

AUDITED FINANCIAL STATEMENTS

**RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN
(RRAA)**

ANNUAL AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2023

Report Submitted by

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

An Independent Member firm of



PKF International

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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, 2023**, statement of income and expenditure, statement of changes in fund balance 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, 2023, 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

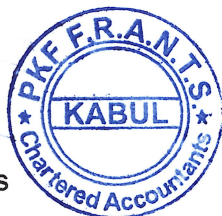
that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken 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



Engagement Partner: Qamar Ali Mumtaz, FCA
Kabul, Afghanistan
Date:

26 DEC 2024

A handwritten signature in blue ink, consisting of a stylized letter 'R' followed by a checkmark-like flourish.

RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

| | Note | 2023 AFN | 2022 AFN |
|--|------|--------------------|--------------------|
| <u>ASSETS</u> | | | |
| NON CURRENT ASSETS | 4 | 1 | 1 |
| <u>CURRENT ASSETS</u> | | | |
| Advances, deposits and prepayments | 5 | 10,163,679 | 10,119,650 |
| Receivable from donors | 6 | 138,875,348 | 106,215,969 |
| Cash and cash equivalents | 7 | 67,316,534 | 46,443,656 |
| | | 216,355,561 | 162,779,275 |
| TOTAL ASSETS | | 216,355,562 | 162,779,276 |
| <u>FUND BALANCE AND LIABILITIES</u> | | | |
| Fund balance | 8 | (245,853) | 8,254,725 |
| <u>CURRENT LIABILITIES</u> | | | |
| Accrued expenses and other liabilities | 9 | 139,362,617 | 112,979,406 |
| Unutilized grants | 10 | 71,032,110 | 36,954,972 |
| Payable to donors | 11 | 6,206,688 | 4,590,174 |
| | | 216,601,415 | 154,524,551 |
| TOTAL FUND BALANCE AND LIABILITIES | | 216,355,562 | 162,779,276 |

Auditor's report annexed

The annexed notes 1 to 19 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, 2023

| | | DONORS' FUND | | GENERAL RESERVE | |
|---------------------------------|------|--------------|-------------|-----------------|-----------|
| | Note | 2023 | 2022 | 2023 | 2022 |
| | | AFN | AFN | AFN | AFN |
| INCOME | | | | | |
| Funds | 12 | 527,765,454 | 591,970,448 | - | - |
| Other income | 13 | - | - | 4,195,492 | 5,119,212 |
| Exchange gain/ (loss) | 14 | - | - | (4,187,309) | 150,666 |
| Total income | | 527,765,454 | 591,970,448 | 8,183 | 5,269,879 |
| EXPENDITURE | | | | | |
| Administrative Cost | | 8,070,819 | 67,917,393 | - | 53,000 |
| Communications | | - | - | 7,140.00 | - |
| Education and Training Cost | | - | 28,617,510 | - | - |
| Furniture and Fixtures | | - | - | - | - |
| Legal and Professional Services | | - | 391,950 | 383,175.00 | 220,741 |
| Office Equipment | | - | - | - | - |
| Office Rentals Cost | | 14,528,604 | 6,032,702 | 273,300.00 | 420,000 |
| Operation Costs | | 241,901,065 | 235,562,865 | - | 391,950 |
| Personnel Cost | | 244,590,430 | 220,492,879 | 5,943,961.59 | 1,064,734 |
| Repairs and Maintenance | | 1,390,727 | 945,410 | 14,053 | 22,500 |
| Stationaries and supplies | | - | - | 168,725 | - |
| Training and Workshops | | 1,225,573 | - | - | - |
| Travels and Meals | | 11,813,365 | 10,583,638 | 84,020.00 | - |
| Utilities | | 4,244,871 | 5,047,495 | 164,444.00 | 153,852 |
| Misc. | | - | 16,378,607 | 1,539,100 | 877,977 |
| Total expenditure | | 527,765,454 | 591,970,448 | 8,577,918 | 3,204,754 |
| Surplus/(deficit) for the year | | - | - | (8,569,735) | 2,065,124 |

Project wise breakup of expenditure annexed

The annexed notes 1 to 19 form integral part of these financial statements.

DIRECTOR

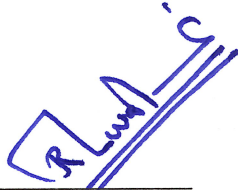


MANAGER FINANCE

RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Note | General reserve | Total |
|--|------|--------------------|------------------|
| | | ----- AFN ----- | |
| Balance as at December 31, 2021 | | <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 |
| Balance as at December 31, 2022 | 8 | <u>8,254,725</u> | <u>8,254,725</u> |
| Add: | | | |
| Surplus for the year ended December 31, 2023 | | (8,569,735) | (8,569,735) |
| ABADIE II admin cost adjustment | | 69,157 | 69,157 |
| Balance as at December 31, 2023 | 8 | <u>(245,853)</u> | <u>(245,853)</u> |

The annexed notes 1 to 19 form integral part of these financial statements.



 DIRECTOR





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RURAL REHABILITATION ASSOCIATION FOR AFGHANISTAN (RRAA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Note | 2023 AFN | 2022 AFN |
|--|------|--------------------|-------------------|
| Cash flow from operating activities: | | | |
| Surplus/(deficit) for the year | | (8,569,735) | 2,065,124 |
| Adjustments for the non cash items | | | |
| Receivables written off | 8 | - | - |
| Opening adjustment | SOCF | 69,157 | - |
| | | (8,500,578) | 2,065,124 |
| Changes in Working Capital | | | |
| Decrease/(increase) in current assets | | | |
| Changes in advances, deposits and prepayments | | (44,029) | (7,370,568) |
| Changes in receivable from donors | | (32,659,379) | (26,084,970) |
| Increase/(decrease) in current liabilities | | | |
| Changes in accrued expenses and other liabilities | | 26,383,211 | 32,232,298 |
| Changes in Unutilized grants | | 34,077,139 | 13,843,051 |
| Changes in payable to donors | | 1,616,514 | 2,271,733 |
| | | 29,373,456 | 14,891,544 |
| Cash generated from operations | | 20,872,878 | 16,956,668 |
| Net cash flow from operating activities | | 20,872,878 | 16,956,668 |
| Cash flow from investing activities: | | | |
| Net cash flow from investing activities | | - | - |
| Increase in cash and cash equivalents for the year | | 20,872,878 | 16,956,668 |
| Cash and cash equivalents at the beginning of the year | | 46,443,656 | 29,486,988 |
| Cash and cash equivalents at the end of the year | 7 | 67,316,534 | 46,443,656 |

The annexed notes 1 to 19 form integral part of these financial statements.


DIRECTOR




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