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Saeed Methani Mushtaq & Co. Chartered Accountants

**Future Generations Afghanistan
“FGA”**

Financial Statements

**For the year ended
31stDecember 2017**

Submitted by:

M/s SAEED METHANI MUSHTAQ & CO. CHARTERED ACCOUNTANTS

EMAIL ID: mhjamal@smmcokabul.com

CONTACT # +93 782 886 313

Address: Office # B-7, 2nd floor, Muslim Business center,
Char-e-Haji Yaqoob, Shahr-e-Naw,
Kabul, Afghanistan

SAEED METHANI MUSHTAQ AND COMPANY

CHARTERED ACCOUNTANTS

Members of the Institute of Chartered Accountants of Pakistan

Independent Auditors' Report

To: **Country Director,
Future Generations Afghanistan**

Qualified opinion

In our opinion, except of the possible effects of the matter described in the basis of qualified opinion paragraph, the accompanying financial statements give a true and fair view of the financial position of Future Generations Afghanistan "FGA" as at December 31, 2017 and of its financial performance for the year then ended in accordance with accounting policies described in note 2 to the financial statements.

We have audited the financial statements of Future Generations Afghanistan "FGA", which comprise the statement of financial position as at December 31, 2017 and the statement of receipt and payments, statement of changes in reserves, statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for qualified opinion

The first instalment of the grant amount of USD 229,000 received from IDLG for the project implementation "Citizen charter Afghanistan program" during the year ended 2017, but the received amount was not booked in QuickBooks by Future Generations Afghanistan due to which revenue and cash and cash equivalent were understated by the same amount.

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 Future Generations Afghanistan ("FGA") 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 qualified opinion.

Key audit matters

Without further modifying our opinion, we draw attention to the fact, that;

- a) We have not audited the accompanying statement of financial position of the Future Generations Afghanistan as at 31 December 2016, the statement of receipts and payments, statement of changes in reserves, statement of cash flow for the year then ended and the related notes accordingly, we do not express an opinion on them;
- b) We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to provide information to donors and FGA management. As a result, the financial statements may not be suitable for another purpose; &

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- c) Future Generations Afghanistan did not provide to us the annual tax clearance certificate from Ministry of Finance, Afghanistan since its inception.

Responsibilities of management for the financial statements

Management is responsible for the preparation of financial statements that gives true and fair view in accordance with accounting policies described in note 2 to the financial statements, 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 Future Generations Afghanistan "FGA" 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 Future Generations Afghanistan "FGA" or to cease operations, or has no realistic alternative but to do so.

The management is responsible for overseeing Future Generations Afghanistan "FGA" 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 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.

Saeedmethani mushtaq & Co

Saeed Methani Mushtaq & Co
Chartered Accountants

9th April 2018
Kabul, Afghanistan



Future Generation Afghanistan
Statement of Financial Position
As at 31 December 2017

