



FINANCIAL STATEMENTS  
OF  
IFTA WELFARE TRUST  
FOR THE YEAR ENDED  
JUNE 30, 2020

**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 Trustees,  
IFTA Welfare Trust  
Karachi.

February 20, 2021  
I-136/AA-0173/21

### AUDIT OF FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

Gentlemen,

We have completed the audit of your Trust's financial statements for the above referred year and are pleased to enclose herewith two copies of draft financial statements 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 Board of Trustees and signed on their behalf by two Trustees and on receipt of letter of the following:

1. Letter of representation addressed to us signed on behalf of the Board of Trustees by the Managing Trustee as per draft provided by us.
2. Board of Trustees approval in respect of the following:
  - Additions during the year of property plant and equipment costing to Rs. 0.65 million
  - Donations received during the year amounting to Rs. 36.491 million
  - Purchase of investments during the year amounting to 5.250 million
  - Liabilities no longer payable written back during the year amounting to Rs. 0.095 million

Our comments and 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 Trust's management.

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 Trust 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 fixed assets register has not been maintained. This is an important record as it enables the management to exercise itemized control over the fixed assets of the Trust. We recommend that a fixed assets register should be maintained for exercising control over the fixed assets of the Trust.

2.2 We have observed that the Trust does not have a proper capitalization policy duly approved by the Board of Trustees. 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 Trust. We recommend that proper capitalization policy should be formulated in order to bring consistency in accounting for capital and revenue expenditure.

**3. CONTINGENCIES AND COMMITMENTS**

We have been informed by the management that there are no contingencies and commitments as on the date of statement of financial position. Kindly confirm the representations made by the management.

**4. RELATED PARTY TRANSACTIONS**

We have been informed by the management that there were no transactions with the related parties as on the date of statement of financial position other than disclosed in the financial statements. Kindly confirm the representations made by the management.

**5. FRAUD AND ERRORS**

We have been informed by the management that no case of fraud and error has been brought to their knowledge during the year. Kindly confirm the representations made by management.

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

Yours faithfully,

**BDO EBRAHIM & CO.**

Enclosed as above



## **INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES**

### **Opinion**

We have audited the accompanying financial statements of IFTA WELFARE TRUST ("the Trust") which comprises of statement of financial position as at June 30, 2020, income and expenditure account and statement of cash flows for the year ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of the Trust as at June 30, 2020 and of its financial performance and cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

### **Basis of opinion**

We conducted our audit in accordance with 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 Trust in accordance with 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 ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

### **Responsibilities of Management and Trustees for the Financial Statements**

The Trustees are 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 Trustees 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, Trustees are responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Trustees are responsible for overseeing the Trust'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 Trust'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 Trust'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 Trust 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 Trustees 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.

KARACHI

DATED: 20 FEB 2021



CHARTERED ACCOUNTANTS  
Engagement Partner: Zulfikar Ali Causer

**IFTA WELFARE TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSET</b>			
Property, plant and equipment	4	796,563	820,070
<b>CURRENT ASSETS</b>			
Advance to staff		45,000	-
Other receivables		20,000	19,304
Short term investments	6	5,252,292	-
Cash and bank balances	5	4,190,450	1,702,983
		9,507,742	1,722,287
<b>TOTAL ASSETS</b>		<b>10,304,305</b>	<b>2,542,357</b>
<b>FUNDS AND LIABILITIES</b>			
<b>FUNDS</b>			
Unrestricted fund	7	2,279,386	1,371,604
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Restricted fund	8	7,920,874	984,930
<b>CURRENT LIABILITIES</b>			
Accrued and other payables	9	104,045	185,823
<b>TOTAL FUND AND LIABILITIES</b>		<b>10,304,305</b>	<b>2,542,357</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10		

The annexed notes from 1 to 18 form an integral part of these financial statements.

