

NPO GOVERNANCE RATING REPORT

The Citizens Foundation

REPORT DATE:

March 02, 2016

RATING ANALYSTS:

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RATING DETAILS

	Latest Rating
Rating Category	NPO Governance
Entity	GR 9
Rating Date	Feb 24, '16

COMPANY INFORMATION

Incorporated in 1996	External auditors: KPMG Taseer Hadi & Co., Chartered Accountants
Company Limited by Guarantee	Chairman of the Board: Mr. Mushtaq K. Chhapra
20 Members – Guarantors	Chief Executive Officer: Mr. 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 (TCF)

OVERVIEW OF THE INSTITUTION

The Citizens Foundation was incorporated in Pakistan as company limited by guarantee on September 24, 1996 under section 42 of the Companies' Ordinance 1984. The Foundation is primarily engaged in establishing schools to promote education.

RATING RATIONALE

The assigned rating to The Citizens Foundation (TCF) incorporates focus on quality education in line with its mission and efficiency in fund utilization. Rating also reflects on the governance infrastructure in place at the organization with an effectively functioning board and board committees, strong focus on transparency and adequate internal control framework.

At present, TCF has 20 members as guarantors, of which, ten comprise board members while CEO is a deemed director. Composition of the board conforms to best practices with all directors being independent, apart from the CEO. Members of the BoDs comprise professionals from diversified fields who also possess relevant philanthropic & Non-Profit Organization experience. Overall board oversight is considered satisfactory with board also involved in development of strategies to achieve goals laid out in the mission statement. Attendance level during board and board committee meetings has room for improvement. Discussion during board committee meetings was noted to be in line with Terms of Reference (ToRs); however, number of meetings convened for certain board committees were lower than the requirement specified in ToRs. Presence of independent experts on board committees who are not part of the BoDs and management team has been noted positively.

TCF has a clearly laid down mission of providing quality education and better future for citizens of Pakistan. Strong focus of the governing body and executive management has been noted towards the stated mission. The Foundation's school network has grown at a healthy pace and has nearly doubled to over 1,060 units over the last seven years. Moreover, the number of students accommodated by these school units has also increased to 165,000 (FY14: 145,000) by end-FY15. Around 71% of these units are primary schools. Given the mismatch between primary and secondary school units, management intends to focus on addition of secondary school units, going forward.

For adherence to its mission of providing quality education, strong emphasis is laid down on qualification and training of teachers. Teaching Staff with graduate and higher degrees comprise around three-fourth of overall faculty and has grown over time. Moreover, TCF provides regular in-house training to its teaching faculty. With regards to quality of education, TCF students had a pass ratio of 90% (FY14: 91%) in matriculation exams in FY15. While having improved on a timeline basis in FY15, students securing grades of 'A' and 'A+' remained below that secured by TCF students during FY11, FY12 and FY13. The management has introduced a number of initiatives including Learning Management System through which TCF aims to gauge and improve teachers' content knowledge and critical thinking abilities. In addition, curriculum development is being undertaken by the Academic Unit which aims to develop textbooks, workbooks and teacher guides up to grade 8 by 2018.

Financial sustainability is supported by low level of administrative expenses and majority of donations being generated through repeat donors. Administrative expenses has remained within internal benchmark of 10% over the last many years indicating that donor funds received have mainly been utilized for their stated purpose. Funds generated through donations have witnessed sizeable growth over the last two years and allowed the Foundation to meet increasing expenses with expansion in operation. As with the education sector, contribution of Zakat in overall donations is on the lower side. Management is focussed on growing the same. TCF also receives donations towards an endowment fund; outstanding balance of the same stood at Rs. 1.37b (FY14: Rs. 0.97b) at end-June'2015. Adequate emphasis is given to transparency with satisfactory quality of annual report and website disclosures, timely finalization of financial statements and reputed external auditors.

TCF has qualified and experienced senior management team with detailed organogram and job description defined for all key areas. Attrition in the teaching staff and head office level has been high while a formalized and documented succession plan is in the process of being developed. Scope and quality of internal audit reports is comprehensive. TCF uses Microsoft Dynamics as its ERP while a number of applications including for Donor Care, School Management System and Learning Management System are in place. The Foundation has also signed a contract with Systems Limited for Human Capital Management System which will enable TCF to handle all HR related issues.