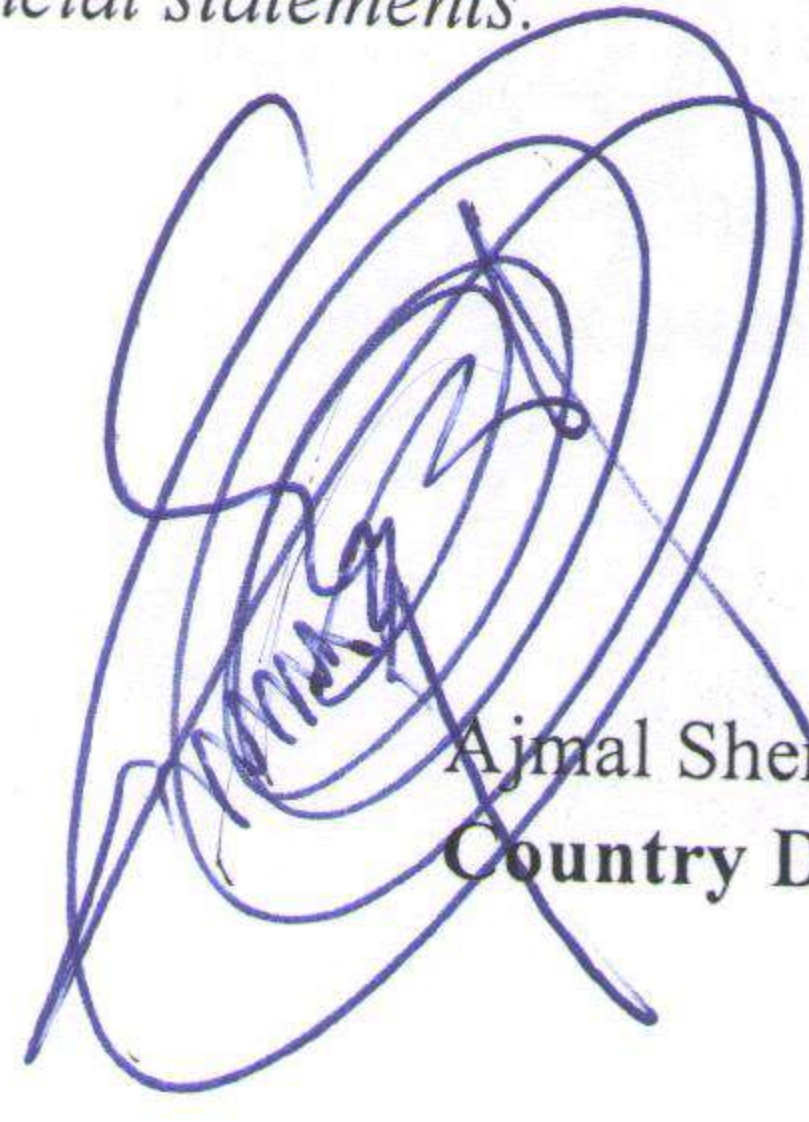

	<i>Note</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
		<u>USD</u>	<u>USD</u>	<u>USD</u>
Restated				
Assets				
Fixed assets	3	-	-	59,367
		-	-	59,367
Current assets				
Cash & cash equivalent	4	359,667	733,614	576,262
		359,667	733,614	576,262
		<u>359,667</u>	<u>733,614</u>	<u>635,629</u>
Reserves & liabilities				
Reserves				
Sustainability fund	6	604,702	753,366	246,033
Accumulated surplus / (deficit)		(245,035)	(20,689)	311,916
		359,667	732,677	557,949
Liabilities				
Tax payables		-	937	77,680
		-	937	77,680
		<u>359,667</u>	<u>733,614</u>	<u>635,629</u>

The annexed notes 1 to 12 are an integral part of these financial statements.

Faridullah Niazei
 Finance Manager



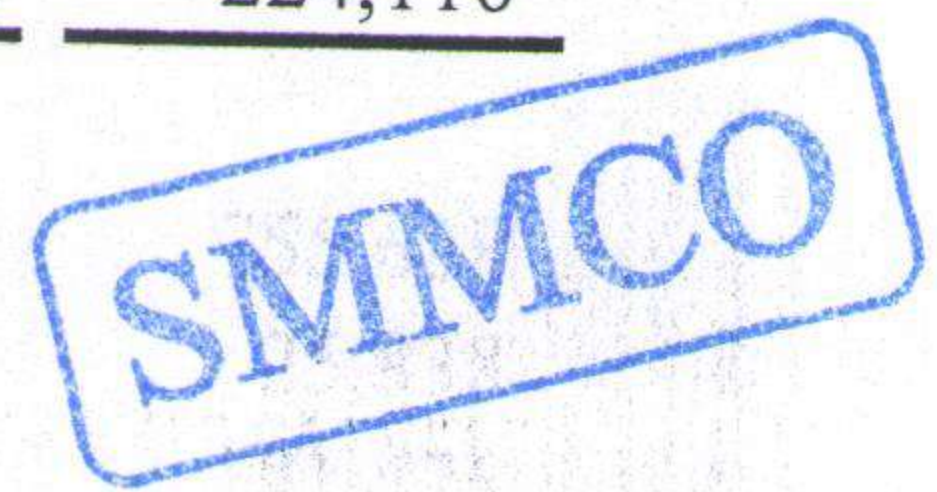
Ajmal Sherzai
 Country Director

Future Generation Afghanistan
Statement of Receipts & Payments
For the year ended 31 December 2017

