chief Executive Officer and General Secretary as per draft provided by us.
2. Board of Directors' approval/resolutions in respect of following:
  - Salary of the Chief Executive amounting to Rs. 0.800 million;
  - Addition to operating fixed amounting to Rs. 0.742 million
3. Grant and other confirmations from following donors:
  - Doaba Foundation
  - Save the Children Federation Inc., Country Office Pakistan

Our observations on this set of financial statements are as follows:

**1. RESPONSIBILITIES OF THE MANAGEMENT AND AUDITORS IN RELATION TO THE FINANCIAL STATEMENTS**

The responsibilities of the independent auditors in a usual examination of financial statements are stipulated in section 249 of the Companies Act, 2017 and International Standards on Auditing. While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for preparation of such statements is primarily that of the Society's management.

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The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Society and prevention and detection of frauds and irregularities. The audit of financial statements does not relieve the management of its responsibilities.

## 2. PROPERTY, PLANT AND EQUIPMENT

2.1 We have observed that a fixed assets register/listing has been maintained though, however, it is not complied with TR-6 of ICAP to provide itemized control over the fixed assets of the Society. We recommend that a fixed assets register should be maintained in the required form so that cost and details of physical location of each item of fixed assets is easily accessible as and when required.

2.2 We have observed that the Society does not have a proper capitalization policy duly approved by the Board of Directors of the Society. In the absence of a proper capitalization policy there is a risk that certain material items of the assets may not be capitalized which may result in the distortion of the operating results of the Society. We recommend that proper capitalization policy should be formulated by the Board in order to bring consistency in accounting for capital and revenue expenditure.

2.3 The Society does not have any practice of periodic physical verification of fixed assets. In the absence of periodic physical verification there is a risk that the fixed assets may not be properly safeguarded. We recommend that all the assets should be physically verified for effective control.

## 3. INSURANCE

We have observed that insurance coverage for assets and cash in hand have not been obtained. In the absence of insurance, the assets of the Society remain exposed to undue risk. Insurance cover should be obtained for all fixed assets and cash in hand of the Society to mitigate the risk of loss in case of fire, theft and other destructions to the assets of Society.

## 4. TAXATION

4.1 We have observed the instances where payments against certain expenditure have been made in cash above the limits prescribed under the prevailing income tax law. Cash payments in excess of the prescribed statutory limits may result in disallowance of the related expenditure and may ultimately attract additional income tax on the Society. We recommend that all payments should be made in the manner as prescribed under the law to avoid any adverse treatment by the tax authorities.

4.2 We have noted that the Society has not deducted the withholding tax at the time of making payment against some expenditures which are paid in cash. Non-deduction of tax at source may attract a penal action against the Society. Proper tax should be withheld to avoid penal action against the Entity. Further, tax withholding statements have also not been filed by the Society.

4.3 We have noted that the Society has to obtain approval from Commissioner of Income Tax as non-profit organization under section 2 (36) of the Income Tax Ordinance, 2001 to avail tax credit under section 100C of the Income Tax Ordinance, 2001. We have been informed by management that the application is being in the process of submission to Commissioner for the approval. Kindly confirm the management representation.

#### 5. BANK ACCOUNT

We noted that separate bank account has not been maintained by the Society for different projects. We recommend that separate bank account should be opened for each project.

#### 6. STOCK REGISTER

We noted that though stock register has been maintained by Society, however, it was not properly maintained/updated and required column were also missing. In the absence of proper stock register the control over the movement of goods at the time of receiving and distribution cannot be established. We have not physically observed distribution process, however, we have been provided acknowledgement of receipt of distributed items.

#### 7. EXPENSES

We noted that time sheets or other alternative evidence of time spent of senior management employees are not being maintained by the Society for the salary allocation to respective donors, these are currently charged to the donor on budget basis rather than actual basis. We recommend that time sheets should be maintained and salaries should be charged in accordance with the actual time spent.

#### 8. SOCIETY REGISTRATION

We noted that the Society has not yet registered/signed MOU with Economic Affairs Division, Government of Pakistan under the new policy for NGOs. We have been informed by management that the Society is in the process of registration with Economic Affairs Division and under section 42 of the Companies Act, 2017. Further, the application has been acknowledged by ECA. Kindly confirm the management representation.

