

**DEVELOPMENTS IN LITERACY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016**



Grant Thornton

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AUDITOR'S REPORT TO THE BOARD OF TRUSTEES

We have audited the accompanying financial statements of **Developments in Literacy** ("the Society") which comprise of the statement of financial position as at December 31, 2016, and the statement of income and expenditure, statement of changes in fund and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Board of Trustees ("the Board") are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRSs") as applicable in Pakistan, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the approved auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as applicable in Pakistan.

Other Matter

The financial statements of the Society for the year ended December 31, 2015 were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements on March 01, 2017.


GRANT THORNTON ANJUM RAHMAN

Chartered Accountants

Engagement Partner: Nadeem Tirmizi

Islamabad

Date: August 26, 2017

Chartered Accountants

Member of Grant Thornton International Ltd.

Other offices in Lahore and Karachi

DEVELOPMENTS IN LITERACY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	Note	2016 (Rupees)	2015 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	4	40,946,801	41,390,056
Intangible asset	5	339,586	424,482
Long term prepayments	6	310,020	381,894
		<u>41,596,407</u>	<u>42,196,432</u>
CURRENT ASSETS			
Advances - unsecured, considered good	7	4,714,036	4,458,191
Short term deposits and prepayments	8	2,670,546	2,356,600
Cash and bank balances	9	34,095,338	52,060,700
		<u>41,479,920</u>	<u>58,875,491</u>
TOTAL ASSETS		<u><u>83,076,327</u></u>	<u><u>101,071,923</u></u>
NON CURRENT LIABILITIES			
Deferred grant	10	41,286,387	41,814,538
CURRENT LIABILITIES			
Accrued and other liabilities	11	10,292,664	9,284,241
TOTAL LIABILITIES		<u>51,579,051</u>	<u>51,098,779</u>
FUND			
Restricted fund	12	31,497,276	49,973,144
TOTAL LIABILITIES AND FUND		<u><u>83,076,327</u></u>	<u><u>101,071,923</u></u>
CONTIGENCIES AND COMMITMENTS			
	13		

The annexed notes from 1 to 21 form an integral part of these financial statements.


Trustee


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**DEVELOPMENTS IN LITERACY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Note	2016 (Rupees)	2015 (Rupees)
INCOME			
Restricted grant recognised as income			
- Education and other program activities	12.1	347,358,390	336,334,352
Deferred grant recognised as income	10	4,771,835	3,464,499
		<u>352,130,225</u>	<u>339,798,851</u>
EXPENDITURE			
Grants to partner organization's	14	104,019,409	103,548,180
General and administration expenses	15	33,301,405	26,570,528
Program expenses	16	112,076,745	125,000,438
Project expenses	17	102,732,666	84,679,705
		<u>(352,130,225)</u>	<u>(339,798,851)</u>
Excess of income over expenditure		<u>-</u>	<u>-</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.


Trustee


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**DEVELOPMENTS IN LITERACY
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<i>Note</i>	RESTRICTED FUND
Balance as at January 01, 2015		63,126,127
Restricted funds received during the year	12.1	337,342,759
Transferred to income and expense statement	12.1	(336,334,352)
Transferred to differed capital grant		(14,161,390)
Balance as at December 31, 2015		<u>49,973,144</u>
Restricted funds received during the year	12.1	333,126,206
Transferred to income and expense statement	12.1	(347,358,390)
Transferred to differed capital grant		(4,243,684)
Balance as at December 31, 2016		<u><u>31,497,276</u></u>

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The annexed notes from 1 to 21 form an integral part of these financial statements.


Trustee


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**DEVELOPMENTS IN LITERACY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Note	2016 (Rupees)	2015 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	-
Adjustments for:			
Restricted grant recognised as income:			
- Education and other program activities	12.1	(347,358,390)	(336,334,352)
- Deferred capital grant recognised as income	10	(4,771,835)	(3,464,499)
- Depreciation	4	4,686,939	3,378,103
- Amortization	5	84,896	86,396
- Provision for doubtful advances		2,140,016	1,681,986
		(345,218,374)	(334,652,366)
Changes in:			
- Advances		(2,395,861)	626,231
- Short term deposits and prepayments		(313,946)	(52,910)
- Long term deposits and prepayments		71,874	87,846
- Receivables from USAID		-	1,170,362
- Accrued and other liabilities		1,008,422	1,529,271
Cash generated from / (used in) operating activities		(1,629,511)	3,360,800
Grant received during the year		331,303,668	334,010,430
Interest received during the year		1,822,537	3,332,329
Net cash generated from / (used in) operating activities		(13,721,679)	6,051,193
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure - property and equipment		(4,243,684)	(14,076,690)
Capital expenditure - intangible assets		-	(84,700)
Net cash used in investing activities		(4,243,684)	(14,161,390)
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net decrease in cash and cash equivalents		(17,965,363)	(8,110,197)
Cash and cash equivalents at beginning of the year		52,060,700	60,170,897
Cash and cash equivalents at end of the year	9	34,095,337	52,060,700

