

CHILDLIFE FOUNDATION

Financial Statements

For the year ended June 30, 2014

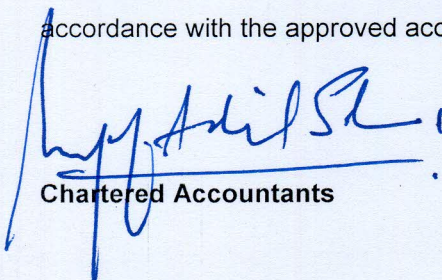
AUDITORS' REPORT TO THE TRUSTEES

We have audited the annexed balance sheet of the Childlife Foundation (the Trust) as at June 30, 2014 and the related income and expenditure account, cash flow statement and statement of changes in fund balances together with the notes forming part thereof (here-in-after referred to as the financial statements for the year then ended).

It is the responsibility of the trustees to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects the financial position of the Trust as at June 30, 2014 and of its deficit, cash flows and changes in fund balances for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.



Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

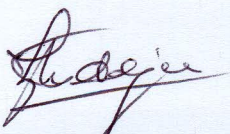
Dated: January 27, 2015
Place: Karachi

**CHILDLIFE FOUNDATION
BALANCE SHEET
AS AT JUNE 30, 2014**

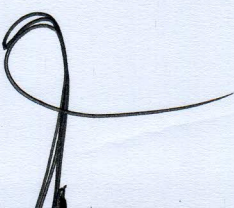
	Note	2014 -----Rupees-----	2013
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	15,178,656	14,916,805
CURRENT ASSETS			
Inventory	6	2,833,485	3,152,170
Donations and other receivables	7	1,705,315	740,454
Advances, deposits and prepayments	8	1,012,166	885,953
Investments	9	35,187,578	20,000,000
Cash and bank balances	10	22,298,163	23,833,543
		63,036,707	48,612,120
TOTAL ASSETS		78,215,363	63,528,925
FUNDS AND LIABILITIES			
FUNDS			
Inception contribution		10,000	10,000
Zakat fund		32,885	1,195,648
Endowment fund	11	36,892,893	20,672,751
General fund		15,923,162	16,427,360
		52,858,940	38,305,759
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred income related to property and equipment	12	12,812,246	13,961,237
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	13	12,544,177	11,261,929
TOTAL LIABILITIES		25,356,423	25,223,166
TOTAL FUNDS AND LIABILITIES		78,215,363	63,528,925

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

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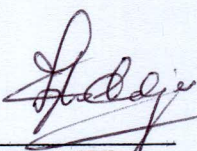
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CHILDLIFE FOUNDATION
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

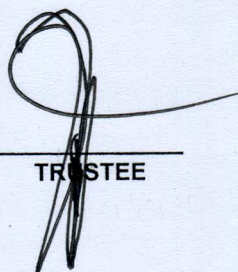
	Note	2014 -----Rupees-----	2013
INCOME	14	49,063,068	35,363,390
EXPENDITURE			
Project renovation		23,032,760	38,002,920
Salaries and benefits		43,879,134	15,299,060
Medicines consumed		49,721,779	17,871,688
Patient consultation	15	15,871,531	4,106,065
Legal and professional		-	145,785
Auditors remuneration		216,000	200,000
Supplies and consumables		3,551,450	1,105,311
Utilities		1,451,431	438,309
Repairs and maintenance		1,482,196	447,608
Advertisement		1,050,731	1,232,578
Depreciation		4,235,415	1,347,031
Programmatic activities	16	1,521,461	595,791
Other expenses	17	2,155,915	203,458
Total expenditure		148,169,803	80,995,604
Less: Zakat utilised for operating expenses	18	(84,714,384)	(24,227,968)
Less: Zakat utilised for project renovation	19	(13,604,566)	(31,192,638)
		49,850,853	25,574,998
(Deficit) / surplus for the year transferred to general fund		(787,785)	9,788,392

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

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**CHILDLIFE FOUNDATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014**