9. ACCOUNTING SOFTWARE

We have noted that the Society currently is using unlicensed accounting software.

In the absence of licensed software, the business continuity of the Society may be at risk.

We have been informed by management that the Society is currently pursuing new accounting software for implementation and this system will be discarded then.

10. BUDGET

We noted that under few sub headings of financial budget, actual expenditures exceeded the budgeted line items. However, there is no variance with total budget.

11. BACKUP

All data (financial and otherwise) is kept at the office of the Society. We noted that no backup were maintained for financial data and non-financial data. In the absence of back up data, business continuity of the Society may be at risk. Data should be backed up at a remote location at a defined frequency as deemed appropriate by the Management. We recommend that weekly back up of all financial and non-financial should be maintained in a remote location such as a secure cold server and to continuity of the business.

12. FINANCIAL CLOSE PROCESS

We recommend that the process for financial reporting close be reviewed and controls be identified to ensure that there are minimal iterations and adjustments following the close process. We recommend that a financial reporting close checklist be prepared and completed to ensure that the draft trial balance and financial statements, including disclosures have undergone a complete and thorough review prior to being distributed to those charged with governance and/or external parties such as auditors.

13. PERSONNEL FILES

We have noted that some documents were not attached/missing in the personnel files of the employees. The lack of documents in the employee files make inherent difficult to ascertain regarding the employees' existence, whether salary paid to them is in agreement with underline contract and whether the salary charge in the books of accounts is complete. There is also risk that the hiring process may not have been transparent. We recommend that all these documents should be attached in the personnel files of the employees to ensure existence, transparency, and completeness.

**14. ACCOUNTING AND HUMAN RESOURCE MANUAL**

The Society does not have updated Accounting Procedures Manual in place to provide guidelines to staff with respect to proper accounting of transactions.

In the absence of defined updated accounting procedures, errors/inaccuracies may take place in the financial reporting process. We recommend that Accounting Procedures Manual should be prepared for providing comprehensive guidance to staff on all accounting related matters. Further we also recommended that all the policies and procedures in relation to Society should be in the documented form.

**15. CONTINGENCIES AND COMMITMENTS**

We have been informed by the management that there are no contingencies and commitments as on the date of the financial statements.

**16. RELATED PARTY TRANSACTIONS**

We have been informed by the management that there were no transactions with the related parties during the year other than those disclosed in the financial statements.

**17. COMPLIANCE WITH STATUTORY LAWS AND REGULATIONS**

We have been informed by the management that there were no instances of non-compliance with statutory laws and regulations that would have financial reporting implications. Kindly confirm the representations made by management.

**18. FRAUD**

We have been informed by the management that there were no suspected instances or instances of fraud that would have financial reporting implications or required disclosure in these financial statements. Kindly confirm the representations made by management.

**19. ANTI-FRAUD PROGRAMS AND CONTROLS**

The Society needs to develop and implement a formal, comprehensive and robust system of anti-fraud programs and controls (including a whistle-blowing policy for reporting of frauds and protection of whistle-blower) that are considered an integral part of effective internal control system. Such programs and controls are basically responses to the results of a formal periodic risk assessment procedure which is carried out by the management to develop the risk repository of the Society and possible mitigating controls.



A 'whistle-blower' program allows a supplemental confidential communication channel for employees to lodge complaints, submit concerns regarding questionable matters, or report fraudulent behavior. This, coupled with strong communication of the message to employees to encourage reporting irregularities, can prove to be the most effective anti-fraud control mechanism. In absence of a whistle-blower program, malpractices concealed through undue influence or coercion could go unnoticed as the employees are not provided with a secure communication medium.

In the absence of anti-fraud programs and control any concerns relating to fraud and irregularities, breaches of ethics, internal control issues and other related matters may not be highlighted or submitted, investigated and dealt with appropriately. This in-turn undermines the confidence of stakeholders and provides an opportunity for wrong-doers.