The annexed notes from 1 to 21 form an integral part of these financial statements.

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1 THE SOCIETY AND ITS OPERATIONS

- 1.1** Developments in Literacy ("the Society") is a non-profit organization. The Society was established in February 1997 by expatriate Pakistanis in the United States of America and was registered in Pakistan in 2000 under the Societies Registration Act, 1860.

The basic aim of the Society is to promote literacy among children who have no access to education and to encourage and facilitate the improvement and use of educational resources in literacy development in Pakistan. The Society does this by running its own schools and supporting the existing setup of primary schools, mainly in the rural areas with the focus on enrolling girls.

The principal office of the Society is situated at First floor, Marina Heights, Main Jinnah Avenue, Blue Area, Islamabad.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in Pakistan. The financial statement are presented in Pak Rupee, which is Society's functional and presentation currency.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Society operates. The financial statements are prepared in Pakistani Rupees, which is the Society's functional and presentation currency.

2.4 Significant accounting estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Society's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a) Determination of useful lives and depreciation / amortisation of operating fixed assets (note 4)
- b) Provision against doubtful advances (note 7)
- c) Contingencies and commitments (note 13)

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies consistently applied to all the years presented.

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any, except for free hold land which is carried at cost less impairment loss, if any. Cost of an item of property and equipment comprises purchase price, import duties and other costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Depreciation is calculated on the reducing balance method, except leasehold land on which depreciation is calculated on straight line method, and charged to income and expenditure account to write off the depreciable amount of an asset over its estimated useful life at the percentages specified in note 4.

The cost of replacing a part of item of property and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Society and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the servicing of the property and equipment are recognized in income and expenditure account as incurred.

Gains and losses on disposal of property and equipment are recognised in the income and expenditure account.

3.2 Intangible assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably. Intangible assets with finite useful life are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation of intangible assets, having finite useful life, is charged by applying diminishing balance method, so as to write off the cost of assets at amortisation rate as mentioned in note 5 to the financial statements.

Subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognised in income and expenditure account as

3.3 Deferred grant

Grants related to property and equipment are accounted for by setting up the grant as deferred grant which is recognized as income on a systematic basis over the useful life of the related assets.

3.4 Taxation

The Society is registered as not for profit organization under section 2(36) of the Income Tax Ordinance, 2001. The Society is eligible for tax credit under Section 100C of the Income Tax Ordinance 2001 from donations, voluntary contributions, subscriptions and so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purposes of carrying out welfare activities. Hence, the provision for taxation has not been made in these financials statements.

3.5 Income recognition

Grants

Grants are recognized as income over the periods necessary to match with the related costs on a systematic basis. All funds received are treated as restricted. Restricted fund is transferred to income to the extent of expenditures incurred out of these funds in a particular accounting year.

Interest income

Interest income is recognized on a time proportion basis using the applicable interest rate and recorded under the head Restricted Grant. Same is utilised for program expenses along with respective grant.

3.6 Provisions

A provision is recognized in the financial statements when the Society has a legal or constructive obligation as a result of past events and 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 reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.7 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange ruling on the date of transactions. All monetary assets and liabilities in foreign currencies are translated into Pak rupees at the

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

rate of exchange prevailing on the balance sheet date. Exchange gain / loss is charged to current year's income.

3.8 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. on the trade date, which is the date that the Society becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the Society transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Society is recognised as a separate asset or liability.

The Society's non-derivative financial assets are classified as loans and receivables which comprise deposits, short term investment, other receivables and cash and cash equivalents.