	<i>Note</i>	<u>2017</u> USD	<u>2016</u> USD
Receipts			
Receipts from donor	6	157,853	755,638
Other receipts	7	4,678	25,838
		<u>162,531</u>	<u>781,476</u>
Disbursement			
Personnel cost	8	363,647	391,210
Equipment cost	9	16,059	3,298
Operational cost	10	153,922	162,873
Unspent fund refunded to MRRD - NSP program	5.2	1,920	-
Exchange gain / (losses)		(7)	(21)
		<u>535,541</u>	<u>557,360</u>
Surplus / (deficit) for the year		<u>(373,010)</u>	<u>224,116</u>

The annexed notes 1 to 12 are an integral part of these financial statements.



Faridullah Niazi
Finance Manager

Ajmal Sherzai
Country Director

Future Generation Afghanistan
Statement of Changes in Reserves
For the year ended 31 December 2017

	<i>Note</i>	<u>2017</u> USD	<u>2016</u> USD
Opening balance of accumulated surplus / (deficit)		(20,689)	311,916
Add: Surplus / (deficit) for the year		(373,010)	224,116
Add: addition during the year against fixed assets capitalization	3	-	15,607
Less: adjustment against disposal of fixed assets	3	-	(18,693)
Less: transferred (to) / from sustainability fund	5	148,664	(507,333)
		<u>(245,035)</u>	<u>25,613</u>
Restatement adjustment			
Adjustment for reversal of fixed assets capitalization	11.2	-	(46,302)
		-	(46,302)
		<u>(245,035)</u>	<u>(20,689)</u>

The annexed notes 1 to 12 are an integral part of these financial statements.



Faridullah Niazai
Finance Manager

Ajmal Sherzai
Country Director

Future Generation Afghanistan
Statement of Cash Flow
For the year ended 31 December 2017

	<i>Note</i>	<u>2017</u> USD	<u>2016</u> USD
Cash flows from operating activities			
Surplus / (deficit) for the year		(373,010)	224,116
<i>Adjustments for:</i>			
- Exchange loss/(gain)		7	21
- restatement of depreciation	11.3		9,979
		<u>(373,003)</u>	<u>234,116</u>
<i>Changes in:</i>			
- tax payables		<u>(937)</u>	<u>(76,743)</u>
		(937)	(76,743)
Net cash from operating activities		<u>(373,940)</u>	<u>157,373</u>
Net cash used in investing activities		<u>-</u>	<u>-</u>
Net cash from financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		<u>(373,940)</u>	<u>157,373</u>
Cash and cash equivalents at 22 December		733,614	576,262
Effect of foreign currency exchange (loss)/gain		(7)	(21)
Cash and cash equivalents at 21 December		359,667	733,614

The annexed notes 1 to 12 are an integral part of these financial statements.

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Faridullah Nazari
Finance Manager

Ajmal Sherzai
Country Director

1 Status and nature of operations

Future Generation Afghanistan "FGA" is a Non Governmental Organization registered with the Ministry of Economy under the Afghanistan NGO Law and is part of Future Generation Network. FGA started its operations in 2002 with the belief that community based change was a proven alternative path to international development. FGA raises within communities the capacity to shape their own futures. Communities learn to maximize locally available skills and resources to sustain solutions that fit local cultures, economies and ecologies through FGA health, education, peace building, empowerment and income generation programs. FGA receives funds assistance from donors to carry out its activities.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared on modified cash basis of accounting in compliance with the applicable accounting policies defined in accounting manual of FGA and are presented in USD which is the presentation currency of FGA.

2.2 Basis of measurement

The financial statement has been prepared under historical cost basis, except as otherwise stated in the policies and notes given hereunder.

2.3 Capital expenditure

Due to nature of the organization and short term nature of the grants received from donors, fixed assets and inventory are charged to expense during the year of purchase.

2.4 Foreign currency translation

Transactions in currencies other than the reporting currencies (US Dollars) are accounted for at the monthly average exchange rates. All monetary assets and liabilities denominated in currencies other the reporting currency at the year end are translated at the exchange rates prevailing on financial statements date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. If any exchange differences are included in the statement of Receipt and Expenditures for the period.