We take this opportunity to thank your staff for the courtesy and cooperation extended to us in the course of our audit.

Yours faithfully,

*Abd Ebrahim*

BDO EBRAHIM & CO,

Enclosed as above

**INDEPENDENT AUDITORS' REPORT TO BOARD OF DIRECTORS**

We have audited the financial statements of **ATTIA WELFARE SOCIETY**, which comprise the statement of financial position as at June 30, 2018 and the income and expenditure account, statement of comprehensive income, statement of changes in fund and statement of cash flows for the year then 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 **ATTIA WELFARE SOCIETY** as at June 30, 2018 and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. 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 Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter**

Without modifying our opinion, we draw attention to the note 1.2 to the financial statements, which provide, detail regarding the registration status of the Society with Economic Affairs Division, Government of Pakistan. The Society has applied for registration/MOU with EAD, however, which is not yet completed by EAD.

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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the Members 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, Management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

### 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 ISAs as applicable in Pakistan 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 ISAs as applicable in Pakistan, 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 Society'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 Society'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 Society's 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.

### Other Matter

The financial statements of the Society for the June 30, 2017 were audited by another auditor who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

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.

LAHORE

DATED: 25 OCT 2018

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*Bdo Ebrahim & Co.*  
CHARTERED ACCOUNTANTS  
Engagement Partner: Muhammad Imran

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**BDO Ebrahim & Co. Chartered Accountants**

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**ATTIA WELFARE SOCIETY  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	6,333,422	5,880,102
<b>CURRENT ASSETS</b>			
Short term advances	6	6,290	98,210
Cash and bank balances	7	5,201,979	115,951
		5,208,269	214,161
<b>TOTAL ASSETS</b>		<u>11,541,691</u>	<u>6,094,263</u>
<b>FUNDS AND LIABILITIES</b>			
<b>FUNDS</b>			
General fund		5,680,071	6,042,977
<b>NON - CURRENT LIABILITIES</b>			
Restricted grant	8	1,420,950	-
Deferred capital grant	9	662,423	-
		2,083,373	-
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	3,778,247	51,286
		3,778,247	51,286
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL GENERAL FUNDS AND LIABILITIES</b>	11	<u>11,541,691</u>	<u>6,094,263</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE



GENERAL SECRETARY



**ATTIA WELFARE SOCIETY  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
<b>INCOME</b>			
Restricted grant recognized	8	52,487,849	89,556
Amortization of deferred capital grant	9	79,927	-
Receipt from other projects	12	900,100	1,886,040
		53,467,876	1,975,596
<b>EXPENDITURE</b>			
Program expenses	13	52,458,359	-
Other project expenses	14	829,490	1,966,156
Operational expenses	15	542,933	392,829
		53,830,782	2,358,985
Taxation	16	-	-
<b>DEFICIT FOR THE YEAR</b>		<u>(362,906)</u>	<u>(383,389)</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

  
CHIEF EXECUTIVE  


  
GENERAL SECRETARY  


**ATTIA WELFARE SOCIETY  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Rupees	2017 Rupees
Deficit for the year	(362,906)	(383,389)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(362,906)</u>	<u>(383,389)</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.



**CHIEF EXECUTIVE**



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**GENERAL SECRETARY**



**ATTIA WELFARE SOCIETY  
STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Total</u>
	<u>Rupees</u>	
Balance as at July 01, 2016	6,426,366	6,426,366
Total comprehensive income for the year		
Deficit for the year	(383,389)	(383,389)
Other comprehensive income	-	-
	<u>(383,389)</u>	<u>(383,389)</u>
Balance as at June 30, 2017	6,042,977	6,042,977
Total comprehensive income for the year		
Deficit for the year	(362,906)	(362,906)
Other comprehensive income	-	-
	<u>(362,906)</u>	<u>(362,906)</u>
Balance as at June 30, 2018	<u>5,680,071</u>	<u>5,680,071</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**  


