

**AL FURQAN WELFARE
ORGANIZATION**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2021**

Independent Auditors' Report To The Trustees of Al Furqan Welfare Organization

Opinion

We have audited the financial statements of the Al Furqan Welfare Organization, which comprise of the Statement of financial position as at June 30, 2021 and the income and expenditure account, the cash flow statement and the statement of changes in accumulated fund 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 present fairly, in all material respects, the financial position of the Organization as at June 30, 2021 and its surplus for the year, the changes in accumulated fund, and its cash flows for the year then ended in accordance with the 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 Organization 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.

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

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan and for such internal control as the management determines 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, the management is responsible for assessing the Organization'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 the management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organizations 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 is 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



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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 Organizations 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 the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast a significant doubt on the Organizations 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 Association to cease to continue as a going concern.
- Evaluate 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 achieve 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.

Karachi:

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Chartered Accountants

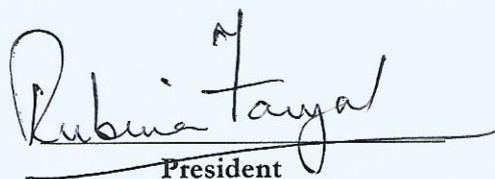
Engagement Partner: Muhammad Kamal Gohar

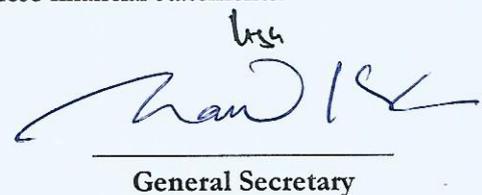


AL FURQAN WELFARE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	June 30, 2021 ------(Rupees)-----	June 30, 2020 Restated
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	3	36,147,836	2,899,355
Long term deposits	4	1,762,500	938,500
		<u>37,910,336</u>	<u>3,837,855</u>
CURRENT ASSETS			
Advances, loans and prepayments	5	362,565	355,500
Cash and bank balances	6	20,547,393	16,766,637
		<u>20,909,958</u>	<u>17,122,137</u>
TOTAL ASSETS		<u>58,820,294</u>	<u>20,959,992</u>
FUNDS AND LIABILITIES			
General fund		23,092,257	12,277,112
Zakat fund	7	649,677	4,316,757
Building fund	8	1,685,577	3,280,000
		<u>25,427,511</u>	<u>19,873,869</u>
NON CURRENT LIABLITY			
Deferred grant	10	32,587,500	-
CURRENT LIABILITIES			
Accrued and other liabilities	9	805,283	1,086,123
CONTINGENCIES AND COMMITMENTS			
	11	-	-
TOTAL FUND AND LIABILITIES		<u>58,820,294</u>	<u>20,959,992</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

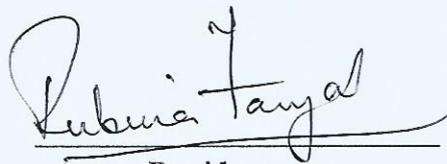

President


General Secretary

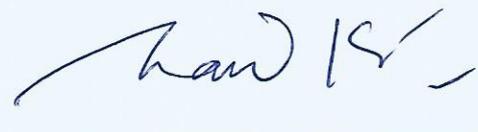
AL FURQAN WELFARE ORGANIZATION
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
		------(Rupees)-----	
			Restated
INCOME			
Donations	12	39,791,837	24,404,147
Contributions	13	1,890,710	1,339,630
Grant amortized		412,500	-
Membership fees		90,000	64,500
Sponsorship fees		8,138,900	6,038,040
		<u>50,323,947</u>	<u>31,846,317</u>
Operating expenditure	14	(34,969,480)	(27,647,164)
Administrative and general expenditure	15	(6,914,922)	(5,811,711)
Excess of income over expenditure		<u>8,439,545</u>	<u>(1,612,558)</u>
Other income	16	2,375,600	401,796
Surplus/(deficit) before taxation		<u>10,815,145</u>	<u>(1,210,762)</u>
Taxation	17	-	-
Surplus/(deficit) after taxation		<u><u>10,815,145</u></u>	<u><u>(1,210,762)</u></u>

The annexed notes from 1 to 20 form an integral part of these financial statements.



