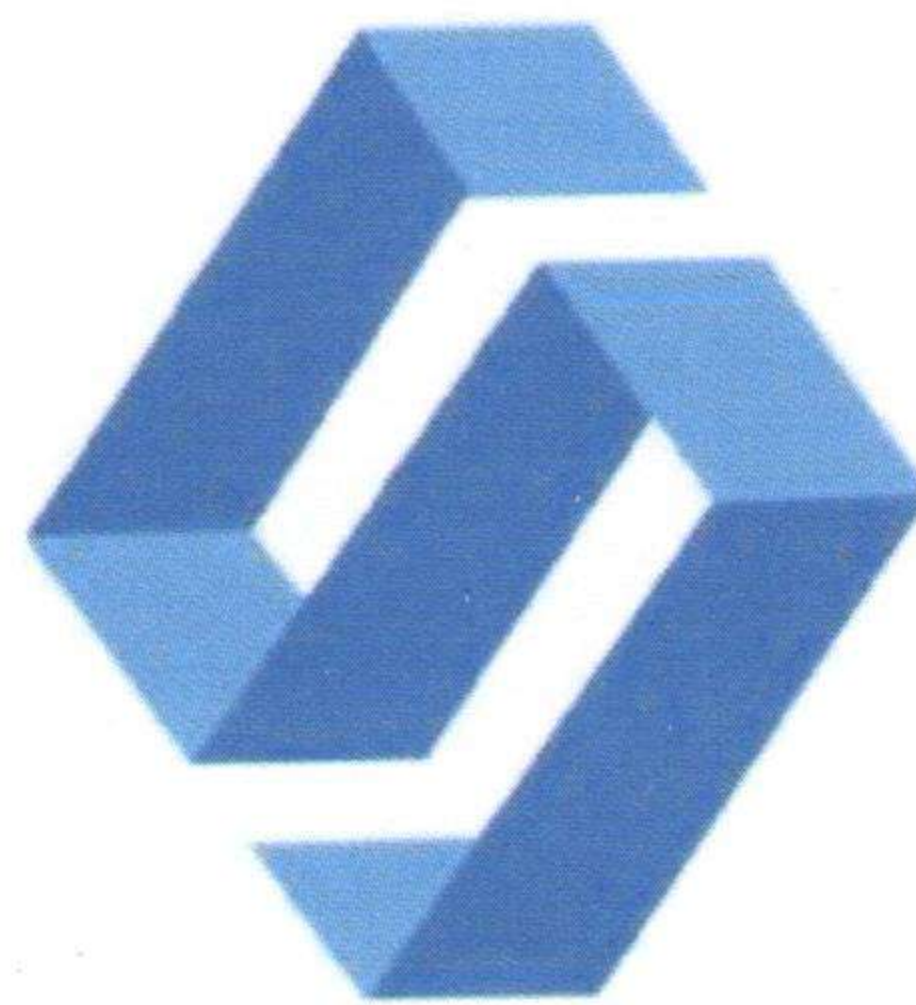


AUDITOR'S REPORT

FUTURE GENERATIONS AFGHANISTAN

FGA

For the year ended December 31, 2016



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INDEPENDENT AUDITOR'S REPORT

Executive Director
Future Generation Afghanistan (FGA)
Kabul, Afghanistan

Opinion

We have audited the financial statements of Organization for Future Generation Afghanistan (hereafter referred to as "FGA"), which comprise the statement of financial position as at December 31, 2016, the statement of Receipt and Expenditure and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Future Generation Afghanistan as at December 31, 2016, and of its Receipt and Expenditure in accordance with the Note 2 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 ethical requirements that are relevant to our audit of the financial statements in Afghanistan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 the Organization's 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 the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

