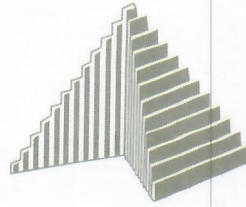


**RURAL COMMUNITY DEVELOPMENT SOCIETY
AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

A member firm of



**RAFAQAT MANSHA
MOHSIN DOSSANI
MASOOM & CO.**
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **RURAL COMMUNITY DEVELOPMENT SOCIETY** ("the Society"), which comprise the statement of financial position as at June 30, 2022 and the statement of income and expenditure, the statement of changes in general funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements presents fairly in all material respects, the statement of financial position of Society as at June 30, 2022, and of its Deficit, changes in general funds and cash flows for the year then ended in accordance with approved accounting and reporting as applicable in Pakistan.

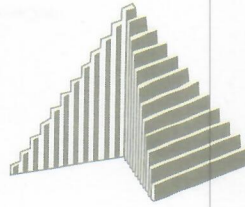
Basis for Opinion

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 Company 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 Board of Directors for the Financial Statements

The board of directors 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 board of directors 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, the board of directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.



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

Auditor's Responsibilities for the Audit of the Financial Statements

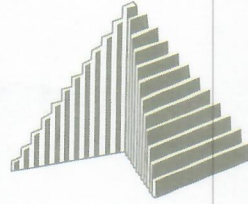
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's 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 ISA's as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.

M. Dossani

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**RAFAQAT MANSHA
MOHSIN DOSSANI
MASOOM & CO.**
Chartered Accountants

- 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.

The Engagement Partner: Mohsin Nadeem, FCA

Lahore
Date: December 17, 2022

Rafaqat Mansha Mohsin Dossani Masoom & Company
Chartered Accountants



**RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL POSITIONS
AS AT JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees
FUNDS AND LIABILITIES			
General Funds		116,787,769	122,423,355
		<u>116,787,769</u>	<u>122,423,355</u>
NON CURRENT LIABILITIES			
Deferred Income	4	4,876,054	3,191,439
CURRENT LIABILITIES			
Trade and other payables	5	2,857,769	3,898,482
		<u>124,521,592</u>	<u>129,513,276</u>
ASSETS			
Property, plant and equipment	6	75,398,841	60,553,508
Capital work in progress		31,875	3,286,545
Long Term Investment	7	22,378	22,378
CURRENT ASSETS			
Advances, prepayments and other receivables	8	5,548,700	6,149,980
Grant Receivable	9	1,544,315	12,865,928
Advance income tax		25,083,480	24,523,390
Cash and bank balances	10	16,892,004	22,111,548
		<u>124,521,592</u>	<u>129,513,276</u>

The annexed notes (1-19) form an integral part of these financial statements.

CHAIRMAN

Rampal

MANAGING DIRECTOR

RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
Revenue			
Profit on bank deposits		1,377,452	660,017
Operating Income	11	9,924,381	8,889,289
Deferred grants amortized	12	8,133,941	18,216,872
		<u>19,435,773</u>	<u>27,766,178</u>
Operating expenses	13	25,071,359	47,531,267
Net (deficit) for the year		<u>(5,635,586)</u>	<u>(19,765,089)</u>

The annexed notes (1-19) form an integral part of these financial statements.

RMDM



CHAIRMAN



MANAGING DIRECTOR

**RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF CHANGES IN GENERAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Funds	Total Funds
	Rupees	Rupees
Total as at June 30, 2020	<u>142,188,444</u>	<u>142,188,444</u>
Net Deficit for the year ended	(19,765,089)	(19,765,089)
Total as at June 30, 2021	<u>122,423,355</u>	<u>122,423,355</u>
Net Deficit for the year ended	(5,635,586)	(5,635,586)
Total as at June 30, 2022	<u>116,787,769</u>	<u>116,787,769</u>

The annexed notes (1-19) form an integral part of these financial statements. *RMDM*