President



General Secretary

AL FURQAN WELFARE ORGANIZATION
STATEMENT OF CHANGES IN ACCUMULATED FUND ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2021

	Amount (Rupees)
Balance as at June 30, 2019	13,487,874
Surplus for the year ended June 30, 2019	2,069,238
Balance as at July 1, 2020	15,557,112
Effect of restatement	(3,280,000)
Restated balance as at June 30, 2020	<u>12,277,112</u>
Surplus for the year ended June 30, 2021	10,815,145
Balance as at June 30, 2021	<u><u>23,092,257</u></u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

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President

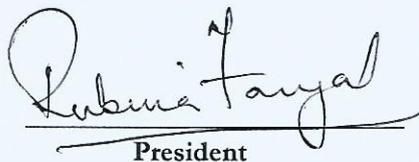


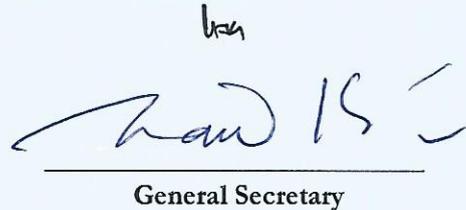
General Secretary

AL FURQAN WELFARE ORGANIZATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
	------(Rupees)-----	
		Restated
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus/(deficit) for the year	10,815,145	(1,210,762)
Adjustments for:		
Depreciation	876,109	378,464
Deferred grant	32,175,000	-
Grant amortised	412,500	-
Operating Surplus before working capital changes	44,278,754	(832,298)
Working capital changes		
Decrease /(Increase) in current assets	(7,065)	484,200
Decrease in current liabilities	(280,840)	808,323
	<u>(287,905)</u>	<u>1,292,523</u>
Cash generated from operations	43,990,849	460,225
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(34,134,590)	(1,349,299)
Proceeds against disposal of equipment	10,000	-
Long term deposits	(824,000)	(138,500)
Cash (used) in investing activities	(34,948,590)	(1,487,799)
CASH FLOW FROM FINANCING ACTIVITIES		
Addition to zakat fund during the year	275,370	1,754,332
Distribution of zakat fund during the year	(3,942,450)	-
Addition to building fund during the year	31,405,577	3,280,000
Transfer from building fund during the year	(33,000,000)	-
Cash generated from financing activities	(5,261,503)	5,034,332
Net increase in cash and cash equivalent during the year	3,780,756	4,006,758
Cash and bank balances at the beginning of the year	16,766,637	12,759,879
Cash and bank balances at the end of the year	20,547,393	16,766,637

The annexed notes from 1 to 20 form an integral part of these financial statements.


President


General Secretary

AL FURQAN WELFARE ORGANIZATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

1 NATURE OF THE BUSINESS

Al Furqan Welfare Organization was established in 2012 as a non-profit organization, under the Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961, for the socio economic uplift of our society through education, health and cleanliness of the environment. The initial project of the organization is Al Furqan Schools Network to provide free education to underprivileged children in various areas of Karachi as well as in Sindh, through model of education that strike balance between secular and religious education.

Its registered office is situated at 192 - O, P.E.C.H.S Block 2 Block 2 PECHS, Karachi, Sindh

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Revised Accounting and Financial Reporting Standard for Small Sized Entities (AFRS for SSEs) and Accounting Standard for Non-Profit Organizations (NOPs) issued by the Institute of Chartered Accountants of Pakistan.

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 Company'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 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 expenditures.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in the ensuing paragraphs.

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2.5 Property and equipment

These are stated at cost less accumulated depreciation.

Depreciation is charged using the reducing balance method by applying rate specified in the

Depreciation is charged on the basis of full year depreciation in the year of purchase and no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred while cost of major replacement and improvements if any are capitalized.

2.5.2 Provisions

The Company reviews the carrying amount of liabilities on a regular basis and appropriate amount of provision is made as and when necessary.

2.6 Impairment

The carrying amount of the Company's assets are reviewed regularly to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is charged to statement of financial performance.

2.7 Revenue recognition

Income on account of school fee is recognized on receipt basis.