	2014	2013
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit) / surplus of income over expenses for the year	(787,785)	9,788,392
Adjustments:		
Amortisation of deferred income related to property and equipment	(4,034,315)	(1,201,955)
Depreciation charge for the year	4,235,415	1,347,031
Loss on disposal of property and equipment	110,199	722
Property and equipment written off	100,854	-
	(375,632)	9,934,190
Working capital changes		
(Increase) / decrease in current assets		
Inventory	318,685	(2,722,204)
Donations and other receivables	(964,861)	975,546
Advances, deposits and prepayments	(126,213)	(885,953)
Increase in current liabilities		
Creditors, accrued and other liabilities	1,282,248	10,778,521
Net cash generated from operating activities	134,227	18,080,100
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,877,819)	(13,507,042)
Redemption of / (investment in) Islamic term deposits	20,000,000	(20,000,000)
Investment in Pakistan Investment Bonds	(35,134,200)	-
Proceeds from disposal of property and equipment	169,500	37,126
Net cash used in investing activities	(19,842,519)	(33,469,916)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of Zakat fund	101,061,078	72,299,030
Utilisation of Zakat fund	(98,318,950)	(55,420,606)
Receipt of Endowment fund	13,317,837	20,042,650
Profit received on Endowment fund	2,112,947	630,101
Net cash generated from financing activities	18,172,912	37,551,175
Net increase in cash and cash equivalents	(1,535,380)	22,161,359
Cash and cash equivalents at beginning of the year	23,833,543	1,672,184
Cash and cash equivalents at end of the year	22,298,163	23,833,543

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

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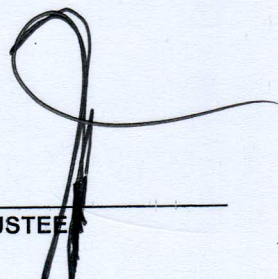
**CHILDLIFE FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	Inception contribution	Zakat fund	Endowment fund	General fund		Total	
					Project renovation and capital expenditure	Others		Subtotal
					Rupees			
Balance as at July 1, 2012		10,000	1,599,768	-	-	1,724,974	1,724,974	3,334,742
Funds received during the year		-	72,299,030	20,042,650	-	-	-	92,341,680
Zakat utilised for operating expenses		-	(24,227,968)	-	-	-	-	(24,227,968)
Zakat utilised for project renovation	19	-	(31,192,638)	-	-	-	-	(31,192,638)
Zakat transferred to General fund	19	-	(17,282,544)	-	17,282,544	-	17,282,544	-
Surplus for the year		-	-	-	-	9,788,392	9,788,392	9,788,392
Property and equipment purchased during the year	19	-	-	-	(12,368,550)	-	(12,368,550)	(12,368,550)
Profit on investments		-	-	630,101	-	-	-	630,101
Balance as at June 30, 2013		10,000	1,195,648	20,672,751	4,913,994	11,513,366	16,427,360	38,305,759
Funds received during the year		-	101,061,078	13,317,837	-	-	-	114,378,915
Zakat utilised for operating expenses	18	-	(84,714,384)	-	-	-	-	(84,714,384)
Zakat utilised for project renovation	19	-	(8,690,572)	-	(4,913,994)	-	(4,913,994)	(13,604,566)
Funds transferred for investment		-	-	735,980	-	(735,980)	(735,980)	-
Zakat transferred to General fund	19	-	(8,818,885)	-	8,818,885	-	8,818,885	-
Deficit for the year		-	-	-	-	(787,785)	(787,785)	(787,785)
Property and equipment purchased during the year	19	-	-	-	(2,885,324)	-	(2,885,324)	(2,885,324)
Unrealized gain on available-for-sale investment		-	-	53,378	-	-	-	53,378
Profit on investments		-	-	2,112,947	-	-	-	2,112,947
Balance as at June 30, 2014		10,000	32,885	36,892,893	5,933,561	9,989,601	15,923,162	52,858,940

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

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**CHILDLIFE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. GENERAL INFORMATION