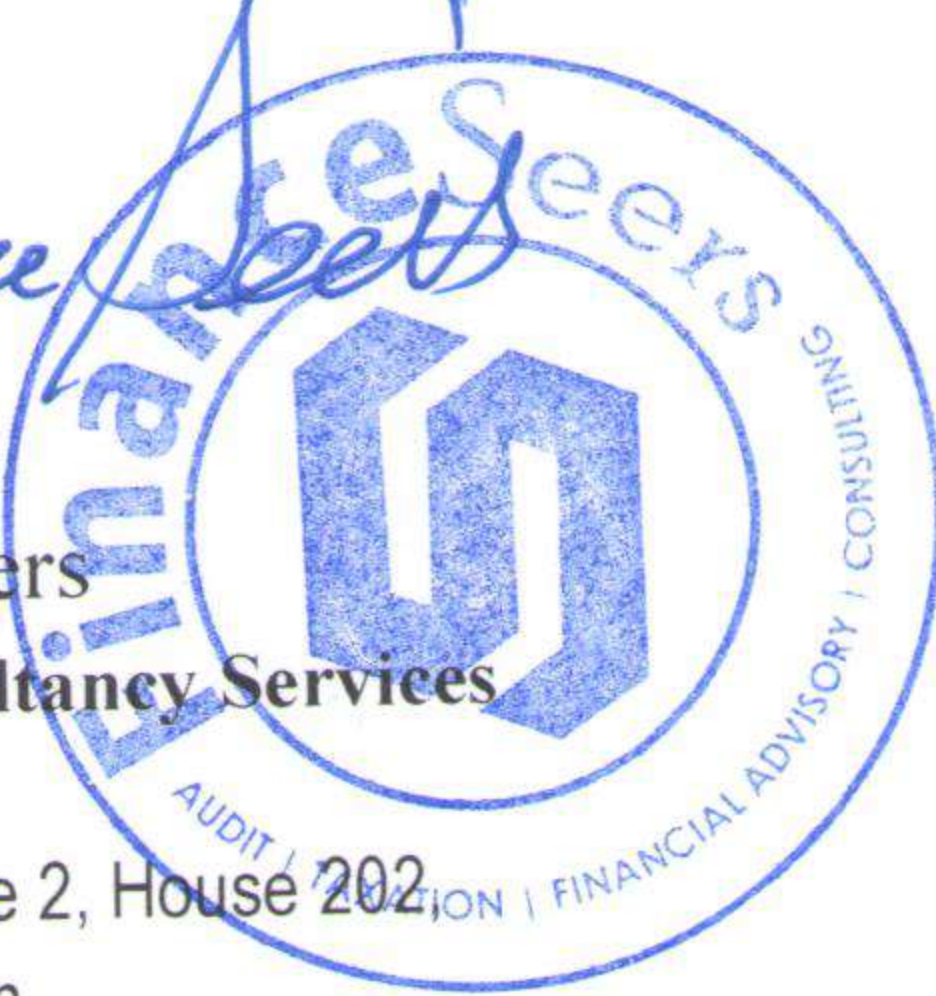
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, 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.

For and on behalf of

FinanceSeers



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Audit & Consultancy Services

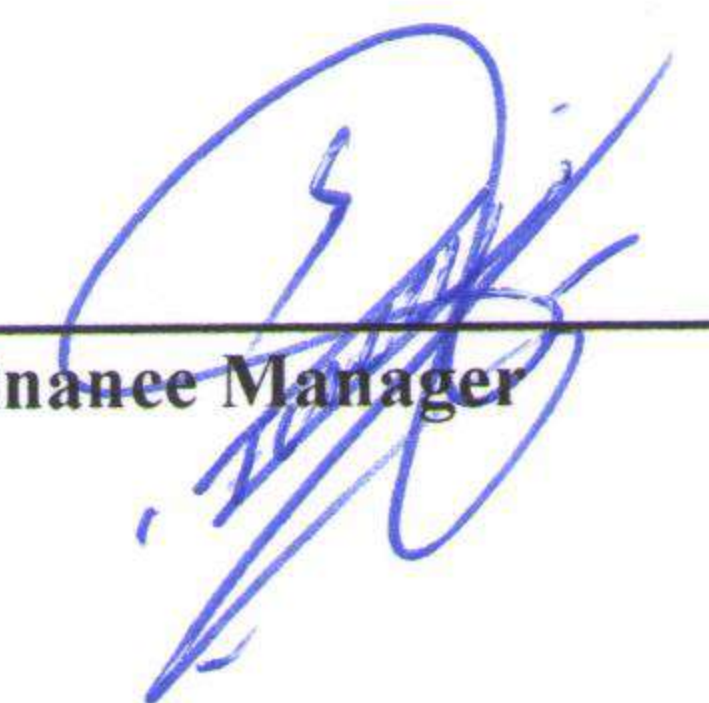
Khair Khana, Zone 2, House 202
Kabul, Afghanistan