  
**GENERAL SECRETARY**  


**ATTIA WELFARE SOCIETY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Rupees	2017 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating (deficit)	(362,906)	(383,389)
Adjustments for non-cash items:		
Depreciation	289,030	238,780
Amortization of grant income	(52,487,849)	(89,556)
Amortization of deferred capital grant	(79,927)	-
Deficit before working capital changes	<u>(52,641,652)</u>	<u>(234,165)</u>
<b>Decrease /(increase) in current assets</b>		
Short term advances	91,920	(540)
<b>Increase in current liabilities</b>		
Trade and other payables	<u>3,726,961</u>	<u>5,456</u>
Cash used in operations	(48,822,771)	(229,249)
Grant received	<u>54,651,149</u>	<u>89,556</u>
Net cash generated from / (used in) operating activities	<u>5,828,378</u>	<u>(139,693)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property plant and equipment	<u>(742,350)</u>	-
Net cash used in investing activities	<u>(742,350)</u>	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash (used in) / generated from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	5,086,028	(139,693)
Cash and cash equivalents at the beginning of the year	115,951	255,644
Cash and cash equivalents at the end of the year	<u>5,201,979</u>	<u>115,951</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

  
CHIEF EXECUTIVE  


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GENERAL SECRETARY  


**ATTIA WELFARE SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**1 LEGAL STATUS**

- 1.1 Attia Welfare Society (AWS) ("the NGO") was registered in Pakistan as on October 07, 2009 under the Voluntary Social Welfare Agencies (Registration & Control) Ordinance, 1961 (XLVI of 1961). Attia Welfare Society (AWS) registration No. is DOSW/RF/(R) NGO's/2009-24 and the registration of the Attia Welfare Society was renewed for three years w.e.f. April 04, 2017 to March 31, 2020. The principal office of the organization is at Mumtazabad Near Bangla Dheengan, P.O. Kot Mithan Tehsil and District Rajanpur. Aims and objectives of the organisation is child welfare, Youth welfare, Population/Family Planning, Social Education, Social welfare, Excursion hobbies, Health Education and Child Protection etc.
- 1.2 The Society has applied to Economic Affairs Division, Government of Pakistan to sign the Memorandum of Understanding under the new policy for NGOs. The application has been acknowledged by EAD and NOC has been granted. However, the MOU is still to be signed.

**2 AIMS AND OBJECTIVES**

The Society seeks to work for / as:

- Rights of children
- Youth welfare
- Population/family planning
- Social education
- Social welfare
- Health Education and child protection

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Small-Sized Entities (SSEs) applicable to non-corporate entities issued by the Institute of Chartered Accountants of Pakistan.

**3.2 Accounting convention**

These financial statements have been prepared under historical cost conventions and accrual basis of accounting.

### 3.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Society's functional and presentation currency.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 4.1 Property, plant and equipment

Operating fixed assets are stated at cost less accumulated depreciation or impairment, if any. Depreciation on operating fixed assets is charged to income and expenditure account on reducing balance method so as to write off the historical cost of an asset over its estimated useful life at the annual rates mentioned in note 5 of the financial statements. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets. Major renewals and repairs are capitalized and the assets so replaced are retired. Minor renewals or replacement, maintenance and repairs are charged to income as and when incurred.

Gains or losses on disposal of property, plant and equipment are accounted for as profit or loss for the year. The assets' residual value and useful lives are reviewed, and adjusted if significant, at each balance sheet date. Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in the income and expenditure accounts.

### 4.2 Impairment losses

The Society assesses at each balance sheet date whether there is any indication that assets other than stores and spares and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the income and expenditure account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

### 4.3 Capital work-in-progress

Capital work-in-progress are stated at cost and consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

#### **4.4 Loans, advances and other receivables**

These are recognized at cost, which is the fair value of the consideration given. An assessment is made at each balance sheet date to determine, whether there is an indication that a financial asset, or a group of financial assets, may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

#### **4.5 Investment**

##### **Held to maturity (HTM)**

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Society has the intention and ability to hold them until maturity. HTM investments are measured subsequently at amortized cost using the effective interest method.

#### **4.6 Cash and bank balances**

Cash in hand and at banks are carried at nominal amount.

#### **4.7 Revenue recognition**

##### **Grants**

Grants are recognized where there is reasonable assurance that the grants will be received and all attached conditions will be complied with.