- 1.1** Childlife Foundation (the Trust) was established under a registered trust deed dated October 27, 2010. The Principal Office of the Trust is situated at 3rd Floor Adamjee House, I.I. Chundrigar Road, Karachi. The principal objects of the Trust are:
- to promote the cause of medical care and manage emergency care units for children and setting-up, establishing, managing, operating, obtaining registrations and recognitions and funding for medical, educational and social welfare institutions;
 - to accept donations, grant contributions and subsidies from philanthropists, local and offshore donors, bodies and organisations;
 - to acquire, take over or receive by way of donations, develop plots, amenity sites and immovable properties of all kinds out of funds of the Trust; and
 - to provide medical and health care facilities for and medical treatment of the people by building, setting-up, establishing, managing, operating, funding, promoting, aiding and assisting hospitals, organising clinics, etc. and to generally do, effectuate, fulfill and undertake all other social welfare and charitable activities and to plan, implement and execute charitable and welfare projects of all kinds as may be permissible under the law.
- 1.2** The Trust is currently managing the Children's Emergency Unit and Diarrhea Treatment Unit at Civil Hospital Karachi (CHK) under a Memorandum of Understanding (MOU) signed between the Trust, Adamjee Foundation and Government of Sindh (GoS) through the Secretary Health. Under the MOU;
- the Adamjee Foundation is responsible for providing and arranging funds for the complete rebuilding of the existing buildings of above mentioned units and to provide medical equipment, air conditioners etc.;
 - the GoS through Health Department is responsible for providing adequate resources in the annual budget and depute, post and assign such qualified, technical, professional and surgical medical experts, paramedical staff and other experts of related disciplines and would also provide basic utilities; and
 - the Trust is responsible for smooth management of the above mentioned units and of the facilities and to ensure that the units function according to the standard operating procedures agreed with the administration of CHK.
- 1.3** The Trust is also managing the Children's Emergency Unit under a Memorandum of Understanding (MOU) signed between the Trust, National Institute of Child Health (NICH) and Government of Sindh (GoS) through the Secretary Health. Under the MOU;
- the NICH is responsible for providing adequate resources in the annual budget and depute, post and assign such qualified, technical, professional and surgical medical experts, paramedical staff and other experts of related disciplines and would also provide basic utilities; and
 - the Trust is responsible for smooth management of the above mentioned unit and of the facilities and to ensure that the same function according to the standard operating procedures agreed with the administration of NICH, further it is also responsible for providing and arranging funds for the complete renovation of the above mentioned unit and to provide medical equipment, air conditioners etc.
- 1.4** The financial statements are presented in Pak Rupees which is the Trust's functional and presentation currency.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standards for Medium - Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

Muhammad Asif
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3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for certain investment that are stated at market value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

Cash and cash equivalents comprises of cash in hand and bank deposits.

4.2 Taxation

The income of the Trust from donations, voluntary contributions, subscriptions, house property, investment in government securities and so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purpose of carrying out welfare activities are exempt from tax under clause 58 (1) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

4.3 Revenue recognition

4.3.1 Donations and zakat contributions are recognised on receipt basis except the donations contributed by the founder trustees and SINA Trust which are recorded on accrual basis.

4.3.2 Medicines and other donations received in kind are recorded at fair value as and when they are received.

4.3.3 Donations and zakat contributions related to specific property and equipment are recognised as deferred income and amortised over the useful lives of the asset from the date the asset is available for intended use.

4.4 Utilities and staff expenses for Children Emergency Units

In accordance with the MOUs (refer notes 1.2 and 1.3), CHK and NICH also contributes in the provision of utilities and staff (Medical and Support) for Children Emergency Units being managed by the Trust. These costs are not included in the Income and Expenditure Account of the Trust.

4.5 Property and equipment

Property and equipment are initially recorded at original cost and are depreciated on straight-line basis over their estimated useful service lives with full month depreciation in the month of purchase and no depreciation in the month of disposal as follows:

	Useful life in years
Furniture and fixtures	5
Office equipment	5
Computer equipment	3
Medical equipment	5

4.6 Inventory

Inventory include medicines purchased by the Trust and received as donation from Civil Hospital Karachi. It is recorded at lower of cost and net realizable value. Cost is determined using first-in-first-out basis.

4.7 Creditors, accrued and other liabilities

Liabilities for creditors, accrued and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Trust.