Deposits, short term investment and other receivables

These are stated initially at the fair value, subsequent to initial recognition these are stated at their amortised cost as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The allowance for doubtful receivables is based on the Society's assessment of the collectability of counterparty accounts. The Society regularly reviews its receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the receivable balances, and current economic conditions that may affect counter party's ability to pay.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and term deposit receipts maturing within three months from the date of placement.

Non-derivative financial liabilities

The Society initially recognises non derivative financial liabilities on the date that they are originated or the date that the Society becomes a party to the contractual provisions of the instrument. The Society derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non derivative financial liabilities comprise of accrued and other liabilities.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Society has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.9 Finance costs

Finance cost comprises bank charges which are charged to income and expenditure account in the period in which they are incurred.

3.10 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

losses are recognized in income and expenditure account.

Non-financial assets

The carrying amount of the Society's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in the income and expenditure account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.11 Approved accounting standards which are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods, beginning on or after January 01, 2017:

	Effective date (accounting periods beginning on or after)
- IFRS 2 - Share Based Payments - Amendments	January 01, 2018
- IFRS 16 - Leases	January 01, 2019
- IAS 7 - Statement of Cash Flows - Amendments	January 01, 2017
- IAS 12 - Income Taxes - Amendments	January 01, 2017
- IAS 40 - Investment Property - Amendments	January 01, 2018
- Annual improvements:	
- IAS 28 - Investments in Associates and Joint Ventures - Amendments	January 01, 2018
- IFRS 12 - Disclosure of Interest in Other Entities - Amendments	January 01, 2018
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration - Amendments	January 01, 2018

The above mentioned standards, amendments and interpretations to published standards and new interpretation to existing standard are either not relevant to the Society's operations or are not expected to have significant impact on the Society's financial statements.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards, which have not been adopted and are under consideration of relevant committee of the Institute of Chartered Accountants of Pakistan (ICAP):

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory deferral accounts
- IFRS 15 – Revenue from Contract with Customers
- IFRS 16 – Leases

3.12 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain other and amended standards, interpretations and amendments that are applicable for the Society's accounting periods beginning on or after January 1, 2016 but are considered not to be relevant or do not have any significant effect on the Society's operations and therefore not detailed in these financial statements.

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

4 PROPERTY AND EQUIPMENT

	Note	Freehold land	Leasehold land	Buildings	Vehicles	Furniture and fixtures	Office equipment	Computers	Total
		(Rupees)							(Rupees)
Cost									
As at 1 January 2015		11,783,852	7,037,700	18,077,577	1,699,355	1,260,102	4,673,342	3,256,131	47,788,059
Additions during the year		-	-	12,824,000	-	417,690	-	835,000	14,076,690
As at 31 December 2016		11,783,852	7,037,700	30,901,577	1,699,355	1,677,792	4,673,342	4,091,131	61,864,749
Additions during the year	4.1	4,107,500	-	-	-	-	105,484	30,700	4,243,684
As at 31 December 2016		15,891,352	7,037,700	30,901,577	1,699,355	1,677,792	4,778,826	4,121,831	66,108,433
Accumulated depreciation									
As at 1 January 2015		-	218,016	10,680,417	1,587,744	428,970	1,883,506	2,297,937	17,096,590
Charge for the year		-	140,355	2,120,632	22,322	87,708	557,967	449,119	3,378,103
As at 31 December 2016		-	358,371	12,801,049	1,610,066	516,678	2,441,473	2,747,056	20,474,693
Charge for the year		-	70,377	3,620,106	17,858	116,111	456,027	406,460	4,686,939
As at 31 December 2016		-	428,748	16,421,155	1,627,924	632,789	2,897,500	3,153,516	25,161,632
Carrying value as at:									
- 31 December 2016		15,891,352	6,608,952	14,480,422	71,431	1,045,003	1,881,326	968,315	40,946,801
- 31 December 2015		11,783,852	6,679,329	18,100,528	89,289	1,161,114	2,231,869	1,344,075	41,390,056
Depreciation rates (%)			1%	20%	20%	10%	20%	30%	

4.1 This represents the consideration paid for purchase of property comprising of land and building in Karachi. Title of the property is still in the name of the previous owner.