*Fakir*

MANAGING TRUSTEE

*Hasan*  
 TRUSTEE



**IFTA WELFARE TRUST  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>INCOME</b>			
Restricted		18,676,290	12,166,797
General			
Donations		10,393,785	4,935,406
Zainabia Medical Centre token fees		128,360	81,590
Box collection		357,195	112,550
		10,879,340	5,129,546
Liabilities no longer payable written back		94,780	-
Dividend income		2,291	-
		<u>29,652,701</u>	<u>17,296,343</u>
<b>EXPENDITURE</b>			
Educational programs	11	7,068,626	5,213,746
Health and medical programs	12	1,609,581	1,258,724
Social and welfare programs	13	17,836,745	9,171,686
Administrative expenses	14	2,229,967	1,375,473
		28,744,919	17,019,629
Surplus for the year		<u>907,782</u>	<u>276,714</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

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MANAGING TRUSTEE

*Hasan*  
TRUSTEE

**IFTA WELFARE TRUST  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

	2020 Rupees	2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus for the year	907,782	276,714
Adjustments for non-cash items:		
Depreciation Expense	88,507	91,119
Loan waived by Trustees	(94,780)	-
Gain on Short term investment	(2,291)	-
	899,218	367,833
Effects on cash flow due to working capital		
(Increase) / decrease in advance to staff	(45,000)	30,000
Increase in other receivables	(696)	(6,308)
Increase in accrued and others payables	13,001	96,072
	(32,695)	119,764
Net cash generated from operation	866,523	487,597
Restricted fund	6,935,944	132,460
Net cash generated from operating activities	7,802,467	620,057
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment and net cash	(65,000)	(847,595)
Purchase of short term investments	(5,250,000)	-
Net increase / (decrease) in cash and cash equivalents	2,487,467	(227,538)
Cash and cash equivalents at the beginning of the year	1,702,983	1,930,521
Cash and cash equivalents at the end of the year	4,190,450	1,702,983

The annexed notes from 1 to 18 form an integral part of these financial statements.

*Fakir*

**MANAGING TRUSTEE**

*Hasan*  
**TRUSTEE**



**IFTA WELFARE TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**1 LEGAL STATUS AND NATURE OF OPERATION**

IFTA Welfare Trust (the Trust) is a charitable trust constituted under Trust Act 1881 through a Trust Deed entered into on November 05, 2008 having Registration No. 846 of Book 10 and M.F. Roll Number 86905 with the Sub Registrar Office of North Nazimabad Town, Karachi. The Trust has its registered office at House No. B-11, Block-Q, North Nazimabad, Karachi.

The principal activities of the Trust are the promotion and well-being of society, community welfare or development, promotion and advancement of education, provision of health care and medical facilities which encompass supporting of students in lieu of scholarships, school fee assistance and medical clinics and medical camps for the benefit of humanity at large.

The Trust has obtained a certificate from Pakistan Centre of Philanthropy during the year.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

These financial statements are prepared under historical cost convention without any adjustment for the effect of inflation or current values.

These financial statements have been prepared following accrual basis of accounting except for statement of cash flows.

**2.3 Functional and presentation currency**

These financial statements are presented in Pak rupee, which is the functional and presentation currency for the Trust.

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### 3 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 for all the years presented, unless otherwise stated.

#### 3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation. Depreciation is charged using the declining method at the rates specified in notes to the financial statements.

Full year depreciation is charged during the year in which the asset is acquired or become available for use, while no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income and expenditure account when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefit will flow to the Trust.

Gain or loss on disposal of assets are charged to income and expenditure account.

#### 3.2 Impairment

The Trust assesses at each reporting date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds 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.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

#### 3.3 Cash and bank balances

Cash in hand and at bank are carried at nominal amount. For the purpose of statement of cash flows, cash and cash equivalent consist of cash in hand and bank balances.

3.4 Investments in debt instruments are stated at amortized cost. Premium and discount on acquisition are amortized back to the income and expenditure statement over the period of investment.

