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THE Leading Edge ALLIANCE

RAFAQAT MANSHA
MOHSIN DOSSANI
MASOOM & CO.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT'S 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, 2023 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, 2023, and of its Surplus, 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.

- 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 on the audit resulting in this independent auditor's report is Mohsin Nadeem (FCA).

Lahore
Date: October 05, 2023,

Rafaqat Mansha Mohsin Dossani Masoom & Co
Chartered Accountants

RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
FUNDS AND LIABILITIES			
General Funds		119,617,839	116,787,769
		119,617,839	116,787,769
NON CURRENT LIABILITIES			
Deferred Income	4	8,990,221	4,876,054
CURRENT LIABILITIES			
Payable to Related Party-Unsecured	5	949,839	949,839
Trade and other payables	6	1,782,189	1,907,930
		131,340,088	124,521,592
ASSETS			
Property, plant and equipment	7	71,773,042	75,398,841
Capital work in progress		31,875	31,875
Long Term Investment	8	22,378	22,378
CURRENT ASSETS			
Receivable from Related Party-Unsecured	9	1,064,266	1,105,334
Advances, prepayments and other receivables	10	3,898,874	4,443,366
Grant Receivable	11	3,957,263	1,544,315
Tax Due from Government	12	26,372,025	25,083,480
Cash and bank balances	13	24,220,365	16,892,004
		131,340,088	124,521,592

The annexed notes (1-24) form an integral part of these financial statements. RMDM

DIRECTOR

MANAGING DIRECTOR

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RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Revenue			
Profit on bank deposits		**3,147,678**	1,377,452
Other Income	14	**15,535,731**	9,924,381
Grant Amortization	15	**45,962,508**	8,133,941
		64,645,917	19,435,773
Operating expenses	16	**61,815,847**	25,071,359
Net (deficit) / Surplus for the year		2,830,070	(5,635,586)

The annexed notes (1-24) form an integral part of these financial statements. RMDM

DIRECTOR

MANAGING DIRECTOR

RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF CHANGES IN GENERAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Endowment Funds	General Funds	Total Funds
	Rupees	Rupees	Rupees
Total as at June 30, 2021	-	122,423,355	122,423,355
Net Surplus for the year ended	-	(5,635,586)	(5,635,586)
Total as at June 30, 2022	-	116,787,769	116,787,769
Net Surplus for the year ended	-	**2,830,070**	**2,830,070**
Total as at June 30, 2023	-	**119,617,839**	**119,617,839**

The annexed notes (1-24) form an integral part of these financial statements. RMDM

DIRECTOR

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MANAGING DIRECTOR

RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 2023

	2023 Rupees	2022 Rupees
CASH GENERATED FROM OPERATIONS		
Excess / (Shortfall) of income over expenditure	2,830,070	(5,635,586)
Surplus from discontinued operations		
Adjustment for non cash items and other charges		
Depreciation on property, plant and equipment	3,625,799	3,705,460
Grant Ammortization	(45,962,508)	(8,133,941)
	(42,336,709)	(4,428,481)
Net cash flows before working capital changes	(39,506,639)	(10,064,067)
Profit before working capital changes	(39,506,639)	(10,064,067)
Working capital changes		
Increase / (decrease) in current liabilities		
Trade and other payables	(125,741)	(1,990,552)
Receivable from related party	41,068	
Advances, prepayments and other receivables	(3,157,001)	12,468,137
	(3,241,674)	10,477,585
Net cash (used in) operating activities	(42,748,313)	413,518
Cash flow from investing activities		
Additions in fixed assets	31,875	(15,264,249)
Sale proceed of fixed assets	-	-
Capital work in progress	(31,875)	(31,875)
Long term loan extended to RCDP	-	-
Sale proceeds through transfer of assets to RCDP		
Net cash generated from investing activities	-	(15,296,124)
Cash flow from financing activities		
Deferred income	50,076,675	9,818,556
Net cash generated from financing activities	50,076,675	9,818,556
Net increase in cash and cash equivalents	7,328,362	(5,064,050)
Cash and cash equivalents at the beginning of the year	16,892,004	22,111,548
Cash and cash equivalents at the end of the year	24,220,365	17,047,499

The annexed notes (1-24) form an integral part of these financial statements. RMDM

DIRECTOR

MANAGING DIRECTOR

RURAL COMMUNITY DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. LEGAL STATUS AND NATURE OF BUSINESS

RURAL COMMUNITY DEVELOPMENT SOCIETY was registered under the Societies Registration Act, 1860. It is depict that it shall be 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 recognized 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. RMDM

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.