4.2 Depreciation charge for the year has been allocated as follows:

	Note	2016 (Rupees)	2015 (Rupees)
Administration expenses	15	703,041	506,715
Program expenses	16	3,983,898	2,871,388
		<u>4,686,939</u>	<u>3,378,103</u>

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

5	INTANGIBLE ASSET	Note	2016	2015
			(Rupees)	(Rupees)
	Cost			
	As at 1 January 2016		901,700	817,000
	Additions during the year		-	84,700
	As at 31 December 2016		901,700	901,700
	Accumulated amortization			
	As at 1 January 2016		477,218	390,822
	Charge for the year	15	84,896	86,396
	As at 31 December 2016		562,114	477,218
	Written down value as at 31 December 2016		339,586	424,482
	Amortisation rate (%)		20%	20%
6	LONG TERM PREPAYMENTS			
	Prepaid rent		389,880	469,740
	Less: Current portion of long term prepayments classified as current assets	8	(79,860)	(87,846)
			310,020	381,894
7	ADVANCES - unsecured			
	Considered good			
	Advance to projects:			
	- Naz Old Boys Welfare Association		-	684,710
	- MMWO		48,359	-
	- Khwendo Kor		53,852	1,158,737
			102,211	1,843,447
	Advance for expenses		2,860,380	1,490,644
	Advance against construction expenses	7.1	103,337	774,343
	Other advances		1,648,108	336,035
			4,714,036	4,444,469
	Considered doubtful			
	Advances for expenses		1,075,438	820,630
	Advance against construction expenses		361,278	361,278
	Other advances		703,300	513,800
			2,140,016	1,695,708
	Less: Provision for doubtful advances		(2,140,016)	(1,681,986)
			4,714,036	4,458,191
7.1	This represents advances paid for construction of community schools. Upon completion of construction, this advance will be recognised as program expense.			
8	SHORT TERM DEPOSITS AND PREPAYMENTS	Note	2016	2015
			(Rupees)	(Rupees)
	Security deposits		937,000	886,500
	Prepaid rent and insurance		1,653,686	1,382,254
	Current portion of long term prepayments	6	79,860	87,846
			2,670,546	2,356,600

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

9	CASH AND BANK BALANCES	<i>Note</i>	2016 (Rupees)	2015 (Rupees)
	Cash in hand		39,843	24,921
	Cash at bank in current accounts			
	- Local currency		-	2,235,105
			-	2,235,105
	Cash at bank in saving accounts	9.1	34,055,495	49,800,674
			<u>34,095,338</u>	<u>52,060,700</u>
9.1	These carry mark-up rate ranging from 5% to 5.7% per annum (2015: 7% per annum).			
10	DEFERRED GRANT			
	Opening balance		41,814,538	31,117,647
	<i>Add:</i>			
	Cost of property and equipment purchased during the year	4	4,243,684	14,076,690
	Cost of intangible asset purchased during the year	5	-	84,700
			4,243,684	14,161,390
	<i>Less:</i>			
	Deferred grant recognised as income during the year		(4,771,835)	(3,464,499)
			<u>41,286,387</u>	<u>41,814,538</u>
11	ACCRUED AND OTHER LIABILITIES			
	Payable to projects:			
	- Indus Resource Centre		3,739,154	2,464,119
	- Cooperation for Advancement, Rehabilitation and Education		842,973	212,931
	- Rising Star Foundation		50,017	459,855
	- Naz Old Boys Welfare Association		2,819,833	-
	- Mukhtara Mai Women Organization		-	35,441
			7,451,977	1,292,716
	Accrued expenses		1,032,784	2,051,748
	Payable against construction expenses		1,145,086	1,145,086
	Retention money payable		-	723,438
	Audit fee payable		495,000	920,000
	With holding Tax payable		-	761,218
	Other payables		167,817	740,252
			<u>10,292,664</u>	<u>7,634,458</u>
12	RESTRICTED FUND			
	Restricted funds for:			
	- Flood relief activities - DIL USA		628,643	628,643
	- For education and other program activities	12.1	30,868,633	62,497,484
			<u>31,497,276</u>	<u>63,126,127</u>