CHAIRMAN

MANAGING DIRECTOR

RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 2022

	2022 Rupees	2021 Rupees
CASH GENERATED FROM OPERATIONS		
(Shortfall) of income over expenditure	(5,635,586)	(19,765,089)
Adjustment for non cash items and other charges		
Depreciation on property, plant and equipment	3,705,460	3,492,835
Defferred Income Ammortize	(8,133,941)	(18,216,872)
Exchange gain	-	-
Gain on sale of fixed assets	-	-
	<u>(4,428,481)</u>	<u>(14,724,037)</u>
Net cash flows before working capital changes	(10,064,066)	(34,489,126)
Profit before working capital changes	(10,064,066)	(34,489,126)
Working capital changes		
Increase / (decrease) in current liabilities		
Trade and other payables	(1,040,713)	(8,478,789)
Advances, prepayments and other receivables	11,362,803	3,994,074
	<u>10,322,090</u>	<u>(4,484,715)</u>
Net cash (used in) operating activities	A	(38,973,842)
Cash flow from investing activities		
Additions in fixed assets	(15,264,249)	(134,031)
Sale proceed of fixed assets	-	12,759,035
Capitall work in progress	(31,875)	(3,286,545)
Long term loan extended to RCDP	-	30,000,000
Net cash generated from investing activities	B	39,338,459
Cash flow from financing activities		
Deferred income	9,818,556	17,908,000
Net cash generated from financing activities	C	17,908,000
Net increase in cash and cash equivalents	A+B+C	18,272,617
Cash and cash equivalents at the beginning of the year	22,111,548	3,838,930
Cash and cash equivalents at the end of the year	16,892,004	22,111,548

The annexed notes (1-19) form an integral part of these financial statements.

CHAIRMAN

RMDM

MANAGING DIRECTOR

RURAL COMMUNITY DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. LEGAL STATUS AND NATURE OF BUSINESS

RURAL COMMUNITY DEVELOPMENT SOCIETY was registered under the Societies Registration Act, 1860. It is a non-religious, non political and non-governmental organization working for the empowerment and capacity building of the youth by promoting peace, tolerance, mutual understanding and non-violence amongst nations and religious. The registered office of the Trust is situated at D-4, Phase 2, Al-Rehman Garden, Sharaqpur Sharif Road, Lahore, Pakistan.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB).
- Provisions of and directives issued under ICAP.

Where provisions of and directives issued under ICAP differ from the *IFRS for SMEs or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder.

3.2 Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with the Financial reporting guidelines for NGOs/ NPOs engaged in microfinance issued by the Institute Chartered Accountants of Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets and provisions for doubtful receivables. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amount of assets and liabilities in the next year.

3.3 Revenue

Revenue is recognized to the extent that the economic benefits will flow to the entity and revenue can be reliably measured. Revenue from different sources is recognized on the following basis:

3.4 Borrowings

Loans and borrowings are recorded on the cash basis. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Financial charges are accounted for on accrual basis and are included in current liabilities to the extent of amount remaining unpaid, if any.

3.5 Taxation

The income of the organization is exempt from the levy of tax under clause (c) of sub-section 36 of section 2 of the Income Tax Ordinance, 2001. Accordingly, no provisions for taxation has been made in the financial statements.

3.6 Property, plant and equipment

Property, plant and equipment are initially recognized at acquisition cost including any 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.

RMDM

RURAL COMMUNITY DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

Subsequently, property, plant and equipment are stated at cost less accumulated depreciation and any identifiable impairment loss. Subsequent costs are included in the asset's carrying amount or recognized as a separate cost, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the organization and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income statement during the year in which they are incurred.

Depreciation is charged to the Income and Expenditure account on reducing balance method by applying the depreciation rates as disclosed in Note 6 so as to write off the depreciable amount of assets over their estimated useful lives. Depreciation on additions is charged from the month the asset is available for use, while no depreciation is charged in the month in which the asset is disposed off.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of assets (calculated as the difference between the net disposal proceed and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The assets' residual values and estimated useful lives are reviewed at least at each balance sheet date and impact on depreciation is adjusted, if significant.

3.7 Recognition of grants

Grants received for capital expenditure are presented in the balance sheet as "Deferred Income" that is recognized as income in line with depreciation charged on respective assets over the useful life of the assets. Grants received for revenue expenditure are recognized as grant income as per terms of agreement with donors.

3.8 Trade and other payables

Trade and other payables are stated at cost which is the fair value of consideration to be paid in the future for goods and services.

3.9 Advances, prepayments and other receivables

These are stated at their nominal values net of any allowance for uncollectable amounts. Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For purpose of cash flow statement, cash and cash equivalents include cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

3.11 Provisions

Provisions are recognized when, and only when, the Company has a present obligation (legal or constructive) as a result of a past event 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 the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflected the current best estimate.