4.8 Investments

4.8.1 Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Trust has the positive intent and ability to hold till maturity. These are initially recognised at fair value plus transaction cost and are subsequently carried at amortised cost using effective interest rate method.

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4.8.2 Available-for-sale

Investments classified as available for sale are initially recognised at fair value, plus transaction costs and are subsequently marked to market using year end bid prices from stock exchange quotations and quotations from brokers and in case of unquoted investments, at cost, less impairment. In case of Pakistan Investment Bonds, market values are calculated using PKRV rates. Any resultant unrealised gain or loss is recognised in statement of changes in fund balances.

4.8.3 Derecognition

Investments are derecognized when the right to receive cash flows from investments have expired or have been transferred and the Trust has transferred substantially all risks and rewards of ownership.

4.9 Endowment fund

The fund has been created with the approval of the Trustees for the purpose to achieve sustainability. The fund will be invested in Islamic Term Deposits.

5. PROPERTY AND EQUIPMENT

Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2014
	As at July 1, 2013	Additions / (Disposals) / (Write-off) during the year	As at June 30, 2014	As at July 1, 2013	Charge / (Disposals) / (Write-off) for the year	As at June 30, 2014	
	Rupees						
Furniture and fixtures	2,236,905	367,374	2,604,279	385,426	492,174	877,600	1,726,679
Office equipment	5,140,199	1,710,907 (268,900)	6,582,206	287,202	1,241,995 (98,060)	1,431,137	5,151,069
Computer equipment	1,959,788	1,524,538 (101,783) (132,450)	3,250,093	270,647	862,719 (15,924) (31,596)	1,085,846	2,164,247
Medical equipment	7,339,100	1,275,000 (46,000)	8,568,100	815,912	1,638,527 (23,000)	2,431,439	6,136,661
June 30, 2014	16,675,992	4,877,819 (416,683) (132,450)	21,004,678	1,759,187	4,235,415 (136,984) (31,596)	5,826,022	15,178,656

Particulars	Cost			Accumulated depreciation			Carrying value as at June 30, 2013
	As at July 1, 2012	Additions / (Disposals) during the year	As at June 30, 2013	As at July 1, 2012	Charge / (Adjustment) for the year	As at June 30, 2013	
	Rupees						
Furniture and fixtures	1,060,850	1,176,055	2,236,905	121,317	264,109	385,426	1,851,479
Office equipment	588,100	4,552,099	5,140,199	61,558	225,644	287,202	4,852,997
Computer equipment	137,000	1,864,038 (41,250)	1,959,788	30,140	243,909 (3,402)	270,647	1,689,141
Medical equipment	1,424,250	5,914,850	7,339,100	202,543	613,369	815,912	6,523,188
June 30, 2013	3,210,200	13,507,042 (41,250)	16,675,992	415,558	1,347,031 (3,402)	1,759,187	14,916,805

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	Note	2014 -----Rupees-----	2013
6. INVENTORY			
Medicines at National Institute of Child Health		2,358,482	2,875,614
Medicines at Civil Hospital		475,003	276,556
		<u>2,833,485</u>	<u>3,152,170</u>
7. DONATIONS AND OTHER RECEIVABLES			
Accrued Interest		1,705,315	-
Donations receivable		-	650,000
Other receivables		-	90,454
		<u>1,705,315</u>	<u>740,454</u>
8. ADVANCES, DEPOSITS AND PREPAYMENTS			
Advance to suppliers		277,196	661,906
Advance to staff		306,739	203,048
Deposits and prepayments		428,231	20,999
		<u>1,012,166</u>	<u>885,953</u>
9. INVESTMENTS			
Available-for-sale			
Pakistan Investment Bonds	9.1	35,187,578	-
Held-to-maturity			
Placements	9.2	-	20,000,000
		<u>35,187,578</u>	<u>20,000,000</u>
9.1	It carries profit rate of 11.25% to 11.50% per annum and having maturity period of 3 to 5 years.		
9.2	It carried profit rate of 8.11% to 9.25% per annum and had maturity period of one year.		
		2014	2013
		-----Rupees-----	
10. CASH AND BANK BALANCES			
Cash in hand		12,875	20,000
Cash at banks in current accounts - Zakat		32,885	1,000,000
Cash at banks in saving accounts		22,252,403	22,813,543
		<u>22,298,163</u>	<u>23,833,543</u>

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11. ENDOWMENT FUND

As per policy (note 4.9), the Fund is to be invested in Islamic Term Deposits, however, during the year, the Trust has made investment in Pakistan Investment Bonds with the approval of board of trustees.