Date: March 13, 2017

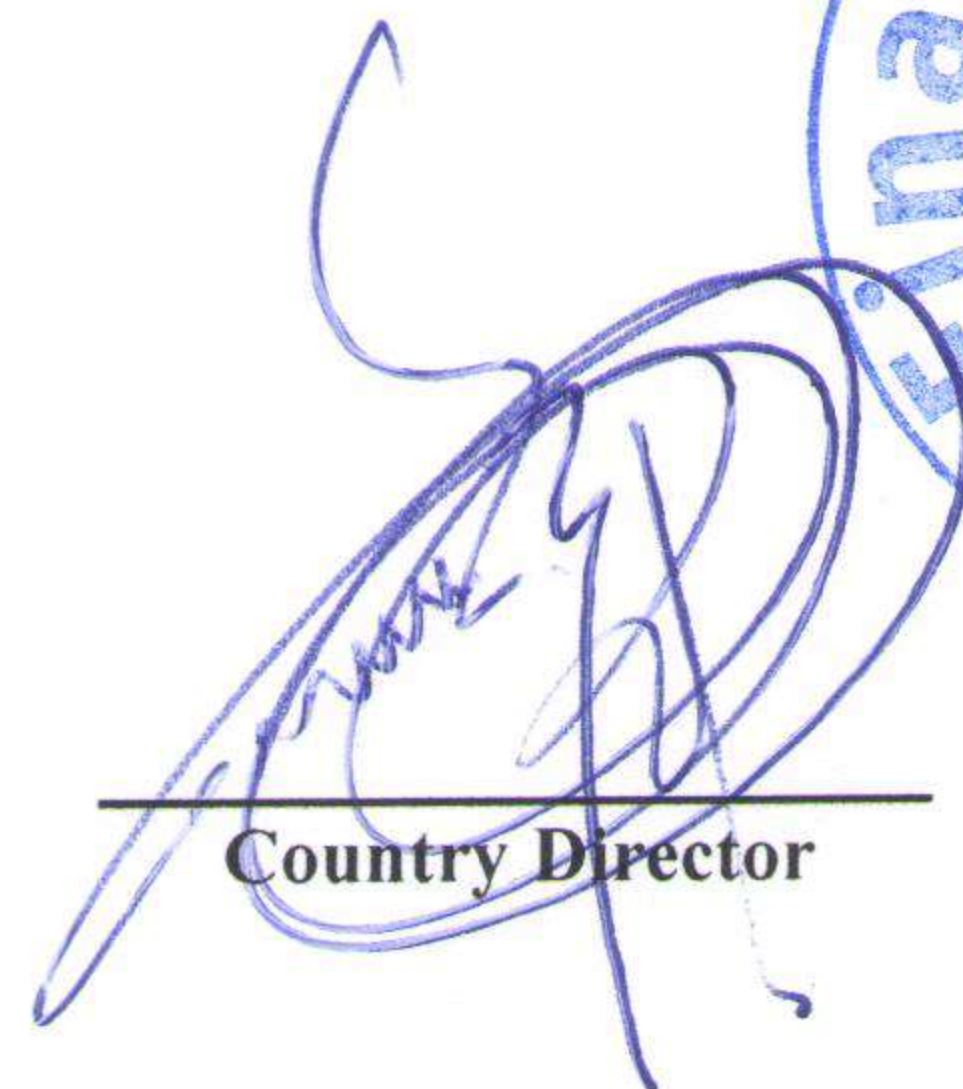
FUTURE GENERATION AFGHANISTAN (FGA)
 STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2016

		December 31	
		2016	2015
		----- USD -----	
<u>ASSETS</u>			
Non Current Assets			
Fixed Assets	4	<u>31,302</u>	<u>44,367</u>
Current Assets			
Advances for expenses	5	<u>298</u>	<u>550</u>
Cash and Bank Balances	6	<u>733,316</u>	<u>575,712</u>
Total Current Assets		<u>733,614</u>	<u>576,262</u>
Total Assets		<u><u>764,916</u></u>	<u><u>620,629</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Sustainability Fund	7	753,366	246,033
Accumulated Surplus		<u>10,613</u>	<u>296,916</u>
		<u>763,979</u>	<u>542,949</u>
<u>LIABILITIES</u>			
Current Liabilities			
Grant Received in Advance	8	<u>-</u>	<u>76,800</u>
Tax Payable	9	<u>937</u>	<u>880</u>
Total Current Liabilities		<u>937</u>	<u>77,680</u>
TOTAL EQUITY & LIABILITIES		<u><u>764,916</u></u>	<u><u>620,629</u></u>