3.12 Use of Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are below:

- Operating fixed assets - Tangible and intangible
- Micro credit loan portfolio
- Advances, prepayments and other receivables
- Creditors, accrued and other liabilities

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RURAL COMMUNITY DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

	2022 RUPEES	2021 RUPEES
4. DEFERRED INCOME		
Opening Balance	3,191,439	3,500,311
Add: Cash received from donors	8,274,241	17,908,000
Less: Amortization of grants	(8,133,941)	(18,216,872)
Add: Grant Receivable	1,544,315	12,865,928
	<u>4,876,054</u>	<u>3,191,439</u>
5. TRADE AND OTHER PAYABLES		
Withholding tax payable	-	244,100
Staff payables	23,500	118,058
Staff saving fund	1,166,020	1,804,483
Accrued expenses	485,100	550,000
Payable to RCDP	949,839	949,839
Others	233,310	232,002
	<u>2,857,769</u>	<u>3,898,482</u>
7. LONG TERM INVESTMENT		
Loan to RCDP-related party	-	-
Less: current Portion of Loan to RCDP	-	-
	<u>-</u>	<u>-</u>
Investment in EFU saving plans	22,378	22,378
	<u>22,378</u>	<u>22,378</u>
8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES		
Advance to staff against salaries	200,000	213,000
Advance to staff against expenses	116,162	200,000
Advance against the purchase of Land	1,210,047	-
Advance against the purchase of Agri Machinery	2,000,000	2,000,000
Unadjustable advance	257,000	257,000
Security to Statelife against health card program	-	1,835,231
Receivable from Rural Community Development Programmes	1,105,334	1,064,266
Receivable against School fees & Books collection	359,381	313,416
Receivable From Sanda Printing Press	-	27,610
Receivable From Al Khair Motors	28,800	28,800
Receivable From PSDF	73,510	12,760
Other Receivables	198,466	197,897
	<u>5,548,700</u>	<u>6,149,980</u>
9. GRANT RECEIVABLE		
PSDF	-	6,096,350
Statelife	-	5,478,595
WHH	1,544,315	1,290,983
	<u>1,544,315</u>	<u>12,865,928</u>
10. CASH AND BANK BALANCES		
Cash in hand	156,056	12,833
Cash at bank		
-Current account	231,247	220,609
-Saving Account	16,504,701	21,878,106
	<u>16,892,004</u>	<u>22,111,548</u>
11. OPERATING INCOME		
Profit on sale of vehicle	-	1,387,828
Rental Income	6,752,421	6,126,840
School Fee income	2,675,354	1,374,621
Exchange Gain	496,606	-
	<u>9,924,381</u>	<u>8,889,289</u>

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RURAL COMMUNITY DEVELOPMENT SOCIETY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022
 6 Operating fixed assets

P A R T I C U L A R S	C O S T			D E P R E C I A T I O N			Written down value as at 30.06.2022			
	As at 01.07.2021	Addition	Disposal	As at 30.06.2022	Rate %	As at 01.07.2020		For the period	Disposal	As at 30.06.2022
Land - freehold	A	B	C	(A+B+C+D=E)	F	G	M	H	(G+M+H=N)	(E-N=O)
Buildings on freehold land	26,837,919	17,460,322	-	26,837,919	-	-	-	-	-	26,837,919
Furniture and fixture	23,202,394	849,634	-	23,202,394	5	3,827,238	1,589,219	-	5,416,457	35,246,259
Other Equipments	5,032,717	-	-	5,882,351	10	769,398	454,653	-	1,224,051	4,658,300
Vehicles	-	-	-	-	10	0	-	-	0	(0)
Office Equipments	17,556,930	-	-	17,556,930	20	12,233,738	1,064,638	-	13,298,377	4,258,553
Agri Equipments	1,053,695	240,838	-	1,294,533	30	622,772	159,382	-	782,153	512,380
Health equipments	6,548,783	-	-	6,548,783	30	2,252,126	429,666	-	2,681,792	3,866,991
Water testing equipments	2,239,000	-	-	2,239,000	30	2,212,659	7,903	-	2,220,561	18,439
Rupees 2022	82,471,438	18,550,794	-	101,022,232	10	21,917,931	3,705,460	-	25,623,391	75,398,841