2.8 Donations

Zakat & donation received in cash are recognized on receipt basis and those received in kind are recognized at fair value on the date of receipt of donation.

2.9 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and highly liquid short term investments.

2.10 Accrued and other liabilities

Accrued liabilities are carried at cost which is also the fair value of consideration to be paid in the future for goods and services.

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2.11 Expenses

Expenses are charged when incurred even if not paid.

2.12 School Project

The Organization for the betterment of educational activities in the society through establishing and adopting schools. Needy students get free of cost education here or education at concessional fee. Donations are received from individuals and institutions local donors in Pakistan.

Contributions includes contribution received from schools against admissions, monthly tuition fee, canteen income and from management of events and provision of ancillary facilities.

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3 PROPERTY AND EQUIPMENT

Particulars	COST				Rate	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE
	As at July 01, 2020	Addition	Disposal	As at June 30, 2021		As at July 01, 2020	Charge for the year	As at June 30, 2021	As at June 30, 2021
	Rupees				%	Rupees			
Computer and related accessories	442,392	20,000	(10,000)	452,392	25	198,325	65,558	263,883	188,509
Office equipment	878,981	16,500	-	895,481	25	312,873	142,902	455,775	439,706
Furniture and fixtures	2,724,224	1,098,090	-	3,822,314	10	635,044	255,149	890,193	2,932,121
Building	-	33,000,000	-	33,000,000	5	-	412,500	412,500	32,587,500
2021	4,045,597	34,134,590	(10,000)	38,170,187		1,146,242	876,109	2,022,351	36,147,836
2020	2,696,298	1,349,299	-	4,045,597		767,778	378,464	1,146,242	2,899,355

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	Note	June 30, 2021	June 30, 2020
		----- (Rupees) -----	
4 LONG TERM DEPOSITS			
Rent deposit		<u>1,762,500</u>	<u>938,500</u>
4.1 This represents amount deposited with tenants against renting of their property for schools.			
5 ADVANCES, LOANS AND PREPAYMENTS			
Advance salaries		5,000	1,000
Loans to employees		252,565	164,500
Prepaid rent		<u>105,000</u>	<u>190,000</u>
		<u>362,565</u>	<u>355,500</u>
6 CASH AND BANK BALANCES			
Cash in hand		132,964	7,238,648
Cash at bank			
- Current account		<u>20,414,429</u>	<u>9,527,989</u>
		<u>20,547,393</u>	<u>16,766,637</u>
7 ZAKAT FUND	7.1		
Opening balance		4,316,757	3,113,585
Add: Addition during the year		275,370	1,203,172
Less: Distributed during the year		<u>(3,942,450)</u>	-
Closing balance		<u>649,677</u>	<u>4,316,757</u>
7.1 This represents fund created to serve Zakat deserving students.			
	Notes	June 30, 2021	June 30, 2020
		----- (Rupees) -----	
8 BUILDING FUND	8.1		Restated
Opening balance		3,280,000	-
Add: Addition of funds during the year		31,405,577	3,280,000
Less: Purchase of building	10	<u>(33,000,000)</u>	-
Closing balance		<u>1,685,577</u>	<u>3,280,000</u>
8.1 This represents fund created for the purchase of school buildings.			
9 ACCRUED AND OTHER LIABILITIES			
Accrued expenses		94,333	798,673
Audit fees payable		110,000	75,000
Retained salaries		<u>600,950</u>	<u>212,450</u>
		<u>805,283</u>	<u>1,086,123</u>

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	Note	June 30, 2021	June 30, 2020
		------(Rupees)-----	
10 DEFERRED GRANT			
Balance at the beginning of the year		-	-
Transfer on purchase of property and equipment	8	33,000,000	-
Grant amortized during the year		(412,500)	-
Balance at the end of year		<u>32,587,500</u>	<u>-</u>

11 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at June 30, 2021 (2020: Nil).

	Notes	June 30, 2021	June 30, 2020
		------(Rupees)-----	
		Restated	
12 DONATIONS			
Donations	12.1	<u>39,791,837</u>	<u>24,404,147</u>

12.1 This represents donations received to manage and improve schools to provide schooling to underprivileged students free of cost.

