



**DEVELOPMENTS IN LITERACY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019**

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES

Opinion

We have audited the accompanying financial statements of **Developments in Literacy (the Society)** which comprise the statement of financial position as at December 31, 2019, and the statement of income and expenditure, the statement of cash flows, the statement of changes in funds for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2019 and 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 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 Standard 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting and reporting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is 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 going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the 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 Statement

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 the material misstatement of the financial statement, 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, if any, and related disclosures made in the financial statements by the 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 relating to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


GRANT THORNTON ANJUM RAHMAN

Chartered accountants

Engagement Partner: Waqas Waris

Islamabad

Date: March 12, 2021

**DEVELOPMENTS IN LITERACY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

	Note	2019 (Rupees)	2018 (Rupees)
NON-CURRENT ASSETS			
Property and equipment	5	58,657,839	47,857,264
Intangible asset	6	173,868	217,335
Right of use asset	7	18,835,620	-
Long term deposits and prepayments	8	673,733	216,533
		<u>78,341,060</u>	<u>48,291,132</u>
CURRENT ASSETS			
Advances - unsecured, considered good	9	5,352,060	4,613,277
Short term deposits, prepayments and other receivables	10	1,837,023	3,439,482
Receivable from donors	12	16,615,484	17,287,134
Cash and bank balances	11	101,257,068	67,491,320
		<u>125,061,635</u>	<u>92,831,213</u>
TOTAL ASSETS		<u>203,402,695</u>	<u>141,122,345</u>
FUNDS AND LIABILITIES			
Restricted grant	12	116,314,140	82,241,771
NON CURRENT LIABILITIES			
Deferred grant	13	58,831,707	48,074,599
Lease liability	15	15,690,030	-
		<u>74,521,737</u>	<u>48,074,599</u>
CURRENT LIABILITIES			
Current portion of lease liability	15	3,018,163	-
Accrued and other liabilities	16	9,548,655	10,805,975
		<u>12,566,818</u>	<u>10,805,975</u>
TOTAL LIABILITIES		<u>87,088,555</u>	<u>58,880,574</u>
TOTAL FUND AND LIABILITIES		<u>203,402,695</u>	<u>141,122,345</u>
CONTINGENCIES AND COMMITMENTS			
	17		

The annexed notes from 1 to 28 form an integral part of these financial statements.



Trustee

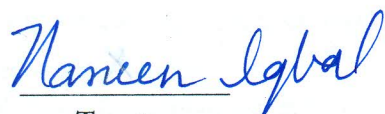


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**DEVELOPMENTS IN LITERACY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	2019 (Rupees)	2018 (Rupees)
INCOME			
Restricted grant recognised as income			
- Education and other program activities	12	291,349,131	274,077,785
Deferred grant recognised as income	13	3,953,786	3,892,776
Program income	14	4,405,535	6,775,613
		<u>299,708,452</u>	<u>284,746,174</u>
EXPENDITURE			
Grants to partner organisations	18	57,924,005	73,242,251
General and administration expenses	19	24,476,871	27,706,742
Program expenses	20	82,778,915	86,452,860
Project expenses	21	134,528,661	97,344,321
		<u>(299,708,452)</u>	<u>(284,746,174)</u>
Excess of income over expenditure		<u>-</u>	<u>-</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

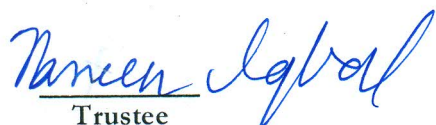

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**DEVELOPMENTS IN LITERACY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	2019 (Rupees)	2018 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Excess of income over expenditure		-	-
Adjustments for:			
- Restricted grant recognised as income	12	(291,349,131)	(274,077,785)
- Deferred capital grant recognised as income	13	(3,953,786)	(3,892,776)
- Depreciation on fixed assets	5	3,910,319	3,838,443
- Amortization	6	43,467	54,333
- Depreciation on right of use asset	7	3,356,645	-
- Finance cost - interest on lease liability		2,818,831	-
		<u>(285,173,655)</u>	<u>(274,077,785)</u>
Changes in:			
- Advances		(738,783)	(262,795)
- Short term deposits and prepayments		390,264	935,462
- Long term deposits and prepayments		(457,200)	60,831
- Accrued and other liabilities		(1,257,320)	196,632
Cash generated / (used in) operating activities		(2,063,039)	930,130
Grant received during the year		335,844,254	308,619,063
Interest received during the year		4,959,789	2,840,321
Net cash generated from / (used in) operating activities		<u>53,567,349</u>	<u>38,311,729</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure - property and equipment		(14,710,894)	(8,901,774)
Net cash used in investing activities		<u>(14,710,894)</u>	<u>(8,901,774)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability	15	(5,090,707)	-
Net cash flows from financing activities		<u>(5,090,707)</u>	-
Net increase / (decrease) in cash and cash equivalents		33,765,748	29,409,956
Cash and cash equivalents at beginning of the year		67,491,320	38,081,364
Cash and cash equivalents at end of the year	11	<u>101,257,068</u>	<u>67,491,320</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.