##### **Deferred capital grants**

Grants received for purchase of fixed assets with limited life are initially recorded as deferred income upon receipt. When the assets are actually purchased they are then recorded as deferred capital grants and when expended they are amortized into income on a systematic basis over the periods necessary to match them with carrying value of the related assets.

##### **Income related grants**

Grants of non-capital nature are recognized as deferred income at the time of their receipt. Subsequently, these are recognized in the income and expenditure account to the extent of the actual expenditure incurred. Expenditure incurred against grants committed but not received, is recognized directly in income and expenditure account and reflected as a receivable from Donors.

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## Others

Income comprises of the fair value of the consideration received or receivable from the services rendered in the ordinary course of the Society's activities. Income is recognized when it is probable that the economic benefits associated with the transactions will flow to the Society and the amount of income can be measured reliably. The income arising from different activities of the Society is recognized on the following basis:

Profit on bank deposit is recognized using the effective interest rate method. Other income is recognized on receipts basis. Contribution from the individual donors is recognized on receipts basis.

## 4.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

### Current

In accordance with section 100C of the Income Tax Ordinance, 2001 (the Ordinance), the Society is allowed a tax credit equal to one hundred percent of the tax payable, including minimum tax and final tax payable, under any of the provisions of the Ordinance, subject to conditions as outlined in section 100C. Accordingly, no provision for tax has been recognized in the financial statements of the Society.

### Deferred

Deferred tax is computed using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantively enacted at the balance sheet date. The Society has been established as a non-profit organization and is under the process of obtaining the status of Non Profit Organization under the section 2 (36) of the Income Tax Ordinance, 2001. Hence according to section 100C of Income Tax Ordinance 2001, the Society has been allowed a tax credit equal to one hundred percent of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance. Therefore, no deferred tax provision has been made in the financial statements.

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#### **4.9 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Society.

#### **4.10 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalent comprise cash in hand, cash at bank and short term investments with maturity of not later than three months at known amount in rupees.

#### **4.11 Provisions**

A provision is recognized in the balance sheet when the Society has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting future cash flows at appropriate discount rate where ever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

#### **4.12 Related party transactions**

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

#### **4.13 Financial instruments**

##### **Financial assets**

The Society classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Society as at balance sheet date are carried as loans and receivables.

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## **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet, which are classified as non-current assets. The Society's loans and receivables comprise deposits' and 'cash and cash equivalents' in the balance sheet.

## **Impairment**

At the end of each reporting period the Society assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

## **Financial liabilities**

All financial liabilities are recognized at the time when the Society becomes a party to the contractual provisions of the instrument.

## **Recognition and measurement**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

## **Derecognition**

The financial assets are de-recognized when the Society loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled.

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## **Borrowings**

Subsequent to initial recognition borrowings are measured at amortised cost using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued mark-up on borrowings to the extent of the amount remain unpaid.

## **Accrued and other payables**

Accrued and other payables include trade and other liabilities, accrued mark-up and deposits. Subsequent to initial recognition, accrued and other payables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

## **4.14 Operating lease**

Rentals payables under the operating leases are charged to income or expenditure on straight line basis over the term of relevant lease.

## **4.15 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Society has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

## **4.16 Foreign currency translation**

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the income and expenditure

## **4.17 Borrowing**

Loans and borrowings are recorded at the proceeds received. Mark up, interest and other borrowing costs are charged to income in the period in which they are incurred. Borrowing cost on long term finances which are specifically obtained for the acquisition of qualifying assets (plant and machinery) are capitalized up to the date of commencement of commercial production on the respective assets. All other borrowing costs are charged to income and expenditure account in the period in which these are incurred.

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#### 4.18 Contingencies

A contingent liability is disclosed when the Society has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Society; or the Society has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

#### 4.19 Significant accounting judgments and critical accounting estimates / assumptions

- exercise its judgment in process of applying the Society's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

Judgments and assumptions have been required by the management in applying the Society's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions.

##### a) **Property, plant and equipment**

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

##### b) **Income taxes**

The Society takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 4.8 to these financial statements.

