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**PAKISTAN CHILDREN'S
HEART FOUNDATION
AUDIT FOR THE YEAR ENDED
30 JUNE 2020**

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAKISTAN CHILDREN'S HEART FOUNDATION

Report on the audit of the financial statements

Opinion

We have audited the annexed financial statements of Pakistan Children's Heart Foundation ("the Foundation") which comprise the statement of financial position as at 30 June 2020 and the statement of income and expenditure, the statement of comprehensive income, the statement of changes in funds, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017, in the manner so required and respectively give a true and fair view of the state of the Foundation's affairs as at 30 June 2020 and of the surplus and total comprehensive income, the changes in funds and its cash flows for the year then ended.

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 Foundation 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 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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as 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, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Foundation'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 ISAs as applicable in Pakistan will always detect a material misstatement when it exists.

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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 Foundation'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 Foundation'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 Foundation 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 the Board of Directors 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.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Foundation as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Foundation's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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Other Matter

The financial statements of **Pakistan Children's Heart Foundation** for the year ended 30 June 2019 were audited by another auditor who expressed an unqualified opinion on those statements on 30 December 2019.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Sajjad Hussain Gill.

Chartered Accountants
Lahore: 15 March 2021

Pakistan Children's Heart Foundation

(A Company setup under section 42 of the repealed Companies Ordinance, 1984)

Statement of Financial Position

As at 30 June 2020

		30 June 2020	30 June 2019 Restated	01 July 2018 Restated
ASSETS	Note	Rupees		
Non-current assets				
Property and equipment	5	11,580,107	58,290,332	55,428,140
Capital work-in-progress		-	-	1,000,000
Investment property	6	50,000,000	-	-
		<u>61,580,107</u>	<u>58,290,332</u>	<u>56,428,140</u>
Current assets				
Advances, deposits, prepayment and other receivable	7	2,725,287	1,084,403	1,251,583
Short term investment	8	41,800,000	12,800,000	11,600,000
Tax refunds due from Government		677,494	185,015	83,367
Cash and bank balances	9	53,298,063	29,770,396	27,253,200
		<u>98,500,844</u>	<u>43,839,814</u>	<u>40,188,150</u>
Total Assets		<u>160,080,951</u>	<u>102,130,146</u>	<u>96,616,290</u>
FUNDS AND LIABILITIES				
Funds				
Capital fund		1,200,000	1,200,000	1,200,000
General fund		(15,339,834)	(4,873,015)	1,773,624
Restricted fund		13,691,218	(418,969)	15,773,196
Fund against investment property		50,000,000	50,000,000	50,000,000
		<u>49,551,384</u>	<u>45,908,016</u>	<u>68,746,820</u>
Non-current liabilities				
Deferred liabilities	10	80,874,204	26,304,389	15,723,871
Long term musharaka - secured	11	1,658,857	2,576,083	3,381,544
Staff retirement benefit - gratuity	12	1,383,329	785,900	1,093,540
		<u>83,916,390</u>	<u>29,666,372</u>	<u>20,198,955</u>
Current liabilities				
Current portion of long term musharaka	11	920,897	805,461	749,861
Short term borrowings - unsecured		-	-	250,000
Accrued markup		23,080	29,779	25,256
Other payables	13	25,669,200	25,720,518	6,645,398
		<u>26,613,177</u>	<u>26,555,758</u>	<u>7,670,515</u>
Total Liabilities		<u>26,613,177</u>	<u>26,555,758</u>	<u>7,670,515</u>
Contingencies and commitments	14	-	-	-
TOTAL LIABILITIES AND FUND		<u>160,080,951</u>	<u>102,130,146</u>	<u>96,616,290</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

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Chief Executive



Director

Pakistan Children's Heart Foundation
(A Company setup under section 42 of the repealed Companies Ordinance, 1984)
Statement of Income and Expenditure
For the year ended 30 June 2020