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2.5 Cash & cash equivalent

Cash and bank balances are carried in the statement of financial position at cost. Cash and bank balances comprise cash in hand and balances with the banks

2.6 Advances and Receivables

Advances and receivables are measured at original invoice amount less an estimated made for doubtful receivable if any based on review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.7 Taxation

FGA being a not for profit organization is exempt under relevant Income Tax Laws as applicable in Afghanistan, hence provision for taxation is not required in the financial statements.

2.8 Liabilities

Liabilities for amounts payables are measured at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether nor not billed to the organization.

2.9 Revenue & expenditure

Income from donors are recognized on receipts basis while expenditures are recorded when paid.

2.10 Use of the estimates and Judgments

The presentation of financial statements requires management to make judgements, estimates and assumptions that affects the applications of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from the estimated figures.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are categorized in the year in which the estimates is revised and in any future years affected. Significant areas requiring the use of management estimates in these financial statements related to the useful life of depreciable assets, provision for the doubtful receivables and slow moving inventory.

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Future Generation Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2017

	<i>Note</i>	<u>2017</u> USD	<u>2016</u> USD
3 Fixed assets			
Opening balance		-	59,367
Add: addition during the year		-	15,607
Less: disposal during the year		-	(18,693)
Closing balance		<u>-</u>	<u>56,281</u>
Less: depreciation for the year during the year			(9,979)
Closing WDV before restatement		<u>-</u>	<u>46,302</u>
Restatement adjustment	<i>11.1</i>	<u>-</u>	<u>(46,302)</u>
		<u>-</u>	<u>(46,302)</u>
Closing WDV after restatement		<u>-</u>	<u>-</u>
4 Cash & cash equivalent			
Cash & cash equivalent of head office	<i>4.1</i>	356,746	733,156
Cash & cash equivalent of regional (Nangarhar) office	<i>4.2</i>	2,921	458
		<u>359,667</u>	<u>733,614</u>
4.1 Cash & cash equivalent of head office			
Cash in hand	<i>4.1.1</i>	1,540	2,212
Cash at bank	<i>4.1.2</i>	355,206	730,944
		<u>356,746</u>	<u>733,156</u>

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Future Generation Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2017

	<i>Note</i>	<u>2017</u> USD	<u>2016</u> USD
4.1.1 Cash in hand			
Cash in hand - Afs		842	1,014
Petty cash in hand - Afs		298	298
		<u>1,140</u>	<u>1,312</u>
Cash in hand - USD		400	900
		<u>1,540</u>	<u>2,212</u>
4.1.2 Cash at bank			
Azizi Bank - Afs		52,378	3,407
Azizi Bank - USD		302,828	727,537
		<u>355,206</u>	<u>730,944</u>
4.2 Cash & cash equivalent of regional (Nangarhar) office			
Cash in hand	4.2.1	1,663	458
Cash at bank	4.2.2	1,258	-
		<u>2,921</u>	<u>458</u>
4.2.1 Cash in hand			
Cash in hand - Afs		1,663	383
Cash in hand - USD			75
		<u>1,663</u>	<u>458</u>
4.2.2 Cash at bank			
Azizi Bank - Afs		171	-
Azizi Bank - USD		1,087	-
		<u>1,258</u>	<u>-</u>

The foreign currency balances are converted to USD @ of 67.81 (2016: 67.39)

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Future Generation Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2017