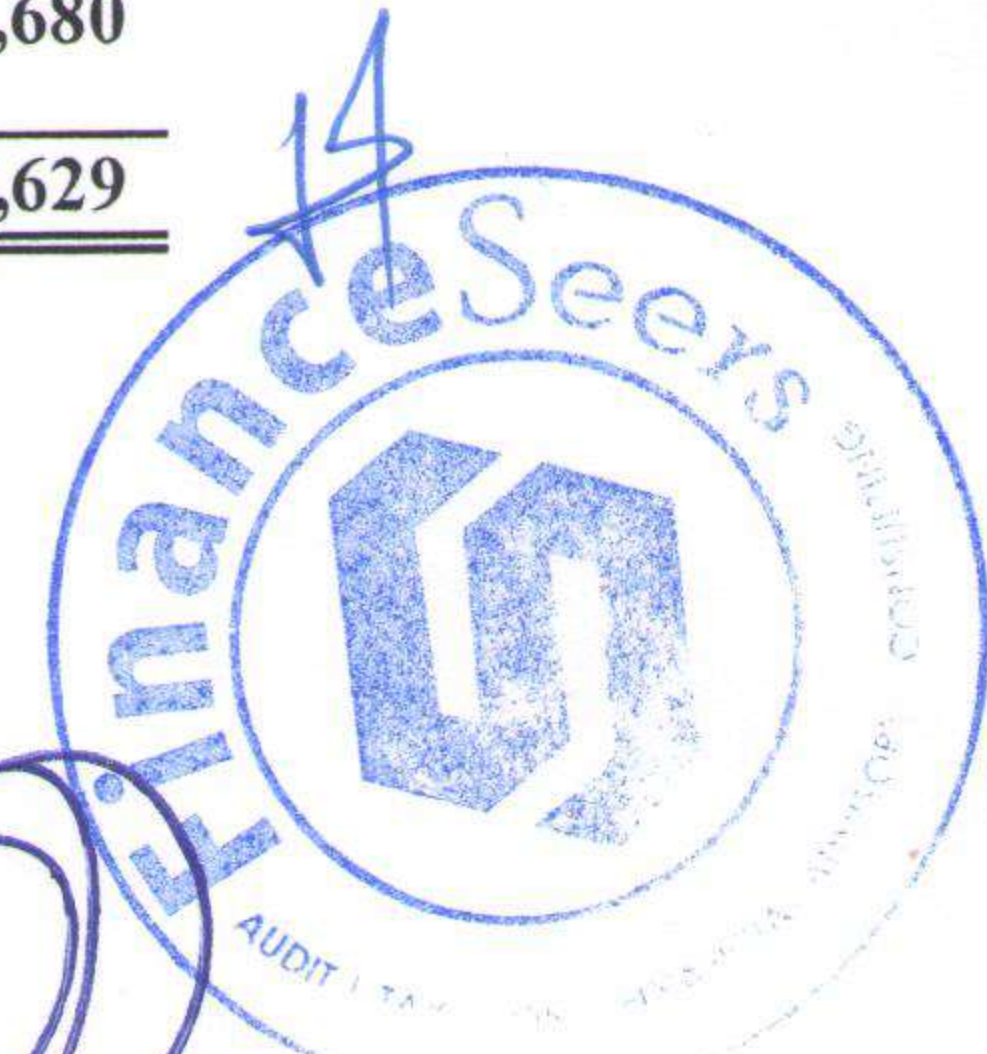
The annexed notes form an integral part of these financial statements



Finance Manager



Country Director



FUTURE GENERATION AFGHANISTAN (FGA)
STATEMENT OF RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	December 31	
		2016	2015
		----- USD -----	
RECEIPTS			
Grant from Donors	10	<u>781,476</u>	<u>1,045,289</u>
EXPENDITURES			
Staff Cost		391,210	568,412
Equipment Cost		3,298	6,490
Operational Cost		162,873	217,177
Exchange gain/(Loss)		(21)	117
		<u>557,360</u>	<u>792,196</u>
Surplus/(Deficit) for the year		224,116	253,094
Other Comprehensive Income			
Fixed Asset Reserve		15,607	6,405
Reserve against disposal		(18,693)	-
Accumulated Surplus Brough Forward		542,949	283,450
Accumulated Surplus Carried Forward		<u>763,979</u>	<u>542,949</u>
Transferred to Sustaniability Funds		753,366	246,033
Net Accumulated Surplus		<u>10,613</u>	<u>296,916</u>

The annexed notes form an integral part of these financial statements

Finance Manager

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 maximise 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 STATEMENT OF COMPLIANCE

2.1 Statement of Compliance

These financial statements have been prepared on modified cash basis of accounting. In modified cash basis of accounting, income is recorded on receipts basis while expenditures are recorded when incurred.