	Note	2020			2019
		General fund	Restricted fund	Total	Restated Total
		----- Rupees -----			
Donation		4,542,030	118,396,357	122,938,387	61,371,058
Zakat		-	84,619,798	84,619,798	80,415,752
Other income		5,084,621	-	5,084,621	1,655,694
Amortization of deferred liabilities	10	124,427	1,346,667	1,471,094	719,559
		<u>9,751,078</u>	<u>204,362,822</u>	<u>214,113,900</u>	<u>144,162,063</u>
Less: Expenses					
Heart surgery expenses	15	-	(188,147,525)	(188,147,525)	(151,280,859)
Outpatient department expenses	16	-	(2,105,110)	(2,105,110)	(1,997,135)
General and administrative expenses	17	(19,792,050)	-	(19,792,050)	(10,890,718)
Finance cost	18	(425,846)	-	(425,846)	(389,092)
Fund raising expense		-	-	-	(2,443,063)
		<u>(20,217,896)</u>	<u>(190,252,635)</u>	<u>(210,470,531)</u>	<u>(167,000,867)</u>
Surplus / (deficit) before taxation		(10,466,818)	14,110,187	3,643,370	(22,838,804)
Taxation	19	-	-	-	-
Surplus / (deficit) for the year		<u>(10,466,818)</u>	<u>14,110,187</u>	<u>3,643,370</u>	<u>(22,838,804)</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

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Chief Executive



Director

Pakistan Children's Heart Foundation
(A Company setup under section 42 of the repealed Companies Ordinance, 1984)
Statement of Comprehensive Income
For the year ended 30 June 2020

	2020	2019 Restated
	----- Rupees -----	
Surplus / (deficit) for the year	3,643,370	(22,838,804)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	<u>3,643,370</u>	<u>(22,838,804)</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

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Chief Executive




Director

Pakistan Children's Heart Foundation
(A Company setup under section 42 of the repealed Companies Ordinance, 1984)
Statement of Changes in Funds
For the year ended 30 June 2020

	Capital fund	General fund	Restricted fund	Fund against investment property	Total
-----Rupees-----					
Balance as at 01 July 2018 - as previously reported	1,200,000	9,728,861	15,773,196	50,000,000	76,702,057
Effect of restatement (Note 23.1)	-	(7,955,237)	-	-	(7,955,237)
Balance as at 01 July 2018 - restated	1,200,000	1,773,624	15,773,196	50,000,000	68,746,820
Deficit for the year	-	(6,646,639)	(16,192,165)	-	(22,838,804)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year - restated	-	(6,646,639)	(16,192,165)	-	(22,838,804)
Balance as at 30 June 2019 - restated	1,200,000	(4,873,015)	(418,969)	50,000,000	45,908,016
Surplus for the year	-	(10,466,818)	14,110,187	-	3,643,368
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	(10,466,818)	14,110,187	-	3,643,368
Balance as at 30 June 2020	1,200,000	(15,339,834)	13,691,218	50,000,000	49,551,384

The annexed notes 1 to 25 form an integral part of these financial statements.

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Chief Executive


Director

Pakistan Children's Heart Foundation
(A Company setup under section 42 of the repealed Companies Ordinance, 1984)
Statement of Cash Flows
For the year ended 30 June 2020

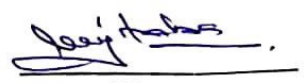
	Note	2020 ----- Rupees -----	2019 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus / (deficit) before taxation		3,643,370	(22,838,804)
Adjustment for non-cash Items:			
Amortization of deferred grant - restricted	10	(1,346,667)	(600,000)
Amortization of deferred grant - general	10	(124,427)	(119,559)
Depreciation on property and equipment	5	2,663,073	2,005,142
Finance cost	18	425,846	389,092
Provision for gratuity expense-net off reversal		597,429	(307,640)
Other income		(5,084,621)	(1,655,694)
		(2,869,367)	(288,659)
Surplus / (deficit) before working capital changes		774,003	(23,127,463)
Effect on cash flow due to working capital changes:			
(Increase) / decrease in advances, deposits, prepayment and other receivable		(1,640,884)	167,180
(Increase) / decrease in other payables		(51,318)	19,075,120
		(1,692,202)	19,242,300
Cash used in operations		(918,199)	(3,885,163)
Tax paid		(492,480)	(101,648)
Finance cost paid		(432,545)	(384,569)
Net cash used in operating activities		(1,843,224)	(4,371,380)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(5,952,848)	(3,867,334)
Interest income received		5,084,621	1,655,694
Investment made in term deposit receipts		(29,000,000)	(1,200,000)
Net cash used in investing activities		(29,868,227)	(3,411,640)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received during the year - restricted	10.1	56,040,908	10,900,077
Grants received during the year - general	10.2	-	400,000
Payment for diminishing musharaka		(801,790)	(749,861)
Short term borrowings paid		-	(250,000)
Net cash generated from financing activities		55,239,118	10,300,216
Net increase in cash and cash equivalents		23,527,667	2,517,196
Cash and cash equivalents at the beginning of the year		29,770,396	27,253,200
Cash and cash equivalents at the end of the year	9	53,298,063	29,770,396

The annexed notes 1 to 25 form an integral part of these financial statements.