13 CONTRIBUTIONS

Concessional	13.1	<u>1,890,710</u>	<u>1,339,630</u>
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13.1 This represent concessional fees received from students enrolled in the school managed by the organization. Different fees are collected from different students as per their affordability.

14 SCHOOLING OPERATION EXPENDITURE

Salaries and allowances		16,229,336	14,809,714
Event expenses		856,460	202,800
Books & copies		3,647,912	910,614
Conveyance expenses		1,940,908	991,871
Rashan distribution		316,600	1,414,472
Entertainment		373,465	570,509
Fees & subscription		907,573	104,800
Office supplies		204,936	57,635
Depreciation	3	700,887	302,771
Printing & stationary		663,623	529,384
Rent		5,703,000	5,078,115
Repair and maintenance (buildings, general & vehicles)		1,417,080	781,892
Workshop (Teacher training)		23,000	22,000
Students uniforms & others		49,700	773,784
Tuition fees		3,600	25,800
Labor charges		152,186	150,444
Water expenses		92,586	107,193
Brokerage fee		655,550	-
Miscellaneous		50,318	-
Other expenses		980,760	813,366
		<u>34,969,480</u>	<u>27,647,164</u>

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	Note	June 30, 2021	June 30, 2020
------(Rupees)-----			
15 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and allowances		4,057,334	3,702,429
Conveyance expenses		485,227	247,968
Cleaning expenses		17,300	16,820
Entertainment		93,366	142,627
Depreciation	3	175,222	75,693
Printing and stationary		165,906	132,346
Eidi and clothes distribution		162,765	681,780
Legal & Professional Charges		637,500	-
Publicity & promotion		89,070	44,500
Audit fees		110,000	75,000
Labor charges		38,047	37,611
Water tanker		47,315	18,500
Medical expenses		7,000	102,900
Utilities		569,200	303,956
Membership fees		-	26,100
Other expenses		245,190	203,341
Miscellaneous		12,579	-
Bank charges		1,901	140
		<u>6,914,922</u>	<u>5,811,711</u>
16 OTHER INCOME			
Sadqa		101,000	267,556
Others		2,274,600	134,240
		<u>2,375,600</u>	<u>401,796</u>
17 TAXATION			

The Organization has been granted the status of Non-Profit Organization by Commissioner Inland Revenue upto June 30, 2021. Further the organization is in compliance of section 100C of Income Tax Ordinance, 2001 therefore no tax provision was provided.

18 PRIOR YEAR ERROR

During the year, the management of the Organization has rectified prior period error with respect to recognition of building fund which was not accounted for in previous years in the respective financial statements of the Organization, by restating the prior years' balances.

Effects of these restatements are summarized as follows:

Particular	Amount Originally reported	Effect of Restatement	Restated amount
-----Rupees-----			
Balance Sheet			
Building fund	<u>-</u>	<u>3,280,000</u>	<u>3,280,000</u>
Income and Expenditure Account			
Donations	<u>27,684,147</u>	<u>(3,280,000)</u>	<u>24,404,147</u>
Statement of changes in equity			
Balance as at June 30, 2020	<u>15,557,112</u>	<u>3,280,000</u>	<u>12,277,112</u>

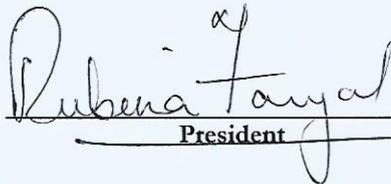
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19 DATE OF AUTHORIZATION FOR ISSUE

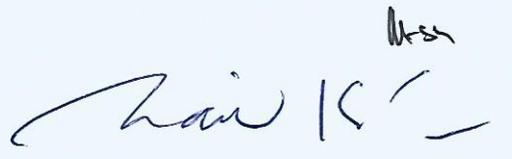
These financial statements were authorized for issue on 03 DEC 2021 by the authorized members of the executive committee.

20 GENERAL

- 20.1 Figures in these accounts have been rounded off to the nearest rupee.
- 20.2 Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison. No significant re-arrangements have been made during the year.



President



General Secretary