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<i>Note</i>	2016 (Rupees)	2015 (Rupees)
12.1 Restricted funds for education and other program activities			
Opening balance		49,344,501	62,497,484
Funds received during the year	12.1.1	331,276,233	334,006,970
Other income	12.1.2	1,849,973	3,335,789
		333,126,206	337,342,759
Transferred to income and expenditure account		(347,358,390)	(336,334,352)
Transfer to deferred capital grant on purchase of:			
- property and equipment	4	(4,243,684)	(14,076,690)
- intangible asset	5	-	(84,700)
		30,868,633	49,344,501
12.1.1 Funds received during the year			
<i>Related parties</i>			
Developments in Literacy USA		214,703,637	223,710,236
Developments in Literacy Canada		7,025,615	18,880,003
Developments in Literacy UK / DFID		1,279,422	15,121,808
Developments in Literacy UK / Vitol Foundation		3,792,618	6,361,065
Developments in Literacy HK		9,164,038	8,201,281
Developments in Literacy UK		8,778,637	29,052,900
Developments in Literacy UK-Fund the Front Line		-	1,809,400
Developments in Literacy UK-Waterloo		4,766,400	5,134,080
Donations received from trustee		1,600,000	-
<i>Other</i>			
Funds raised in Pakistan - Various donors - Chapters		23,911,058	10,205,942
USAID Small Grants And Ambassador's Fund Program		12,147,700	-
Target International		2,590,945	468,290
Amir Kothawal		565,532	403,930
Punjab Education Fund		22,360,552	2,832,600
Food Project Trust		734,372	180,364
Other donors including zakat		17,855,707	2,311,117
All Pakistan Women's Association		-	3,692,459
Barclays Bank Plc		-	5,075,963
Scholarship Fund		-	565,532
		331,276,233	334,006,970
12.1.2 Other income			
<i>Income from financial assets</i>			
Interest income from bank accounts		1,822,537	3,332,329
Other income		27,436	3,460
		1,849,973	3,335,789
13 CONTINGENCIES AND COMMITMENTS			
13.1 The Society is committed to contribute towards future expenditure of schools under Society's management and grants to Partner Organization.			

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13.2 The Society has received notices under sub section 6, sub section 7 of section 3 and sub section 4 of section 7 of Sales tax Act, 1990 for tax year 2014 whereby tax department has notified that DIL is liable to deduct and deposit the sales tax amounting Rs 5,870,622/- in respect of goods purchased and services acquired. The Society has filed an appeal against said order and response on same appeal from tribunal is still awaited.

14 GRANTS TO PARTNER ORGANIZATIONS	2016 (Rupees)	2015 (Rupees)
Cooperation for Advancement, Rehabilitation and Education	9,351,250	8,913,566
Indus Resource Centre	26,871,941	26,321,247
Khwendo Kor	22,668,902	23,883,420
Naz Old Boys Welfare Association	39,120,098	39,034,484
Mukhtara Mai Women Organization	6,007,218	5,395,463
	104,019,409	103,548,180

14.1 Project utilized this grant under the following heads of account:

2016	Management	Program	Operating	Total
Cooperation for Advancement, Rehabilitation and Education	324,231	8,710,701	316,318	9,351,250
Indus Resource Centre	761,253	24,872,702	1,237,986	26,871,941
Khwendo Kor	1,311,438	19,041,284	2,316,180	22,668,902
Naz Old Boys Welfare Association	1,459,704	35,959,061	1,701,333	39,120,098
Mukhtara Mai Women Organization	403,480	5,386,304	217,434	6,007,218
	4,260,106	93,970,052	5,789,251	104,019,409
2015				
Cooperation for Advancement, Rehabilitation and Education	1,063,980	6,271,427	272,333	7,607,740
Indus Resource Centre	2,030,740	19,541,896	1,023,522	22,596,158
Khwendo Kor	2,651,783	14,172,160	2,123,986	18,947,929
Naz Old Boys Welfare Association	3,668,136	33,443,764	1,753,298	38,865,198
Mukhtara Mai Women Organization	780,000	3,471,130	299,620	4,550,750
	10,194,639	76,900,377	5,472,759	92,567,775

15 GENERAL AND ADMINISTRATION EXPENSES	2016 (Rupees)	2015 (Rupees)
Salaries and other benefits	21,933,942	14,435,166
Printing and stationary	130,530	104,945
Vehicle running expenses	59,848	60,571
Communication and postage	137,502	133,137
Office repairs	285,766	352,994
Vehicle insurance	24,923	39,802
Staff health insurance	943,577	637,041
Office rent and utilities	1,494,417	1,335,316
Office supplies	2,790	4,556
Bank charges	63,678	115,603
Audit fee	226,616	706,552
Fund raising expenses	5,593,088	3,971,553
Depreciation	703,041	506,715
Amortization	84,896	86,396
Legal and professional charges	327,190	1,174,373
Resourcing and recruitment expenses	208,800	480,000
Software maintenance	-	94,875
Travel and meeting expenses	24,677	86,031
Miscellaneous	518,594	562,916
Security deposit written off	79,500	-
Provision for doubtful advances	458,030	1,681,986
	33,301,405	26,570,528

