

## NPO GOVERNANCE RATING REPORT

### The Citizens Foundation

**REPORT DATE:**

October 18, 2018

**RATING ANALYSTS:**

Muniba Khan

[muniba.khan@jcrvis.com.pk](mailto:muniba.khan@jcrvis.com.pk)

Muhammad Tabish

[mubammad.tabish@jcrvis.com.pk](mailto:mubammad.tabish@jcrvis.com.pk)

#### RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	NPO Governance	NPO Governance
<b>Entity</b>	GR 9+	GR 9
<b>Rating Date</b>	Oct 12, '18	Feb 24, '16

#### COMPANY INFORMATION

<b>Incorporated in 1996</b>	<b>External auditors:</b> M/s KPMG Taseer Hadi & Co., Chartered Accountants
<b>Company Limited by Guarantee</b>	<b>Chairman of the Board:</b> Ateed Riaz
22 Members – Guarantors	<b>Chief Executive Officer:</b> Syed Asaad Ayub Ahmad

#### APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria: NPO Governance Ratings <http://www.jcrvis.com.pk/images/npos.pdf>

## The Citizens Foundation

### OVERVIEW OF THE INSTITUTION

### RATING RATIONALE

*Incorporated in 1996 as a charitable institution, registered in Pakistan as a company limited by guarantee under Companies Ordinance 1984 Act 2017, The Citizens Foundation (TCF) is a non-profit organization which was set up by a group of citizens with a vision to remove barriers of class and privilege through provision of quality education to the poorest children of Pakistan. The operations of TCF mainly fall in three categories, i.e. fund raising, building of new school premises and running of schools.*

#### Profile of Chairman

*One of TCF's Co-Founders, Mr. Ateed Riaz currently serves as the Chairman of the Board. He also served as Chief Executive Officer of TCF (in honorary capacity) from July 2002 till March 2005. Mr. Ateed Riaz has been looking after the operations of the Imrooz Association of Companies which include, First Imrooz Modaraba, Tarseel Private Limited and Atherton Imrooz Company.*

#### Profile of CEO

*Syed Asaad Ayub Ahmad has been part of the TCF family since January 2009. Prior to joining TCF, he was working as Sales Director for Castrol in Pakistan and served in senior positions on behalf of British Petroleum, Exxon Mobile and Shell. He holds an MBA degree from the University of Texas at Austin and a Bachelors degree in Civil Engineering from N.E.D University of Engineering and Technology, Karachi.*

NPO governance ratings are based on a composite evaluation of the level of regulatory compliance, mission & program strength, governing body, executive management, utilization of funds & transparency, self-regulation and stakeholders' relations.

#### Rating Drivers:

- School Network:** The TCF school network has demonstrated a considerable growth in terms of number of schools which were indicated at 1,441 units (FY16: 1,202) spread over 58 districts of Pakistan. Commitment of the governing body and executive management reflected by the significant growth in number of schools with over 220,000 (FY17: 204,000; FY16: 175,000) enrolled students, by end-FY18.
- Quality of Education:** Given that a large chunk of TCF's network comprised primary schools, management has diverted its focus on addition of secondary school units in its network. Moreover, strong focus on qualification & training of teachers, academic result achieved by students and initiatives such as Curriculum Development and Learning Management System was also emphasized for improving quality of education. Focus on quality education and grades secured by students will continue to be a key rating factor.
- Drive for Donations:** Donors of TCF include reputed corporations, financial institutions, non-resident Pakistanis and foreign donors. The foundation also has presence in international communities which play a pivotal role in mobilizing donations from wide-reaching supporters. In addition, board members also actively participate and use their goodwill and public relations for funds. Apart from donations mobilized to finance running costs and school development, TCF also receives donations towards endowment fund which are deployed in fixed income securities and money market funds to earn stable returns which support the revenue stream.
- Management and Governance Framework:** Rating also reflects on the governance infrastructure in place at the organization with effectively functioning board and board committees, strong focus on transparency and adequate internal control framework. The support structure is continuously upgraded by bringing in professional management and the implementation of more sophisticated systems and procedures.
- Regulatory Compliance:** The management of TCF has confirmed to compliance with all regulations and has also assured that no fines / penalties were paid by TCF on account of legal or statutory violations. The foundation is currently contesting few litigations pertaining to property ownerships and social contributions to government institutions.
- Internal Control Framework:** Prior to 2017, a portion of audit activities were outsourced to Avais Hyder Liaqat Nouman (Chartered Accountants). However, in the outgoing year, TCF setup its own Internal Audit (IA) offices through which all TCF schools, regions and head office departments are now covered by IA department. For conducting the audit function, TCF has built an in-house audit software that lists the schools, functional areas and other items accordingly to their risk levels.
- Financial Strength of TCF:** Change in ratings also incorporate growing quantum of donations with majority of donations being generated through repeat donors. As a result, financial strength of TCF is considered sound. Funds generated through donations have grown in line with increasing expenses and expansion in operation.

**RATING SCALE AND DEFINITION**

**Annexure I**

**JCR-VIS Credit Rating Company Limited**

**RATING SCALE & DEFINITIONS: NPO GOVERNANCE**

<b>GR 10</b> Highest level of governance	<b>GR 4, GR 4+, GR 4++</b> Moderately low level of governance
<b>GR 9, GR 9+, GR 9++</b> Very high level of governance	<b>GR 3, GR 3+, GR 3++</b> Low level of governance
<b>GR 8, GR 8+, GR 8++</b> High level of governance	<b>GR 2, GR 2+, GR 2++</b> Very low level of governance
<b>GR 7, GR 7+, GR 7++</b> Moderately high level of governance	<b>GR 1, GR 1+, GR 1++</b> Lowest level of governance
<b>GR 6, GR 6+, GR 6++</b> Satisfactory level of governance	
<b>GR 5, GR 5+, GR 5++</b> Adequate level of governance	

**Governance Watch:** ‘Governance Watch’ may be assigned to highlight identifiable governance events that necessitate reevaluation of the assigned rating. A ‘Governance Watch’ announcement means that the status of the assigned rating is uncertain and an event or deviation from an expected trend has occurred or is expected and additional information is necessary to take a rating action.

REGULATORY DISCLOSURES		Annexure II			
<b>Name of Rated Entity</b>	The Citizens Foundation				
<b>Sector</b>	Non Profit Organization (NPO)				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	NPO Governance Rating				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: NPO Governance Rating</b>				
	10/12/2018	GR 9+	-	-	Upgrade
	02/24/2016	GR 9	-	-	Initial
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
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