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 7** 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. RMDM

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

4. DEFERRED INCOME

	2023 RUPEES	2022 RUPEES
Opening Balance	**4,876,054**	3,191,439
Add: Cash received from donors	**46,119,412**	8,274,241
Less: Amortization of grants	**(45,962,508)**	(8,133,941)
Add: Grant Receivable	**3,957,263**	1,544,315
	8,990,221	4,876,054

RMDM

RURAL COMMUNITY DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4.1 During the year one new agreement has been signed with the Deutshe Welthungerhilfe e. V for amounting EUR 103042 on March 01, 2023 in Islamabad. The Project Together aims at capacity building of the organization in the context Localization i.e. the local organizations should be strengthened, their capacity should be built, their systems developed to such an extent that they may pass through the due diligence process and get direct funding. Further to this, there is component of Humanitarian Operational & Innovation Fund (HOIFA) to cater the needs of the people who are going through some emergency (Flood, Heatwave, Earthquake, Preparedness etc.) Through this RCDS carried out Anticipatory Action (Mitigations measures) to lessen the affects of heatwave. Further disbursement of multipurpose cash grant to the flood affected people.

During the year 2022, one new agreement has been signed with Swiss Solidarity & Helvetas Swiss Interco operation amounting PKR 25,881,622/- for the period of May 01, 2022 to December 2023 on May 01, 2022. The project aims at promoting equitable Access to basic quality education in formal school for children amid Covid-19 in Pakistan through different activities. Digitalization of the Formal schools through the provision of LCDs, Tabs, Teachers capacity building through different training. Enrollment increase in the formal government schools through Child birth registration, their registration of NADRA B Form. Provision of uniforms, Sports' kits WASH facilities. Parallel to this provision of cash incentive to the girls to meet their different education related needs (Uniforms, stationery etc.)

5. PAYABLE TO RELATED PARTY-UNSECURED

Rural Community Development Programmes		949,839	949,839
		949,839	949,839

5.1 This amount represent payable to related party Rural Community Development Programme (RCDP).

6. TRADE AND OTHER PAYABLES

Withholding tax payable		**41,189**	-
Staff payables		**36,911**	23,500
Staff saving fund		**1,052,930**	1,166,020
Accrued expenses		**230,000**	485,100
Others		**421,159**	233,310
		1,782,189	1,907,930

8. LONG TERM INVESTMENT

Investment in EFU saving plans		**22,378**	22,378
		22,378	22,378

9. RECEIVABLE FROM RELATED PARTY-UNSECURED

Rural Community Development Programmes	9.1	**1,064,266**	1,105,334
		1,064,266	1,105,334

9.1. This represent the amount receivable form Rural Community Development Programmes (RCDP) a related Party against use of vehicle building.

10. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advance to staff	10.1	**1,166,162**	316,162
Receivable from WHH		-	1,210,047
Advance against the purchase of Agri Machinery		**2,000,000**	2,000,000
Security deposit		**257,000**	257,000
Receivable against School fees & Books collection		**114,900**	359,381
Receivable From Sanda Printing Press		**60,386**	-
Receivable From Al Khair Motors		**28,800**	28,800
Receivable From PSDF		**73,510**	73,510
Other Receivables		**198,116**	198,466
		3,898,874	4,443,366

10.1 This amount is advance given to staff against salary and official expenses. RMDM

7 RURAL COMMUNITY DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
OPERATING FIXED ASSET SCHEDULE

PARTICULARS	COST					DEPRECIATION				Written down value as at 30.06.2023
	As at 01.07.2022	Addition	Disposal	As at 30.06.2023	Rate %	As at 01.07.2022	For the period	Disposal	As at 30.06.2023	
	A	B	C	(A+B+C+D=E)	F	G	M	H	(G+M+H=N)	(E-N=O)
Land - freehold	26,837,919	-	-	26,837,919	-	-	-		-	26,837,919
Buildings on freehold land	40,662,716	-	-	40,662,716	5	5,416,457	1,762,313		7,178,770	33,483,946
Furniture and fixture	5,882,351	-	-	5,882,351	10	1,224,051	465,830		1,689,881	4,192,470
Vehicles	17,556,930	-	-	17,556,930	20	13,298,377	851,711		14,150,088	3,406,842
Office Equipment's	1,294,533	-	-	1,294,533	30	782,153	153,714		935,867	358,666
Agri Equipment's	6,548,783	-	-	6,548,783	10	2,681,792	386,699		3,068,491	3,480,292
Health equipment's	2,239,000	-	-	2,239,000	30	2,220,561	5,532		2,226,093	12,907
Rupees 2023	101,022,232	-	-	101,022,232		25,623,391	3,625,799	-	29,249,190	71,773,042
Rupees 2022	82,471,438	18,550,794	-	101,022,232		21,917,931	3,705,460	-	25,623,391	75,398,841