##### c) **Financial instrument**

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

##### d) **Provision for doubtful receivables**

The carrying amount of other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

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**5 PROPERTY, PLANT AND EQUIPMENT**

The following is the statement of operating fixed assets:

Description	Land	Building	Office equipment	Furniture and fixture	Vehicles	IT Equipments	Total
	Rupees						
<b>Net carrying value basis</b>							
<b>Year ended June 30, 2018</b>							
Opening net book value (NBV)	4,021,000	1,382,364	162,170	82,632	231,936	-	5,880,102
Additions (at cost)	-	-	84,350	365,600	-	292,400	742,350
Depreciation charge	-	(138,236)	(20,967)	(32,270)	(46,387)	(51,170)	(289,030)
Closing net book value	4,021,000	1,244,128	225,553	415,962	185,549	241,230	6,333,422
<b>Gross carrying value basis</b>							
<b>Year ended June 30, 2018</b>							
Cost	4,021,000	1,896,000	324,550	478,950	453,000	292,400	7,465,900
Accumulated depreciation	-	(651,872)	(98,997)	(62,988)	(267,451)	(51,170)	(1,132,478)
Net book value	4,021,000	1,244,128	225,553	415,962	185,549	241,230	6,333,422
<b>Net carrying value basis</b>							
<b>Year ended June 30, 2017</b>							
Opening net book value (NBV)	4,021,000	1,535,960	180,189	91,813	289,920	-	6,118,882
Additions (at cost)	-	-	-	-	-	-	-
Depreciation charge	-	(153,596)	(18,019)	(9,181)	(57,984)	-	(238,780)
Closing net book value	4,021,000	1,382,364	162,170	82,632	231,936	-	5,880,102
<b>Gross carrying value basis</b>							
<b>Year ended June 30, 2017</b>							
Cost	4,021,000	1,896,000	240,200	113,350	453,000	-	6,723,550
Accumulated depreciation	-	(513,636)	(78,030)	(30,718)	(221,064)	-	(843,448)
Net book value	4,021,000	1,382,364	162,170	82,632	231,936	-	5,880,102
Depreciation rate % per annum	10%	10%	10%	10%	20%	30%	

5.1 Depreciation has been allocated to operational expenses.

5.2 The land, building and vehicles have been donated by donor in prior years through affidavit/agreement signed by the both parties on April 04, 2015. The legal ownership of these assets has not been transferred to the Society.

6 SHORT TERM ADVANCES

Unsecured considered good  
Advances to staff

Note	2018 Rupees	2017 Rupees
	6,290	98,210

6.1 This represents advance provided to employees to meet business expenses and are settled as and when the expenses are incurred.

7 CASH AND BANK BALANCES

Cash in hand  
Cash with bank  
Current account

2,287	113,976
5,199,692	1,975
5,201,979	115,951

8 RESTRICTED GRANT

Donors/Projects	Note	Movement during 2018							Closing balance Restricted grant (act)	
		Opening balance Restricted grant (act)	Receipts from Donors	Receipts from Aitih Welfare Society	Expenses Against Aitih Welfare Society	Expenses Against Restricted Grant	Total Expenses	Transferred to deferred capital grant		Grant income recognized
Child Rights Advocacy Networks Save the Children Federation, Inc.	8.1	-	30,600	-	-	(29,490)	(29,490)	(742,350)	(29,490)	510
	8.2	-	54,621,149	-	-	(52,458,359)	(52,458,359)	(742,350)	(52,458,359)	1,420,440
Total rupees - 2018		-	54,651,749	-	-	(52,487,849)	(52,487,849)	(742,350)	(52,487,849)	1,420,950
Total rupees - 2017		-	89,556	-	-	(89,556)	(89,556)	-	-	-

8.1 This represents the grant received from Child Rights Advocacy Networks for the purposes of collection of child right related data and its reporting to concerned authority etc. During the year this project has been completed.

8.2 This represents funds / grant received from Save the Children Federation, Inc through Pakistan office for the project "Improving Lives of Children in Cancer Growing Districts of Pakistan. This project has been extended upto December 31, 2018.