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Investments in shares are initially recognised at cost, being the fair value of the consideration given excluding the transaction cost associated with the investment, which is charged in the income and expenditure statement in the year of purchase. Investment in shares are subsequently carried at fair value with any change in fair value recognized in the income and expenditure statement.

### **3.5 Other receivables**

Other receivables are recognized at nominal amount which is the fair value of consideration to be received in future.

### **3.6 Provisions**

Provisions are recognized when the Trust has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

### **3.7 General Fund**

Funds generated by the Trust through donors without any specific condition or activity, are classified as unrestricted general funds. Accordingly, any income generated and expenses incurred with respect to normal operations of the Trust, which are not related to specific funds or activities, are charged to income and expenditure account.

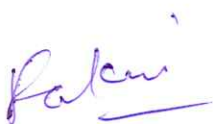
### **3.8 Restricted Fund**

Restricted funds are based on agreements, contracts, or other understanding, where the conditions for receipt of the funds are linked to a performance, of a service or other process. The Trust earns the contribution through compliance with the conditions that have been agreed with the donor and meeting the envisaged obligations.

On receiving any restricted fund, the contribution is credited to the restricted fund account in the statement of financial position and thereafter, on a systematic basis, an amount equivalent to that which has been spent on agreed "restricted" activities is recorded to income, by debiting the restricted fund account in the statement of financial position and crediting restricted Income account.

### **3.9 Taxation**

The Trust is claiming exemption from levy of income tax under Income Tax Ordinance, 2001, and therefore, no provision for tax has been made for the year.





### **3.10 Accrued and other payables**

Accrued and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

### **3.11 Income**

Income is recognized to the extent it is probable that the economic benefits will flow to the Trust and the income can be measured reliably. Income is measured at the fair value of the consideration received or receivable and is recognized on the following basis:

Unrestricted donation income is recognized on receipt basis whereas restricted donations are recorded as income upon complying with the condition attached thereto.

Income on investment is recorded on accrual basis.

Income from other sources is recorded on receipt basis.

### **3.12 Expenses**

All expenses are recognized in the income and expenditure account on an accrual basis.

### **3.13 Financial instruments**

All the financial assets and financial liabilities are recognized when the Trust becomes a party to the contractual provisions of the instruments. All the financial assets and the financial liabilities are recognized and measured initially at cost, which is the fair value of consideration given or received respectively. In subsequent periods, these are measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statement associated with each item. Any gain or loss on recognition / derecognition of the financial asset and financial liability is taken to income and expenditure account currently.

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

Financial asset and financial liability is offset and the net amount is reported in the statement of financial position if the Trust has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



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

The preparation of financial statements in conformity with approved accounting standards requires the management to:

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

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:

#### a) Property, plant and equipment

Management has made estimates of residual values, useful life 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 respective items of property, plant and equipment with corresponding effect on depreciation charge and impairment loss.



4 PROPERTY, PLANT AND EQUIPMENT

Description	Plant and machinery	Office equipment	Furniture and fixtures	Total
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**Year ended June 30, 2020**

**Net carrying value basis**

Opening book value	762,836	21,573	35,662	820,070
Additions	-	15,000	50,000	65,000
Depreciation charge	(76,284)	(3,657)	(8,566)	(88,507)
Closing net book value	686,552	32,916	77,095	796,563

**Gross carrying value basis**

Cost	847,595	54,234	108,959	1,010,788
Accumulated depreciation/Impairment	(161,043)	(21,318)	(31,864)	(214,225)
Net book value	686,552	32,916	77,095	796,563

**Year ended June 30, 2019**

**Net carrying value basis**

Opening net book value (NBV)	-	23,970	39,624	63,594
Additions (at cost)	847,595	-	-	847,595
Depreciation charge	(84,760)	(2,397)	(3,962)	(91,119)
Closing net book value	762,836	21,573	35,662	820,070