	Note	2014 -----Rupees-----	2013
12. DEFERRED INCOME RELATED TO PROPERTY AND EQUIPMENT			
Opening balance		13,961,237	2,794,642
Assets purchased during the year		2,885,324	12,368,550
Amortisation for the year	14	(4,034,315)	(1,201,955)
Closing balance		12,812,246	13,961,237
13. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		7,267,467	7,793,421
Retention payable		298,308	1,146,445
Accrued liabilities		4,797,147	2,138,493
Withholding tax payable		181,255	183,570
		12,544,177	11,261,929
14. INCOME			
Donations			
Received in cash		26,875,132	24,461,335
Received in kind			
Medicines	14.1	18,153,621	9,350,100
Others		-	350,000
Amortisation of deferred income related to property and equipment	12	4,034,315	1,201,955
		49,063,068	35,363,390

- 14.1 This includes medicines amounting to Rs. 17,219,174 (2013: Rs. 9,350,100) received from Civil Hospital Karachi and National Institute of Child Health for Children Emergency Unit managed by the Trust.

15. PATIENT CONSULTATION

This represents the charges paid by Childlife Foundation to SINA Trust for treatment of children @ Rs. 250 plus actual lab charges per patient at the clinics being managed by the Trust's strategic partner 'SINA Trust' in the urban slums of Karachi. These clinics have been established for providing quality health care services to the patients.

16. PROGRAMMATIC ACTIVITIES

This represents travelling and transportation expenses incurred for fund raising activities. All expenses related to travel of the Trustees for fund raising activities have been paid by the Trustees through the Trust.

14/5/14

2014 2013

-----Rupees-----

17. OTHER EXPENSES

Loss on disposal of property and equipment	110,199	722
Property and equipment written off	100,854	-
Miscellaneous	1,944,862	202,736
	<u>2,155,915</u>	<u>203,458</u>

18. ZAKAT UTILISATION FOR OPERATING EXPENSES

The amount represents utilisation of Zakat funds for operating expenses. The utilisation of Zakat funds for operating expenses was approved by the Zakat Shariah Advisory Committee of the Trust in their meeting held on September 15, 2012. The Board of Trustees in their meeting held on November 6, 2012 had approved that 50% of the operating expenses, after deducting depreciation, can be funded from Zakat funds effective from July 1, 2012. During the year, this percentage has been increased to 65% by the Zakat Shariah Advisory Committee in their meeting held on January 06, 2014. Approval of Board of Trustees was made in its meeting held on June 06, 2014.

19. TRANSFER FROM ZAKAT FUND TO GENERAL FUND

During this year and previous year, the Trust has received approval from the Zakat Shariah Advisory Committee for utilisation of Zakat Fund for (1) purchase of fixed assets for NICH Project, (2) project renovation expense at NICH and (3) transfer to General fund for an aggregate amount of Rs. 62.7 million. During these years, the Trust has incurred project renovation expense of Rs. 44.8 million and transferred Rs. 17.9 million to General fund out of which Rs. 15.3 million have been used to purchase property and equipment for NICH project and the balance withdrawal of Rs. 2.6 million will be utilised for (1) purchase of fixed assets for NICH Project and (2) project renovation expense at NICH. The additional transfer of Rs. 3.2 million to general fund will be utilised for 2014 - 2015 operating expenses.

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Trustees on 27 JAN 2015.

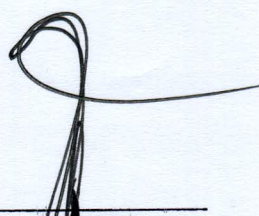
21. GENERAL

Figures have been rounded off to the nearest Rupee.

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