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Chief Executive Officer



Director

Pakistan Children's Heart Foundation*(A Company setup under section 42 of the repealed Companies Ordinance, 1984)***Notes to The Financial Statements****For the year ended 30 June 2020****1 THE COMPANY AND ITS OPERATIONS****1.1 Corporate and general information**

Pakistan Children's Heart Foundation ("the Foundation") is a Company Limited by Guarantee not having share capital, incorporated on 31 August 2012 and licensed as a non-profit organization under section 42 of Companies Ordinance, 1984 (now the Companies Act, 2017). The Foundation is principally engaged in raising funds in Pakistan and abroad and expending them on heart surgeries of children of poor and needy families. The objective of the Foundation is to build and administer a hospital and research centre for children's heart diseases. The registered office of the Foundation is situated at 9-B/1, Johar Town, Lahore.

On 17 July 2012, the Securities and Exchange Commission of Pakistan ("Commission") accorded approval of license for not for profit organization ("License") under section 42 of the Companies Ordinance, 1984 (now Companies Act, 2017) to the Foundation. The License was valid for five years and due for renewal on or before 16 July 2017. On 20 May 2017, the Foundation applied to the Commission for renewal of the license which is being granted by the Commission on 15 February 2019, valid till 16 July 2020.

1.2 Impact of COVID-19 on the financial statements

The World Health Organization declared COVID-19 a global pandemic on 11 March 2020. Accordingly, on 20 March 2020, the Government of Pakistan announced temporary lock down as a measure to reduce the spread of COVID-19. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

The Foundation's management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Foundation's operations and liquidity positions and believes that its current policies for managing credit, liquidity and market risk are adequate in response to current situation.

Further, subsequent to year end, the situation is improved with the easing of lock down and re-opening of the businesses.

The management has assessed the impact of the COVID-19 on the financial statements and concluded that there is no material financial impact of COVID-19 on the carrying amounts of assets, liabilities, income and expenses which required specific disclosures.

2 Basis of accounting**2.1 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 Standards for Small and Medium Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by Institute of Chartered Accountant of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

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2.2 Basis of measurement

These financial statements have been prepared under historical cost convention unless otherwise stated.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Foundation operates ('the functional currency'). The financial statements are presented in Pak Rupees, which is the Foundation's functional and presentation currency. All the financial information presented in Rupees has been rounded off to the nearest rupee, unless otherwise stated.

3 Use of estimates and judgements

The preparation of financial statement in conformity with 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 expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

	<i>Note</i>
- Useful lives and residual values of property and equipment	<i>4.1</i>
- Impairment of financial and non - financial assets	<i>4.4</i>

4 Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below which have been consistently applied to all the years presented.

4.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss, except for freehold land which is stated at cost. Cost comprises of acquisition and other directly attributable costs.

Depreciation on all property and equipment is charged to statement of income and expenditure on reducing balance method so as to write off the historical cost of an asset over its estimated useful life at the rates referred to in Note 5 to the financial statements.

Depreciation on additions to property and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year end, and adjusted prospectively, if impact on depreciation is significant.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Foundation and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of income and expenditure during the period in which they are incurred.

An item of equipment is derecognized upon disposal when no future economic benefits are expected from its use or disposal. Gain or loss on sale of an item of property and equipment are determined by comparing the proceeds from sale with the carrying amount of property and equipment and is recognised in statement of income and expenditure.

4.2 Investment property

Investment property is stated at cost and accumulated impairment losses, if any. Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of income and expenditure in the year of derecognition.

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4.3 Financial Instruments

Financial instruments comprises deposits, other receivables, investments, cash and bank balances, other payables, borrowing and mark-up on these borrowings.