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**DEVELOPMENTS IN LITERACY
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	RESTRICTED FUND
Balance as at January 01, 2018		60,085,104
Restricted funds received during the year	12	270,646,757
Transferred to income and expense statement	12	(239,588,316)
Transferred to deferred capital grant		(8,901,774)
Balance as at December 31, 2018		82,241,771
Restricted funds received during the year	12	312,207,671
Transferred to income and expense statement	12	(263,424,408)
Transferred to deferred capital grant		(14,710,894)
Balance as at December 31, 2019		116,314,140

The annexed notes from 1 to 28 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, 2019**

1 THE SOCIETY AND ITS OPERATIONS

Developments in Literacy ("the Society") is a non-profit organization. The Society was registered in March 2003 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.

Economic Affairs Division (EAD) Ministry of Finance through its notification no. 1(5)INGO/05 dated November 28, 2013 has required that all local NGOs, desirous of utilizing foreign economic assistance / grants, will need prior registration with Government (i.e. EAD). Accordingly, Society has applied for registration with EAD vide application dated August 22, 2017 which was granted on April 09, 2020 and is valid till April 08, 2022.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified by the Securities and Exchange Commission of Pakistan (SECP).

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is also the Society's functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest Rupee.

2.4 Significant accounting estimates

The preparation of financial statements in conformity with the accounting and reporting 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 / amortization of operating fixed assets (note 5)
- b) Contingencies and commitments (note 16)

2.5 STATUS OF STANDARDS AND INTERPRETATIONS

2.5.1 Standards and interpretations that became effective during the year

There are certain amendments and interpretations to accounting and reporting standards which are mandatory for the Society's annual accounting period which began on January 01, 2019. However, these do not have any significant impact on the Society's financial reporting and, therefore, have not been detailed in these financial statements except for changes in accounting policies as referred in notes below:

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DEVELOPMENTS IN LITERACY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

- IFRS 9 'Financial instruments' – This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On January 1, 2019 (the date of initial application of IFRS 9), the Society's management has assessed which business models apply to the financial assets held by the Society and has classified its financial instruments into the appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as 'loans and receivables' have now been classified as 'amortized cost').
- IFRS 15 'Revenue from contracts with customers' – This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

The Society has assessed that implementation of changed due to above standards does not have significant effects on preparation of these financial statements. However, changes in accounting policies due to adoption of these standards are disclosed in respective notes.

- IFRS 16 "Leases" replaced IAS 17 "Leases", along with related Interpretations (IFRIC 4 'Determining whether an Arrangement contains a lease', SIC 'Operating lease - Incentive' and SIC 27 'Evaluating the Substance of Transaction involving the Legal Form of Lease') the former lease accounting standard became effective on January 01, 2019. Under the new lease standard, assets leased by the Society are being recognized on the statement of financial position of the Society with a corresponding liability. As a rule, lease expenses are no longer recorded in the statement of profit or loss from January 01, 2019. Instead, depreciation and interest expenses are recorded stemming from the newly recognized lease assets and lease liabilities. In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Finance cost from the newly recognized lease liability are presented in the cash flow from financing activities.

Effect on financial statements due to adoption of IFRS 16 are disclosed in note 4 to these financial statements.

2.5.2 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective from the dates mentioned below;

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS Business Combinations (Amendments)	January 1, 2020
IAS 1 Presentation of financial statements (Amendments)	January 1, 2020
IAS 8 Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2020
IFRS Regulatory Deferral Accounts	July 1, 2019

The above standards and amendments are not expected to have any material impact on the financial statements in the period of initial application.

Following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

- IFRS First time Adoption of International Financial Reporting Standards
- IFRS Insurance Contracts