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	Note	2018 Rupees	2017 Rupees
<b>9 DEFERRED CAPITAL GRANT</b>			
Opening balance		-	-
Add: Grant received for capital expenditure	8	742,350	-
		<u>742,350</u>	<u>-</u>
Less: Amortization during the year		(79,927)	-
Closing balance		<u>662,423</u>	<u>-</u>

**10 TRADE AND OTHER PAYABLES**

Salaries payable	2,835,090	-
Audit fee payable	207,500	-
Other payable	735,657	51,286
	<u>3,778,247</u>	<u>51,286</u>

**11 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at the balance sheet date (2017: Nil).

**12 RECEIPT FROM OTHER PROJECTS**

Local government	273,600	1,316,600
Doaba Foundation	619,000	200,000
Local donations	7,500	340,400
Funds from College of Youth Activism and Development	-	29,040
	<u>900,100</u>	<u>1,886,040</u>

**13 PROGRAMME EXPENSES  
SAVE THE CHILDREN**

Implementation expenses	13.1	7,791,258	-
Child protection expenses	13.2	14,560,698	-
Quality education expenses	13.3	25,732,550	-
Health expenses	13.4	4,373,853	-
		<u>52,458,359</u>	<u>-</u>

**13.1 Implementation expenses**

Salaries and wages	4,840,945	-
Office rent	401,935	-
Printing stationery and courier services	240,398	-
Phone, fax & internet	179,120	-
Utilities	130,152	-

	2018 Rupees	2017 Rupees
Bank charges	10,754	-
Office refreshment	272,418	-
Repair & maintenance	541,134	-
Meetings	190,610	-
Travel & accommodation	373,110	-
Vehicle running and maintenance	368,972	-
Staff development	241,710	-
	<u>7,791,258</u>	<u>-</u>

### 13.2 Child protection expenses

Community activities and puppet shows	282,836	-
Refresher of field team	21,950	-
Salaries and wages	7,303,836	-
Vehicle running and maintenance	858,610	-
Communication expense	111,000	-
CRG formation	314,814	-
PRA workshop	928,362	-
Support village action plan	599,285	-
Children event by CCs	992,241	-
CBO's capacity building	798,659	-
Facilitate link CBO's with DCPS	111,468	-
Meeting expense	366,389	-
Conduct CRSA by CRAN	810,052	-
Advocacy expense	277,412	-
Exposure visit of CRN	219,471	-
Formation of DSC and hold QRM	26,890	-
Renovation CPU office	17,162	-
Protection support mechanism	520,261	-
	<u>14,560,698</u>	<u>-</u>

### 13.3 Quality education expenses

Salaries and wages	12,935,219	-
Course material and supplies	2,573,605	-
Teachers training expense	2,106,572	-
Communication educatic	52,000	-
Organizational development	1,055,862	-
Meeting expenses	183,855	-
Consultative workshop on SMC	15,165	-

	Note	2018 Rupees	2017 Rupees
UPE campaign		1,481,892	
Awareness civil society on SMC		73,034	-
DEMIS cells strengthened		211,050	-
LB / NB activities		2,953,277	-
MHM activities with children		251,052	-
Vehicle POL and maintenance		1,166,683	-
Celebrate SHD,GHD,WWD at school		622,684	-
Celebrate school health & nutrition		50,600	-
		<u>25,732,550</u>	<u>-</u>
<b>13.4 Health expenses</b>			
Printing IEC material		115,649	-
Training expenses		623,995	-
Monitoring LHW by LHS		73,800	-
IEC material- MV's		364,800	-
Meeting expense		324,464	-
Upgrade health facilities BHU's		2,389,578	-
Salaries and wages		481,567	-
		<u>4,373,853</u>	<u>-</u>
<b>14 OTHER PROJECT EXPENSES</b>			
CRAN meetings		29,490	89,556
Theatre of CBDRM		800,000	200,000
Awareness raising theatre plays		-	1,676,600
		<u>829,490</u>	<u>1,966,156</u>
<b>15 OPERATIONAL EXPENSES</b>			
Staff salaries and other allowances		95,000	126,000
Printing and stationary		8,750	4,892
Utilities		-	11,348
Travelling and conveyance		48,715	2,874
Repair and maintenance		18,030	2,560
Bank charges		2,248	1,550
Entertainment		27,790	4,825
AWS assessment expense		9,800	-
Office rent		28,000	-
Others		15,570	-
Depreciation	5.1	289,030	238,780
		<u>542,933</u>	<u>392,829</u>