All financial assets and liabilities are recognized at the time when the Foundation becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Foundation loses control of the contractual right that comprise the financial assets. Financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to statement of income and expenditure currently. The particular measurement methods, if any, adopted are disclosed in the individual policy statements associated with each item.

4.4 Impairment

4.4.1 Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

4.4.2 Non- financial assets

The carrying amounts of the Foundation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

Impairment losses are recognized in statement of income and expenditure.

4.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Foundation intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

4.6 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand and cash with banks.

4.7 Mark- up bearing borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the statement of income and expenditure over the period of the borrowings using the effective interest method.

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4.8 Other payables

Other payables are non derivative financial liabilities and are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method if applicable. The Foundation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

4.9 Provisions and contingencies

Provisions are recognized when the Foundation has a present legal or constructive obligation as a result of past events, 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 obligation. However provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

4.10 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Foundation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognized in statement of income and expenditure.

4.11 Staff retirement benefits - gratuity

An unrecognized gratuity scheme is in operation, which covers all employees with termination benefits. Gratuity will be paid as one month gross salary for each completed year of service. All head office employees are eligible for gratuity from the date of completion of one year of service with the Foundation, till their actual date of leaving the Foundation.

4.12 Income recognition**4.12.1 Charity, donation, grant and zakat**

Grants, including the non monetary grants at fair value are recognized when there is a reasonable assurance that:

- a) the Foundation will comply with the conditions attaching to them, if any; and
- b) the grants will be received.

Grants are recognized as income over the period necessary to match them with the related costs which they are Charity and donations are used for running expenses of the Foundation. Zakat and donations explicitly received for heart surgeries are recognised in statement of income and expenditure as internally restricted funds.

4.12.2 Grant and donations related to assets

Grant and donations related to non-current assets, including non-monetary grants at fair value are presented in statement of financial position by setting up the grants as deferred income which is recognized as income on systematic basis over the useful life of the asset.

4.13 Taxation

Income tax expense represents tax expense for current and prior years. Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.

Subject to certain conditions, the Foundation is entitled to 100% tax credit of the income tax payable, including minimum and final taxes payable, under section 100C of the Income Tax Ordinance, 2001. Therefore, no provision of current income tax has been accounted for in these financial statements.




5.2	Depreciation charge for the year has been allocated as follows:	Note	2020 Rupees	2019 Rupees
	Heart surgery expenses	15	869,604	225,694
	Outpatient department expenses	16	680,000	600,000
	General and administrative expenses	17	1,113,469	1,179,448
			<u>2,663,073</u>	<u>2,005,142</u>

6	INVESTMENT PROPERTY		2020 Rupees	2019 Rupees
			<u>50,000,000</u>	<u>-</u>

6.1 As explained in Note 5.1, the land has been transferred from property and equipment based on the guidance of IAS 40. The land was capitalized based on valuation report of an external valuer 'M/s Jays Associate' in the financial year 2017. As per valuation report issued by an independent valuator 'M/s Jays Associates' dated 25 Feb 2021, fair value of the investment property amounts to Rs. 55,000,000.

7	ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLE	Note	2020 Rupees	2019 Rupees
	Advances to employees against expenses		728,701	45,680
	Security deposits		1,365,500	965,500
	Prepayment		631,086	-
	Interest income receivable		-	73,223
			<u>2,725,287</u>	<u>1,084,403</u>

8	SHORT TERM INVESTMENT				2020 Rupees	2019 Rupees
Particulars	Rating		Rate of interest	Maturity date	2020	2019
	Short term	Agency				
Term deposit receipts					Rupees	Rupees
Faysal Bank Limited	A-1+	JCR-VIS	12.00%	6-Feb-21	13,800,000	12,800,000
Faysal Bank Limited	A-1+	JCR-VIS	12.50%	16-Nov-20	28,000,000	-
					<u>41,800,000</u>	<u>12,800,000</u>

8.1 The short term investment relates to the Term-Deposit Receipts (TDRs) with the maturity period upto and above twelve months. After considering the requirement of funds, the Foundation is following the practice to rollforward the TDR's for the next period.