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PROFILE OF DIRECTORS		Annexure I
Name of Director	Profile	
Adnan Asdar	Mr. Asdar is a co-founder of Multinet Pakistan (Pvt.) Ltd. He is currently involved with Karachi Relief Trust as a Trustee. Mr. Asdar also serves on the board of The Hunar Foundation and Progressive Education Network and is a General Body Member of The Indus Hospital.	
Ahsan M. Saleem	Mr. Saleem is a founding member of TCF's Board of Directors. He has also served as Chairman of TCF from 1998 till 2006. He is Chief Executive Officer of Crescent Steel & Allied Products Limited. He is also serving on the board of several listed companies.	
Ateed Riaz	A founding member of TCF's Board of Directors, Mr. Riaz has also served as Chief Executive Officer of TCF (in honorary capacity) from July 2002 till March 2005. Mr. 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.	
Ishaque Noor	Mr. Noor is the Group Managing Director of Albatha Group, United Arab Emirates. He is on Board of TCF since 2004. He has also served for several years as Member of the Executive Committee of the Professionals Wing of Pakistan Association, Dubai.	
Lt. Gen. Sabeeh Qamar uz Zaman, (Retd.)	Lt. Gen. Sabeeh, (Retd.) has been a Director of TCF since 1996. He has also served as Chief Executive Officer of TCF from 1995 till 2001. As CEO, he received accolade from international organization for his and his organization's outstanding work in support of primary education for boys and girls in under-privileged areas. He also received awards during his service in the Pakistan Army. He is Chairman & CEO of Quality Schools Foundation.	
Musadaq Zulqarnain	Mr. Zulqarnain joined the Board in April 2013. He is the CEO of Interloop Limited including its subsidiaries in USA, Bangladesh and the Netherlands. Mr. Zulqarnain was the CEO of FIEDMC, formed to develop Industrial parks and infrastructure. He also presides over Interloop Welfare Trust which is engaged in numerous philanthropic activities in the country.	
Mushtaq K. Chhapra	Mr. Chhapra is the Chairman of the Board and a founding member of TCF. He has played a key role in nurturing a number of prominent nonprofit organizations and serves on the boards of Patients' Aid Foundation and The Kidney Centre.	
Nilofer Saeed	Ms. Saeed is a member of the Supporters of The Citizens Foundation (STCF). She has been presented with the Woman Entrepreneurship Momentum Award for 2010 and is also involved in numerous charities. She is also an active board member of a number of business concerns. She joined the Board in December 2009.	
Rashid Abdulla	Mr. Abdulla is a founding member and the first Chairman of the Board of Directors of TCF. He serves as Director on the boards of several companies associated with the IBL Group including The Searle Company Limited, International Brands Limited and IBL HealthCare Limited.	
Shahid Abdulla	Mr. Abdullah is the CEO of Arshad Shahid Abdulla (Pvt) Ltd. He has been involved with a number of social projects in Pakistan and is amongst the founders of Indus Valley School of Art and Architecture, The Hunar Foundation and The Kidney Center.	
Syed Asaad Ayub Ahmad	Mr. Ahmad is the President and Chief Executive Officer (CEO) of TCF. He joined TCF in January 2009 and has previously worked for British Petroleum, Exxon Mobil and Shell Pakistan Limited.	

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RATING SCALE & DEFINITIONS: NPO GOVERNANCE

GR 10

Highest level of governance

GR 4, GR 4+, GR 4++

Moderately low level of governance

GR 9, GR 9+, GR 9++

Very high level of governance

GR 3, GR 3+, GR 3++

Low level of governance

GR 8, GR 8+, GR 8++

High level of governance

GR 2, GR 2+, GR 2++

Very low level of governance

GR 7, GR 7+, GR 7++

Moderately high level of governance

GR 1, GR 1+, GR 1++

Lowest level of governance

GR 6, GR 6+, GR 6++

Satisfactory level of governance

GR 5, GR 5+, GR 5++

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.

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REGULATORY DISCLOSURES					Annexure III
Name of Rated Entity	The Citizens Foundation				
Sector	Non Profit Organization (NPO)				
Type of Relationship	Solicited				
Purpose of Rating	NPO Governance Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: NPO Governance Rating				
	02/24/2016	GR 9	-	-	Initial
Instrument Structure	N/A				
Statement by the Rating Team	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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