RMDM

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11. GRANT RECEIVABLE

Grant receivable	11.1	3,957,263	1,544,315
		3,957,263	1,544,315

11.1 This amount is receivable from "Welt Hunger Hife" against different projects.

12. TAX DUE FROM GOVERNMENT

Advance Income Tax	12.1	26,372,025	25,083,480
		26,372,025	25,083,480

12.1 Advance Income Tax

Opening	**25,083,480**	24,523,390
Deducted during the period	1,288,545	560,090
	26,372,025	25,083,480
Adjusted the period	-	
	26,372,025	25,083,480

13. CASH AND BANK BALANCES

Cash in hand	**552,800**	156,056
Cash at bank		
IN PKR		
-Saving Account	**23,270,767**	16,504,701
IN Foreign Currency		
-Current account	**396,798**	231,247
	24,220,365	16,892,004

14. OTHER INCOME

Rental Income	**7,839,270**	6,752,421
School Fee income	**2,928,131**	2,675,354
Exchange Gain	**4,768,330**	496,606
	15,535,731	9,924,381

15. GRANT AMORTIZATION

Amortization of grants	4	**45,962,508**	8,133,941
		45,962,508	8,133,941

16. OPERATING EXPENSES

Director's salary and benefits		**3,300,000**	3,300,000
Salaries and other benefits		**12,082,602**	9,002,362
Project and Allied Expenses		**32,838,910**	176,470
Training Expenses		**394,737**	18,000
Rent, rate, taxes		**1,710,414**	337,835
Printing and stationary		**1,729,018**	1,446,891
Petrol and Maintenance		**2,095,298**	1,407,212
Utilities		**497,007**	362,753
Communication and Courier		**612,648**	264,810
Depreciation	7	**3,625,799**	3,705,460
Office Supplies		**1,867,073**	2,197,110
Auditor's Remuneration		**180,000**	150,000
Travelling Expenses		**133,490**	162,132
Registration Expenses		**38,500**	363,528
Bank Charges		**50,181**	406,035
Consultancy		**487,500**	1,374,200
Miscellaneous expense		**172,670**	396,561
		61,815,847	25,071,359

RMDM

17. REMUNERATION OF CHIEF EXECUTIVE, CHAIRMAN AND MANAGING DIRECTOR

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

	2023		
	Chairman	Chief Executive	Managing Director (Employee)
Managerial remuneration	-	-	3,069,600
Allowances and other benefits	-	-	230,400
	-	-	3,300,000
Number of persons	-	-	1

	2022		
	Chairman	Chief Executive	Managing Director (Employee)
Managerial remuneration	-	-	2,719,600
Allowances and other benefits	-	-	331,200
	-	-	3,050,800
Number of persons	-	-	1

18. NUMBER OF EMPLOYEES

The number of employees of the company including permanent and contractual as of June 30, 2023, were 29 (2022: 33).

19. RELATED PARTY TRANSACTIONS

The related parties comprise subsidiaries, associated under takings (Common Directorship), post employment benefit plans, other related companies, and key management personnel. Amount of remuneration of key management personal been disclosed in note 17. 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	2023	2022
		---------RUPEES-----	---------RUPEES-----
Rural Community Development Programmes	Rental Income	7,839,270	6,752,421

RMDM

RURAL COMMUNITY DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

The Related parties with whom the Company had entered into transactions or have arrangement / agreement in place are following:

Name of the related party	'Relationship	Basis of relationship	'Aggregate % of shareholding
Rural Community Development Programmes	Associated Undertaking	Common Directorship	14%

20. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

All significant transactions and events that have affected the Company's financial position and performance during the year have been adequately disclosed in the notes to these financial statements.

21. CORRESPONDING FIGURES

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made, except for the following:

Nature	Reclassified from	Reclassified to	Purpose	Rupees
Statement of financial position				
Current Liabiliy	Trade and other payable	Payable to related party-Unsecured	Better Classification	949,839
Current Asset	Advances and prepayment	Receivable from related party-unsecured	Better Classification	1,064,266

22. DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements have been authorized for issue by Board of Trustees' on October 05, 2023

23. EVENTS AFTER THE BALANCE SHEET DATE

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

24. 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. RMDM

DIRECTOR

MANAGING DIRECTOR