P A R T I C U L A R S	C O S T			D E P R E C I A T I O N			Written down value as at 30.06.2021			
	As at 01.07.2020	Addition	Disposal	As at 30.06.2021	Rate %	As at 01.07.2020		For the period	Disposal	As at 30.06.2021
Land - freehold	A	B	C	(A+B+C+D=E)	F	G	M	H	(G+M+H=N)	(E-N=O)
Buildings on freehold land	26,837,919	-	-	26,837,919	-	-	-	-	-	26,837,919
Furniture and fixture	28,854,566	-	(5,652,172)	23,202,394	5	2,807,493	1,019,745	-	3,827,238	19,375,156
Vehicles	5,281,500	-	(248,783)	5,032,717	10	363,116	473,702	(67,420)	769,398	4,263,319
Office Equipments	17,556,930	-	-	17,556,930	20	10,902,940	1,330,798	-	12,233,738	5,323,192
Agri Equipments	919,664	134,031	-	1,053,695	30	442,877	179,895	-	622,772	430,923
Health equipments	16,048,783	-	(9,500,000)	6,548,783	-	4,349,220	477,406	(2,574,500)	2,252,126	4,296,657
Rupees 2021	97,738,362	134,031	(15,400,955)	82,471,438	30	21,067,015	3,492,835	(2,641,920)	21,917,930	60,553,508

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RURAL COMMUNITY DEVELOPMENT SOCIETY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

12. DEFFERRED GRANTS AMORTIZED

Less: Amortization of grants	4	8,133,941	18,216,872
		<u>8,133,941</u>	<u>18,216,872</u>

13. OPERATING EXPENSES

Managing director's salary and benefits		3,050,800	2,790,000
Salaries and other benefits		9,251,562	17,619,545
Project and Allied Expenses		176,470	60,000
Training Expenses		18,000	17,020
Office Rent		337,835	4,993,872
Printing and stationary		1,446,891	8,575,290
Petrol and Maintenance		1,407,212	1,481,343
Utilities		362,753	314,945
Communication and Courier		264,810	392,230
Depreciation	6	3,705,460	3,492,835
Office Supplies		2,197,110	1,012,931
Audit Fee		150,000	216,250
Travelling Expenses		162,132	138,300
Registration Expenses		363,528	120,554
Bank Charges		406,035	90,803
Consultancy		1,374,200	4,903,911
Donation		-	599,975
Loss on sale of assets		-	706,863
Others		396,561	4,600
		<u>25,071,359</u>	<u>47,531,267</u>

14. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

14.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working directors and executives/managing director (appointed by the directors) of the Company is as follows:

	2022		
	Chairman	Chief Executive	Managing Director (Employee)
Manegetrial remuneration	-	-	2,719,600
Allowances and other benefits	-	-	331,200
	<u>-</u>	<u>-</u>	<u>3,050,800</u>
Number of persons	-	-	1
	2021		
	Chairman	Chief Executive	Managing Director (Employee)
Manegetrial remuneration	-	-	2,408,727
Allowances and other benefits	-	-	381,273
	<u>-</u>	<u>-</u>	<u>2,790,000</u>
Number of persons	-	-	1

RMDM

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**RURAL COMMUNITY DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

15. NUMBER OF EMPLOYEES

The number of employees of the company including permanent and contractual as of June 30, 2022, are 33 (2021: 21).

16. RELATED PARTY TRANSACTIONS

The related parties comprise subsidiaries, associated under takings, post employment benefit plans, other related companies, and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payable respectively. Other significant transactions with related parties are as follows:-

Name of related party	Nature of transaction	2022	2021
		-----RUPEES-----	-----RUPEES-----
Rural Community Development Programmes	Loan Outstanding	-	-
	Rental Income	6,752,421	6,126,840
	Received	-	-

17. DATE OF AUTHORIZATION FOR ISSUE

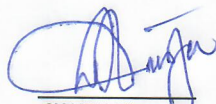
These Financial Statements have been authorised for issue by Board of Trustees' on _____.

18. EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable subsequent events occurring after the balance sheet date.

19. GENERAL

- Corresponding figures have been reclassified wherever necessary for the purpose of better comparison, however no material reclassification has been done.
- Figures in these financial statements have been rounded off to the nearest rupee.


CHAIRMAN

RMDM

MANAGING DIRECTOR