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16	PROGRAM EXPENSES	<i>Note</i>	2016 (Rupees)	2015 (Rupees)
	Salaries and other benefits		59,551,182	59,168,174
	Printing and stationary		237,009	190,554
	Vehicle running expenses		263,184	266,367
	Travel and meetings expenses		159,599	885,646
	Communication and postage		581,977	563,500
	Office repairs		394,349	487,120
	Office rent and utilities		3,458,680	3,290,456
	Vehicle insurance		9,886	15,787
	Monitoring and evaluation expenses		1,619,061	2,713,071
	Depreciation	4.2	3,983,898	2,871,388
	Office supplies		81,295	132,749
	Curriculum development		2,521,631	4,184,215
	Training expenses		17,538,135	19,147,947
	Bank charges		154,829	281,079
	Capacity building expenses		535,356	1,167,371
	Library establishment		1,937,250	1,760,573
	Computer laboratory		2,584,619	3,612,669
	Gateway		716,671	532,395
	USAID E-Library Project		7,266,375	-
	School Enterprises		1,171,306	-
	Virtual training hub		-	25,095
	Staff health insurance		2,279,942	1,539,266
	IT Skills activities		873,683	1,361,072
	School construction expenses	16.1	-	11,269,944
	Vocational training		1,833,723	1,924,545
	Technology enabled project		1,204,065	7,103,053
	Program Development		778,694	-
	Miscellaneous		340,347	506,402
			112,076,745	125,000,438

16.1 This represents expenses incurred on construction of Schools in Dir, Khyber Pakhtunkhwa.

17	PROJECT EXPENSES	<i>Note</i>	2016 (Rupees)	2015 (Rupees)
	Islamabad Capital Territory Schools	17.1	10,339,488	10,324,318
	Orangi Schools	17.2	34,807,644	34,720,193
	Kala Shah Kaku School	17.3	3,427,735	3,272,421
	Mansehra Community School Project	17.4	4,559,981	4,310,073
	Rawalpindi Rural School Program	17.5	28,809,427	27,264,768
	Rising Star Foundation	17.6	3,760,940	4,787,932
	Punjab Education Fund	17.7	17,027,451	-
			102,732,666	84,679,705

17.1 Islamabad Capital Territory Schools

Salaries and other benefits		8,567,116	8,088,783
Direct project expenses	17.8	427,387	787,847
Library establishment		244,845	276,164
Computer laboratory		999,470	1,051,820
Others		100,670	119,704
		10,339,488	10,324,318

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		2016 (Rupees)	2015 (Rupees)
17.2 Orangi Schools	<i>Note</i>		
Salaries and other benefits		25,309,496	22,618,869
Direct project expenses	17.8	5,999,970	8,369,148
Library establishment		537,737	1,543,618
Computer laboratory		1,669,412	1,769,573
Others		1,291,029	418,985
		<u>34,807,644</u>	<u>34,720,193</u>
17.3 Kala Shah Kaku School			
Salaries and other benefits		2,774,905	2,346,837
Direct project expenses	17.8	217,269	496,167
Library establishment		81,800	54,770
Computer laboratory		171,059	314,461
Others		182,702	60,186
		<u>3,427,735</u>	<u>3,272,421</u>
17.4 Mansehra Community School Project			
Salaries and other benefits		3,431,950	3,042,448
Direct project expenses	17.8	637,446	689,534
Library establishment		107,300	187,980
Computer laboratory		319,025	345,266
Others		64,260	44,845
		<u>4,559,981</u>	<u>4,310,073</u>
17.5 Rawalpindi Rural School Program			
Salaries and other benefits		22,346,319	21,102,513
Direct project expenses	17.8	3,462,978	3,343,228
Library establishment		623,280	398,883
Computer laboratory		2,164,459	2,169,289
Others		212,391	250,855
		<u>28,809,427</u>	<u>27,264,768</u>
17.6 Rising Star Foundation			
Salaries and other benefits		2,175,215	2,811,449
Direct project expenses	17.8	1,585,725	1,976,483
		<u>3,760,940</u>	<u>4,787,932</u>
17.7 Punjab Education Fund			
Salaries and other benefits		10,821,873	-
Direct project expenses	17.8	1,714,612	-
Library establishment		1,758,982	-
Computer laboratory		1,308,451	-
Others		1,423,533	-
		<u>17,027,451</u>	<u>-</u>
17.8	These represent various expenses incurred on schools directly run by the Society. These include expenses incurred on account of civil works on school buildings, books, note books, furniture, scholarships, one laptop per child campaign and other school running expenses.		

