

AUDITED FINANCAIL STATEMENTS

RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)

ANNAUL AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

Report Submitted by

**PKF F.R.A.N.T.S.
CHARTERED ACCOUNTANTS**

An Independent Member firm of



House no. 04, Directorate of Milli Bus Street,
Khushal Khan, District 05, Kabul, Afghanistan.
Tel: +93 799 195344, Email: kabul@pkf.com.pk, qamar@pkf.com.pk

RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

INDEX

AUDITOR'S REPORT

I

FINANCIAL STATEMENTS

II

- i. *Statement of Financial position as at 31 December 2022*
- ii. *Statement of Income and Expenditure for the year ended 31 December 2022*
- iii. *Statement of Changes in Fund Balance for the year ended 31 December 2022*
- iv. *Statement of Cash Flows for the year ended 31 December 2022*
- v. *Notes to the Financial Statements for the year ended 31 December 2022*
- vi. *Non Current Asset Schedule for the year ended 31 December 2022*

ANNEXURES

III

- i. *Consolidated donor wise / project wise fund utilization statement* Annexure 1
- ii. *Project wise Financial reports / Variance analysis*

**RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

INDEX

AUDITOR'S REPORT

I

INDEPENDENT AUDITOR'S REPORT

To: Board of Directors - Rural Rehabilitation Association for Afghanistan (RRAA)

Opinion

We have audited the financial statements of “**Rural Rehabilitation Association for Afghanistan (RRAA)**” (the Organization), which comprise the statement of financial position as at **December 31, 2022**, statement of income and expenditure and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with accounting policies mentioned in note 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of Accounting and Restriction on Distribution

We draw attention to note 3 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist RRAA with the financial reporting provision of local laws and donors. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for **RRAA its donors and local government ministries** and should not be distributed to any other parties. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies described in note 3 to the financial statements, and for such internal control as the 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 Organization's ability to continue as 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 Organization or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibility 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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, 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 Organization'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 Organization'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 Organization to cease to continue as a going concern.

We communicate with the management, 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.



PKF F.R.A.N.T.S.
Chartered Accountants

RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

INDEX

FINANCIAL STATEMENTS

II

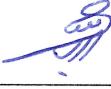
- i. *Statement of Financial position as at 31 December 2022*
- ii. *Statement of Income and Expenditure for the year ended 31 December 2022*
- iii. *Statement of Changes in Fund Balance for the year ended 31 December 2022*
- iv. *Statement of Cash Flows for the year ended 31 December 2022*
- v. *Notes to the Financial Statements for the year ended 31 December 2022*
- vi. *Non Current Asset Schedule for the year ended 31 December 2022*

**RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022**

	Note	2022 AFN	2021 AFN
<u>ASSETS</u>			
NON CURRENT ASSETS	4	1	1
CURRENT ASSETS			
Advances, deposits and prepayments	5	10,119,650	2,749,082
Receivable from donors	6	106,215,969	80,130,999
Cash and cash equivalents	7	46,443,655	29,486,987
		162,779,275	112,367,069
TOTAL ASSETS		<u>162,779,276</u>	<u>112,367,070</u>
<u>FUND BALANCE AND LIABILITIES</u>			
Fund balance	8	8,254,725	6,189,601
CURRENT LIABILITIES			
Accrued expenses and other liabilities	9	112,979,406	80,747,109
Unutilized grants	10	36,954,971	23,111,920
Payable to donors	11	4,590,174	2,318,441
		154,524,551	106,177,470
TOTAL FUND BALANCE AND LIABILITIES		<u>162,779,276</u>	<u>112,367,070</u>

Auditor's report annexed

The annexed notes 1 to 20 form integral part of these financial statements.



DIRECTOR





MANAGER FINANCE



RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2022

Note	DONORS' FUND		GENERAL RESERVE	
	2022 AFN	2021 AFN	2022 AFN	2021 AFN
INCOME				
Funds	12	591,970,448	268,916,741	-
Other income	13	-	-	5,119,212
Exchange gain/ (loss)	14	-	-	4,006,238
Total income		591,970,448	268,916,741	5,269,879
				7,171,633
EXPENDITURE				
Operational Expenses		235,562,865	63,803,000	391,950
Office Expenses		67,670,107	74,004,809	53,000
Wages/Salaries		220,492,879	105,694,562	1,064,734
Rent or Lease payments		6,032,702	4,965,043	420,000
Travel and meals		10,583,638	11,866,472	-
Utilities		5,047,495	1,649,351	153,852
Repairs and Maintenance		945,410	169,455	22,500
Education and Training Expenses		28,617,510	2,600,622	-
Legal and Professional Services		391,950	-	394,885
Miscellaneous		16,378,607	4,163,427	220,741
Expenditure (per tax return)		591,723,162	268,916,741	3,204,754
ICR expenditure effect	15	247,286	-	-
Total expenditure		591,970,448	268,916,741	3,204,754
Surplus for the year		-	-	2,065,124
				5,372,208

Project wise breakup of expenditure annexed

The annexed notes 1 to 20 form integral part of these financial statements.

DIRECTOR



MANAGER FINANCE

T

**RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Note	General reserve	Total
----- AFN -----			
Balance as at December 31, 2020		<u>817,393</u>	<u>817,393</u>
Add:			
Surplus for the year ended December 31, 2021		5,372,208	5,372,208
Amount receivable written off		-	-
Balance as at December 31, 2021	8	<u>6,189,601</u>	<u>6,189,601</u>
Add:			
Surplus for the year ended December 31, 2022		2,065,124	2,065,124
Amount receivable written off		-	-
Balance as at December 31, 2022	8	<u>8,254,725</u>	<u>8,254,725</u>

The annexed notes 1 to 20 form integral part of these financial statements.



DIRECTOR



MANAGER FINANCE





**RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Note	2022 AFN	2021 AFN
Cash flow from operating activities:			
Surplus for the year		2,065,124	5,372,208
Adjustments for the non cash items			
Receivables written off	8	-	-
Opening adjustment		-	-
		2,065,124	5,372,208
Changes in Working Capital			
Decrease/(increase) in current assets			
Changes in advances, deposits and prepayments		(7,370,568)	1,721,831
Changes in receivable from donors		(26,084,970)	(61,246,812)
Increase/(decrease) in current liabilities			
Changes in accrued expenses and other liabilities		32,232,298	(6,979,636)
Changes in Unutilized grants		13,843,051	3,497,323
Changes in payable to donors		2,271,733	(96,927)
		14,891,544	(63,104,222)
Cash generated from operations		16,956,668	(57,732,014)
Net cash flow from operating activities		16,956,668	(57,732,014)
Cash flow from investing activities:			
Net cash flow from investing activities		-	-
Increase in cash and cash equivalents for the year		16,956,668	(57,732,014)
Cash and cash equivalents at the beginning of the year		29,486,987	87,219,001
Cash and cash equivalents at the end of the year	7	46,443,655	29,486,987

The annexed notes 1 to 20 form integral part of these financial statements.


DIRECTOR




MANAGER FINANCE