	<i>Note</i>	<u>2017</u> USD	<u>2016</u> USD
5 Sustainability fund			
Opening balance		753,366	246,033
Addition during the year		4,678	524,387
Unspent fund refunded to MRRD - NSP program	5.2	(1,920)	
Less: reimbursement of expenditures		(151,422)	(17,054)
		<u>(148,664)</u>	<u>507,333</u>
		<u>604,702</u>	<u>753,366</u>
5.1	Sustainability fund was created by the management for meeting the unforeseen requirements of Future Generations Afghanistan necessary to intact the going concern of the organization. Sustainability fund is created from management fee received from different donor against project implemented and other income earned during the year from re-renting of the office spare space to other organizations.		
5.2	Unspent fund was refunded to MRRD - NSP program.		
		<u>1,920</u>	
		<u>1,920</u>	
6 Receipts from donor			
Ministry of Rural Rehabilitation & Development		-	726,490
World Food Programme		128,397	-
UNDP		-	10,000
French Embassy		29,456	19,148
		<u>157,853</u>	<u>755,638</u>
7 Other receipts			
Other Income	7.1	4,678	25,838
		<u>4,678</u>	<u>25,838</u>
7.1	Other income are generated form re-renting of spare office space to other entities.		
8 Personnel cost			
Regular staff		148,549	198,204
Project staff		215,098	193,006
		<u>363,647</u>	<u>391,210</u>

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Future Generation Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2017

	<i>Note</i>	2017 USD	2016 USD
9 Equipment cost			
IT equipment's		7,990	1,794
Furniture's & fixtures		3,836	887
Generator		713	252
Office equipment's		3,520	365
		<u>16,059</u>	<u>3,298</u>
10 Operational cost			
Office supplies		4,364	4,716
Office rent		22,716	31,119
Utilities		4,563	4,251
Printing, postage & stationery		8,954	2,662
Partner expenses		30,037	19,148
Donations			12,030
Program materials and supplies		14,910	11,132
Travel & transportation		1,793	8,571
Vehicle operating cost		33,073	16,857
Fuel for vehicle and generator		12,332	12,696
Repair & maintenance		1,514	2,183
Depreciation	3	-	9,979
Consultancy charges			3,500
Meals and per diem domestic		1,224	833
Training & capacity building		1,619	2,092
Workshops meetings and conferences		1,455	2,797
Legal & professional charges		706	1,630
Audit fee		1,050	1,050
Bank charges		113	934
Communication cost		13,024	13,285
Miscellaneous expenses		475	1,408
		<u>153,922</u>	<u>162,873</u>

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Future Generation Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2017

<i>Note</i>	<u>2017</u>	<u>2016</u>
	USD	USD

11 Restatement

We identified error in the presentation of fixed assets and corresponding expenses charged to donor. At time of purchase of assets, it was totally charged to donor, but simultaneously it was presented at the statements of financial position by debiting the assets account and crediting the assets reserve account. Than subsequently depreciation was charges to receipts and

Now we rectified the error as per policy, that “when assets purchased should be charged hundred to donor”. The following table sets forth all the accounts in the original amounts and

Statement of financial position

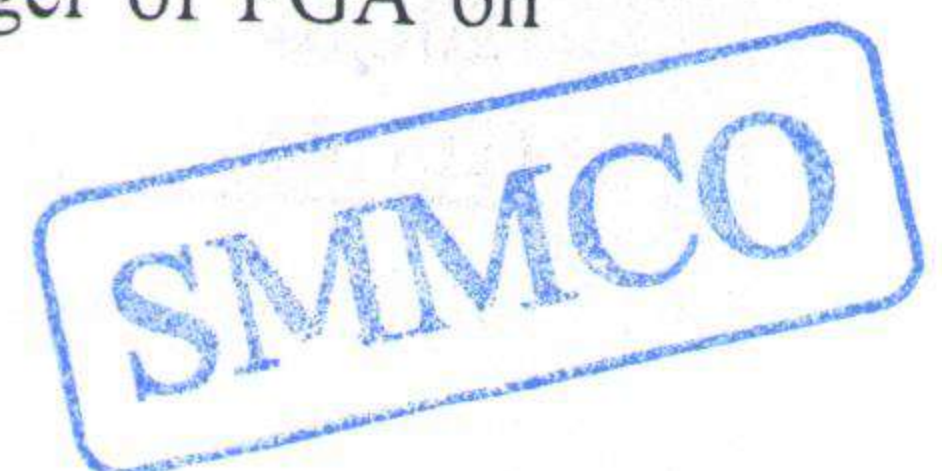
11.1 Fixed assets			
Original balance	3	-	46,302
Adjustment for reversal of fixed assets cost			(46,302)
Closing Balance		-	-
11.2 Reserves created against fixed assets			
Original balance		-	46,302
Adjustment		-	(46,302)
Closing Balance		-	-
Statement of receipts & disbursement			
11.3 Operating expenses - Depreciation			
Charge for the year			9,979
Adjustment		-	(9,979)
Charge for the year after adjustment		-	-

12 General

- Corresponding figures have been re-arranged / or reclassified wherever necessary for the purpose of comparison.
- Financial statement was approved by Country Director and Finance Manager of FGA on 09 April 2018.