## 16 TAXATION

No tax provision has been made on grant income as it is not taxable under the relevant provisions of the Income Tax Ordinance, 2001 as explained in note 4.8 to these financial statements. However, the Society has applied for the approval w/s 2 (36) of Income Tax Ordinance, 2001 for NPO status, which is in process.

No provision for deferred tax has been incorporated in the financial statements as the Society is exempt under the relevant provision of the Income Tax Ordinance, 2001 for grant.

## 17 FINANCIAL RISK MANAGEMENT

### Financial risk management

The Society has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Interest rate risk
- Other price risk

The Board of Directors has overall responsibility for the establishment and oversight of Society's risk management framework. The Board is also responsible for developing and monitoring the Society's risk management policies.

### 17.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party completely fails to perform as contracted and arise principally from loans and advances, trade deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2018 Rupees	2017 Rupees
Bank balances	<u>5,199,692</u>	<u>1,975</u>

The credit risk on liquid funds is limited because the counter party is a bank with reasonably high credit rating. The credit quality of receivables can be assessed with reference to the Society credit policy and their historical performance with negligible default rate.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Society believes that it is not exposed to major concentration of credit risk.

The Society's bank balances can be assessed with reference to external credit ratings as follows:

Name of the Bank	Rating Agency	Ratings	
		Short Term	Long Term
The Bank of Punjab	PACRA	A1+	AA

## 17.2 Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The Society's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation.

	Carrying amount	Contractual cash flow	Six months or less
	Rupees	Rupees	Rupees
<b>2018</b>			
<b>Financial liabilities</b>			
Trade and other payables	3,778,247	3,778,247	3,778,247
<b>2017</b>			
<b>Financial liabilities</b>			
Trade and other payables	51,286	51,286	51,286

## 17.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The Society is not exposed to interest rate and currency risks.

### 17.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arise in financial instruments that are denominated in foreign currencies i.e. in a currency other than the functional currency in which they are measured. The Society is not exposed to currency risk.

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### 17.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term investment and saving account. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk. The Society is not exposed to interest rate risk.

### 17.4 Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Society is not exposed to price risk since there are no financial instruments whose fair value or future cash flows will fluctuate because of changes in market prices.

## 18 FUND RISK MANAGEMENT

The Society's objectives when managing fund are to safeguard the Society's ability to continue as a going concern in order to provide services for the general public. The Society manages its fund structures and makes adjustments to it, in the light of changes in economic conditions. There were no changes to Society's approach to fund management during the year.

## 19 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings of the Society comprise of associated entities, directors and key management personnel. Transactions with related parties and associated undertakings involve advance for working capital requirements. These transactions including remuneration to key management personnel under the terms of their employment are as follows:

Transaction with the related party	Nature of Transaction	2018 Rupees	2017 Rupees
Chief Executive	Remuneration	800,000	-

## 20 REMUNERATION OF EXECUTIVE DIRECTOR AND DIRECTORS

The Chief Executive has been paid an amount of Rs. 0.800 million (2017: Nil) as remuneration. No remuneration and any benefits have been paid to other Directors of the Society during the year. There are 7 (2017: 7) directors of the Society.



22 NUMBER OF EMPLOYEES

The number of employees as at year end was 58 (2017: 3) and average number of employees during the year was 31 (2017: 3). There were 77 number of teachers under the different Projects on temporary basis.

23 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the year.

24 DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Executive Board of Directors of the Society on 25 OCT 2018.

25 GENERAL

Figures have been rounded off to nearest rupee.



CHIEF EXECUTIVE



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GENERAL SECRETARY



Mita Welfare Society  
General Secretary  
Rajan Pur