**Gross carrying value basis**

Cost	847,595	39,234	58,959	945,788
Accumulated depreciation	(84,760)	(17,661)	(23,297)	(125,718)
Net book value	762,836	21,573	35,662	820,070

Depreciation rate % per annum

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	Note	2020 Rupees	2019 Rupees
<b>5 CASH AND BANK BALANCES</b>			
Cash in hand		5,836	30,640
Cash at bank - current account		4,184,614	1,672,343
		<u>4,190,450</u>	<u>1,702,983</u>
<b>6 SHORT TERM INVESTMENTS</b>			
Investments - mutual funds	6.1	5,252,292	-
<b>6.1 Mutual Fund Units</b>			
NBP Islamic Savings Fund		5,252,292	-
<b>7 GENERAL FUND</b>			
Opening balance		1,371,604	1,094,890
Surplus for the year		907,782	276,714
		<u>2,279,386</u>	<u>1,371,604</u>
<b>8 RESTRICTED FUND</b>			
Opening balance		984,930	852,470
Add: Restricted funds received during the year		25,612,234	12,299,257
Less: Restricted funds utilised during the year		(18,676,290)	(12,166,797)
		<u>7,920,874</u>	<u>984,930</u>
<b>9 ACCRUED AND OTHER PAYABLES</b>			
Withholding tax payable		44,045	41,043
Loan from Trustee		-	94,780
Audit fee payable		60,000	50,000
		<u>104,045</u>	<u>185,823</u>
<b>10 CONTINGENCIES AND COMMITMENTS</b>			

There were no contingencies and commitments as at the statement of financial position date.

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	2020 Rupees	2019 Rupees
<b>11 EDUCATIONAL PROGRAMS</b>		
Higher education support	4,263,412	1,808,455
After schools	263,290	1,618,000
In-house schools	531,444	365,695
School fee support	1,992,275	850,913
Book publication	-	332,768
Uniforms, books, copies and other school supplies	18,205	237,915
	<u>7,068,626</u>	<u>5,213,746</u>
<b>12 HEALTH AND MEDICAL PROGRAMS</b>		
Zainabia Medical Centre	1,188,981	844,511
Other medical related expenses	420,600	414,213
	<u>1,609,581</u>	<u>1,258,724</u>
<b>13 SOCIAL AND WELFARE PROGRAMS</b>		
Water purification and distribution	2,089,530	3,657,854
Ration distributions	9,866,526	2,992,087
Financial assistance	2,896,119	1,120,545
Orphan marriages	1,400,520	563,800
Meal and meat distribution	1,361,450	513,000
Quilt distribution	222,600	258,900
Other social and welfare programs	-	65,500
	<u>17,836,745</u>	<u>9,171,686</u>
<b>14 ADMINISTRATIVE EXPENSES</b>		
Salaries and other benefits	1,070,700	679,850
Professional services	255,700	215,000
Audit fee	60,000	50,000
Utilities	46,349	48,400
Depreciation	88,507	91,120
Other expenses	708,710	291,103
	<u>2,229,967</u>	<u>1,375,473</u>

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## 15 FINANCIAL INSTRUMENTS RELATED DISCLOSURES

### 15.1 Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Trust believes that it is not exposed to any significant level of liquidity risk.

### 15.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Trust is not exposed to any interest rate risk.

### 15.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency rates. The Trust has no exposure to foreign currency risk.

### 15.4 Fair value of financial statements

The carrying value of all the financial assets and financial liabilities are estimated to approximate their fair values.

### 15.5 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date, if counter parties fail completely to perform as contracted. All financial assets of the Trust except for cash in hand are subject to credit risk.

## 16 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Trustee of IFTA Welfare Trust in their meeting held on 20 FEB 2021.

## 17 NUMBER OF EMPLOYEES

The number of employees as at the year end are 2020: 11 (2019: 12).





**18 GENERAL**

18.1 Figures have been rounded off to the nearest rupee.

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



**MANAGING TRUSTEE**



**TRUSTEE**