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
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18 FINANCIAL INSTRUMENTS

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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

The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Society's activities. The Society, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Trustees oversees how management monitors compliance with the Society's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Society.

18.1 Credit risk

Credit risk is the risk of financial loss to the Society if a counterparty to a financial instrument fails to meet its contractual obligations. The Society's credit risk is primarily attributable to deposits and balances at banks. The Society believes that it is not exposed to major concentration of credit risk as balances are kept with banks with reasonable high credit ratings. The carrying amount of financial assets represents the maximum credit exposure at the reporting date as follows:

	2016 (Rupees)	2015 (Rupees)
Deposits	937,000	886,500
Bank balances	34,055,495	52,035,779
	<u>34,992,495</u>	<u>52,922,279</u>

Geographically there is no concentration of credit risk. As at the year end the Society's most significant financial asset represents amount placed with a Bank from whom Rs. 34.992 million (2015: Rs. 52,922 million) was receivable. Based on past experience, the management believes that no impairment allowance is necessary in respect of its financial assets.

18.2 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, that it will 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. The Society uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Society ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

DEVELOPMENTS IN LITERACY
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The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within one year	Over one year
		-----Rupees-----		
Accrued and other liabilities				
- 2016	10,292,664	(10,292,664)	(10,292,664)	-
- 2015	8,523,023	(8,523,023)	(8,523,023)	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

18.3 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 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. All such activities are carried out with the approval of the Board. The Society is not significantly exposed to market risk.

a) Currency risk

The Society is not significantly exposed to currency risk.

b) Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure arises from investment and saving accounts with banks. The Society has no interest bearing financial liabilities. At the balance sheet date the interest rate risk profile of the Society's interest bearing financial instruments is:

	Carrying amount	
	2016	2015
	(Rupees)	(Rupees)
<i>Fixed rate instruments</i>		
Saving bank accounts	34,055,495	49,800,674

Fair value sensitivity analysis for fixed rate instruments

The Society does not hold any fixed rate financial asset at fair value through profit and loss. Therefore a change in interest rate at reporting date would not affect income and expenditure account of the Society.

Fund management

The Board of Directors of the Society monitors the performance along with the fund required for the sustainable operations of the Society. There were no changes to the Society's approach to the fund management during the year. The Society is not subject to externally imposed fund requirements.

19 DETERMINATION OF FAIR VALUE

19.1 A number of the Society's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. However since these assets and liabilities are due to be settled within one year, the fair value is approximate to their

DEVELOPMENTS IN LITERACY
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19.2 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

19.3 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount			Fair value		
	Held to maturity	Loans and receivables	Total	Level 1	Level 2	Level 3
31 December 2016						
Financial assets not measured at fair value						
Security Deposits*	-	937,000	937,000	-	-	-
Cash and cash equivalents*	-	34,095,338	34,095,338	-	-	-
Accrued and other liabilities*	-	10,292,664	10,292,664	-	-	-
31 December 2015						
Financial assets not measured at fair value						
Security Deposits	-	886,500	886,500	-	-	-
Cash and cash equivalents*	-	52,060,700	52,060,700	-	-	-
Financial liabilities not measured at fair value						
Accrued and other liabilities*	-	9,284,241	9,284,241	-	-	-

*The Society has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable

20 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Developments in Literacy USA, UK, Canada, all affiliates of the Developments in Literacy, trustees, key management personnel and entities over which the trustees are able to exercise significant influence. Transactions and balances with related parties other than already disclosed in these financial statements are as follows:

	2016 (Rupees)	2015 (Rupees)
Remuneration of key management personnel	7,348,930	6,661,290
Funds received during the year from affiliates	244,743,968	301,327,293
Donations received from a trustee	-	-

21 DATE OF APPROVAL

These financial statements were approved by the Board of Trustees of the Society in their meeting held on



Trustee



Trustee