9	CASH AND BANK BALANCES	Note	2020 Rupees	2019 Rupees
	Cash in hand		-	859
	Balance at bank - current account		53,298,063	29,769,537
			<u>53,298,063</u>	<u>29,770,396</u>

10	DEFERRED LIABILITIES				2020 Rupees	2019 Rupees
	Deferred grant - restricted	10.1	80,621,578	25,927,336		
	Deferred grant - general	10.2	252,626	377,053		
			<u>80,874,204</u>	<u>26,304,389</u>		

10.1	Details of grant - restricted are as follow:	Note	2020 Rupees	2019 Rupees (Restated)
	Balance as at 01 July		25,927,336	15,627,259
	Received during the year		56,040,908	10,900,077
	Amortization charged during the year		(1,346,667)	(600,000)
	Balance as at 30 June	10.1.1	<u>80,621,578</u>	<u>25,927,336</u>

10.1.1 The grant relates to the hospital's construction of Children Heart Hospital and Research Institute ("CHHRI"), received from multiple donors.

10.1.2 The corresponding figure has been restated as mentioned in Note 23.1.

10.2	Details of grant - general are as follow:	Note	2020 Rupees	2019 Rupees
	Capital grants as at 01 July		377,053	96,612
	Received during the year		-	400,000
	Amortization charged during the year		(124,427)	(119,559)
	Capital grants as at 30 June	10.2.1	<u>252,626</u>	<u>377,053</u>

10.2.1 This represents sixteen laptops donated by Mr. Farhan Ahmad, Chief Executive Officer of the Foundation.

11	LONG TERM MUSHARAKA - SECURED		2020 Rupees	2019 Rupees
	Long term musharaka		2,579,754	3,381,544
	Current portion of long term musharaka		(920,897)	(805,461)
			<u>1,658,857</u>	<u>2,576,083</u>

Salient features of the musharaka financing are as follows:

Discounting factor - %	15.86%	13.94%
Musharaka term - months	48 months	48 months
Security deposits - %	20%	20%

The Foundation has entered into diminishing musharaka agreement with Faysal Bank Limited for purchase of vehicle as shown in Note 5. The liability under this arrangement is payable in monthly installments. Interest rates implicit in the diminishing musharaka are used as discounting factor to determine the present value of long term musharaka.

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Residual value of the musharaka asset has already been paid, at the inception, in the form of security deposit. There are no financial restrictions imposed by Faysal Bank Limited. Taxes, repairs, replacements and insurance costs are borne by the Foundation.

	Note	2020 Rupees	2019 Rupees
12 STAFF RETIREMENT BENEFIT - GRATUITY	12.1	1,383,329	785,900
12.1 Balance as at 01 July		785,900	1,093,540
Contribution for the year		597,429	518,360
Adjustment made during the year		-	(826,000)
Balance as at 30 June		1,383,329	785,900
13 OTHER PAYABLES			
Payable to hospitals		14,690,417	15,969,542
Accrued expenses		3,357,794	5,617,783
Withholding tax payable		1,217,568	879,634
Other payable		6,403,421	3,253,559
		25,669,200	25,720,518
14 CONTINGENCIES AND COMMITMENTS			
14.1 Contingencies			
There are no significant contingencies to report as at 30 June 2020 (2019: Nil).			
14.2 Commitments			
The Foundation's commitments in respect of rentals of land held under operating leases are as follows:			
	Note	2020 Rupees	2019 Rupees
Not later than one year		12,200	-
Later than one year and not later than five years		81,930	-
Late than five years		12,590,144	-
		12,684,274	-
15 HEART SURGERY EXPENSES			
<u>University of Lahore Teaching Hospital</u>			
Surgeon and surgical team fees		16,720,000	15,160,500
Medicines		17,186,594	11,752,236
Staff salaries	15.1	9,675,319	8,988,452
Hospital service charges		4,127,790	5,112,820
Travel and food		1,230,148	1,135,890
Staff uniform		35,455	-
Depreciation	5.2	869,604	225,694
		49,844,910	42,375,592
<u>Children heart surgeries from other hospitals</u>			
		138,302,615	108,905,267
		188,147,525	151,280,859
15.1 These include charge in respect of staff retirement benefits amounting to Rs. 162,562 (2019: Rs. 100,000) on account of gratuity scheme			
16 OUTPATIENT DEPARTMENT EXPENSES	Note	2020 Rupees	2019 Rupees
Cardiologist fees	16.1	1,425,110	1,397,135
Depreciation	5.2	680,000	600,000
		2,105,110	1,997,135
16.1 These include fee paid to doctors for echocardiography of patients. During the year, 885 (2019: 663) cardiographies were done to investigate the defects of patients' heart			
17 GENERAL AND ADMINISTRATIVE EXPENSES	Note	2020 Rupees	2019 Rupees
Staff salaries and benefits	17.1	10,415,479	4,301,666
Printing and stationery		446,601	107,545
Fee and subscription		32,300	368,500
Repair and maintenance		768,513	509,570
Office and land rent		1,388,300	381,000
Entertainment		338,416	175,844
Advertisement		3,254,915	1,448,932
Legal and professional charges		88,890	71,535
Utilities		965,857	540,664
Travelling and conveyance		209,746	1,456,706
Audit fee		311,000	200,000
Depreciation	5.2	1,113,469	1,179,448
Insurance expenses		414,656	102,117
Other expenses		43,908	47,191
		19,792,050	10,890,718
17.1 This includes charge in respect of staff retirement benefits amounting to Rs. 434,867 (2019: Rs. 418,400) on account of gratuity scheme			