Faridullah Nazari
Finance Manager

Ajmal Sherzai
Country Director



Future Generation Afghanistan

Schedule of staff salaries taxes paid during the year
For the year ended 31 December 2017

Annexure "A"

Description	Jan-17 Afs	Feb-17 Afs	Mar-17 Afs	Apr-17 Afs	May-17 Afs	Jun-17 Afs	Jul-17 Afs	Aug-17 Afs	Sep-17 Afs	Oct-17 Afs	Nov-17 Afs	Dec-17 Afs	Total Afs
Exchange rate USD to Afs	66.63	66.71	67.09	67.83	67.74	67.91	68.03	68.28	68.43	68.39	68.12	68.58	
Kabul office													
Salaries	705,674	706,521	710,681	718,655	719,503	777,226	778,600	849,810	851,743	858,153	847,820	1,642,967	10,167,353
Tax	94,104	94,240	94,911	96,192	96,327	101,000	101,213	107,400	107,696	108,311	107,100	245,396	1,353,890
Nangarhar office													
Salaries	523,319	542,139	653,740	649,085	499,926	1,024,156	1,457,791	1,603,463	1,599,784	1,654,154	1,759,150	2,619,122	14,585,827
Tax	22,026	26,698	29,058	29,096	23,660	46,564	63,740	74,127	73,353	72,363	76,175	164,882	701,741
Total salaries	1,228,993	1,248,660	1,364,421	1,367,740	1,219,429	1,801,382	2,236,391	2,453,273	2,451,527	2,512,307	2,606,970	4,262,089	24,753,180
Total tax	116,131	120,937	123,968	125,287	119,987	147,564	164,953	181,527	181,049	180,675	183,275	410,279	2,055,631

Faridullah Nader
Finance Director

Amal Sherzai
Country Director

Future Generation Afghanistan

Schedule of contractual taxes paid during the year
For the year ended 31 December 2017

Annexure "B"

Description	Jan-17 Afs	Feb-17 Afs	Mar-17 Afs	Apr-17 Afs	May-17 Afs	Jun-17 Afs	Jul-17 Afs	Aug-17 Afs	Sep-17 Afs	Oct-17 Afs	Nov-17 Afs	Dec-17 Afs	Prepaid Afs	Total Afs
Exchange rate USD to Afs	66.63	66.71	67.09	67.83	67.74	67.91	68.03	68.28	68.43	68.39	68.12	68.58		
Office rent														
Kabul office														
Rent					74,915	74,915	74,915	74,915	74,915	74,915	75,680	75,680	302,720	903,570
Tax					7,492	7,492	7,492	7,492	7,492	7,492	7,568	7,568	30,272	90,357
Nangarhar office														
Rent	18,600	18,600	18,600	18,600	18,600	45,273	45,273	45,273	45,273	45,273	45,273	45,436	227,180	637,254
Tax	1,860	1,860	1,860	1,860	1,860	4,527	4,527	4,527	4,527	4,527	4,527	4,544	22,718	63,725
Total rent	18,600	18,600	18,600	18,600	93,515	120,188	120,188	120,188	120,188	120,188	120,953	121,116	529,900	1,540,824
Total tax	1,860	1,860	1,860	1,860	9,352	12,019	12,019	12,019	12,019	12,019	12,095	12,112	52,990	154,082
Vehicle rent														
Contacted amount	160,000	180,000	180,000	112,500	45,000	45,000	135,000	90,000	90,000	118,385	210,000	210,000		1,575,885
Withholding taxes	11,984	12,600	12,600	7,875	3150	3150	9450	6300	6300	8286.95	14700	14700		111,096

Faridullah Sherzai
Finance Manager

Ajmal Sherzai
Country Director