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18	FINANCE COST	2020	2019
		Rupees	Rupees
	Finance charge on diminishing musharaka	303,739	307,289
	Bank charges	122,107	81,803
		<u>425,846</u>	<u>389,092</u>

19 TAXATION

19.1 As referred in Note 4.13, subject to certain conditions, the Foundation is eligible for 100% tax credit for income tax payable, including minimum and final taxes payable under section 100C of the Income Tax Ordinance 2001. Therefore, the Foundation has not recognized any provision in respect of current tax for the year.

20 RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise associated company, company in which directors are interested, directors and key management personnel. Amounts due from and to related parties, directors and key management personnel if any, are shown under receivables and payables. Other significant transactions with related parties are as follows:

Related parties	Relationship	Nature of transactions	2020 Rupees	2019 Rupees
Mr. Farhan Ahmad	Chief Executive Officer/Director	Zakat	253,400	440,000
Misbah ul Haq Khan	Member	Hospital Construction	2,500,000	1,525,730
Maj Gen (Rtd) Syed Shahid Mukhtar Shah	Member	Zakat	500,000	150,000
Mr. Hasan Ali Bukhan	Member	Zakat	121,950	41,820
Mr. Shahid Qayyum	Company Secretary	Zakat	871,414	-
Mr. Muhammad Insan	Director	Zakat and donations	217,280	-

21 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

21.1 Total number of directors of the Foundation as at 30 June 2020 are 5 (2019: 11). The Directors and Chief Executive Officer of the Foundation do not withdraw any remuneration or related benefits.

21.2 The Foundation has not employed any Executive as at 30 June 2020 (2019: Nil).

22 NUMBER OF EMPLOYEES

The Foundation has employed following number of persons including permanent staff:

	2020	2019
	(Number of persons)	
As at 30 June	43	36
Average number of employees	40	31

23 CORRESPONDING FIGURES

23.1 Corresponding figures have been rearranged, whenever necessary, for the purpose of comparison. However, no significant rearrangements have been made except as mentioned below:

In prior years, the Foundation has recorded the donation received for the construction of hospital as part of its income instead of deferring it over the useful life of the hospital building. This has now been rectified by restating the corresponding figures as follows:

	As on 30 June 2019 Rupees	As on 01 July 2018 Rupees
Impact on Statement of Changes in Funds		
(Decrease) in restricted funds	(7,857,014)	-
(Decrease) in general funds	(10,398,300)	(7,955,237)
Impact on Statement of Financial Position		
Increase in non-current liabilities – deferred liabilities	18,255,314	7,955,237
Impact on Statement of Income and Expenditure		2019 Rupees
(Decrease) in revenue – restricted fund		(10,300,077)
(Increase) in expense – general fund		(2,443,063)
Decrease in expense – restricted fund		2,443,063
(Increase) in loss for the year		(10,300,077)

24 DATE OF AUTHORIZATION

The financial statements were authorized for issue on _____ by Board of Directors of the Foundation.

25 GENERAL

Figures have been rounded off to the nearest rupee, unless otherwise stated.

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Chief Executive



Director