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 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the organization operates. The financial statements are presented in US Dollars. FGA functional currency is also US Dollars

2.4 Use of the estimates and Judgments

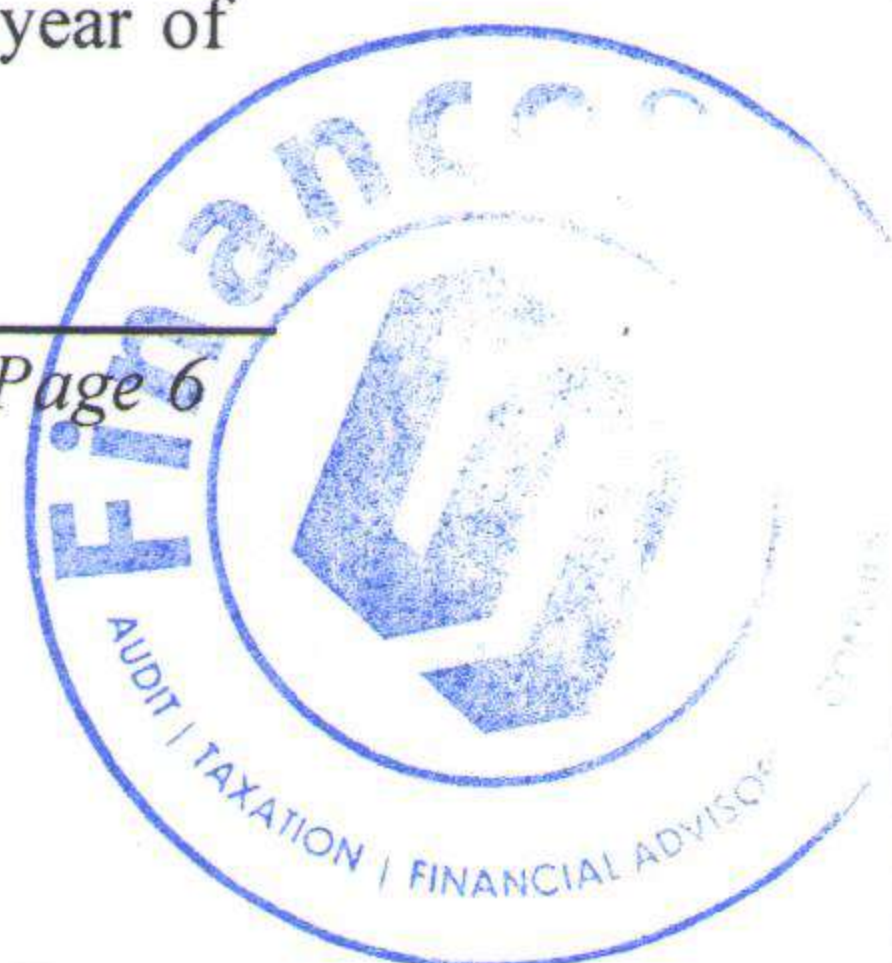
The presentation of financial statements requires management to make judgements, estimates and assumptions that affects the applications of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from the estimated figures.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property & Equipment

After recognition as an asset, an item of property and equipments is stated at cost or revalued amount less any accumulated depreciation and accumulated impairment losses, if any. Cost comprises acquisition cost and other directly attributable costs. The assets are capitalized on the basis of future economic benefits and the reliability of cost. Depreciations is provided on reducing balance method at the rates mentioned below. Full year depreciation is charged on the assets in the year of Purchase while no depreciation is charged in the year of disposal.



FUTURE GENERATION AFGHANISTAN (FGA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Gain or loss on disposal of assets, if any is calculated as a difference between disposal proceed and book value of the asset at the time of disposal and credited or charged to the statement of Receipt and Expenditure for the year respectively.

The organization reviews the useful life and residual value of property and equipment on regular basis. Any change in estimate in future years might effect the carrying value of the assets along with the depreciation value.

Any fixed assets purchased against donor funding are charged to receipts in that year and are transferred to fixed assets at the end of the relevant project.

Depreciation is calculated on all assets at the following rates;

Assets	Depreciation Rates
Vehicles	25%
Furniture and Fixtures	20%
Office Equipments	25%
IT Equipments	33%

3.2 Impairments

The carrying amount of the organization assets are analysed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of assets are estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognized as expense in the Statement of Receipt and Expenditures.

3.3 Advances and Receivables

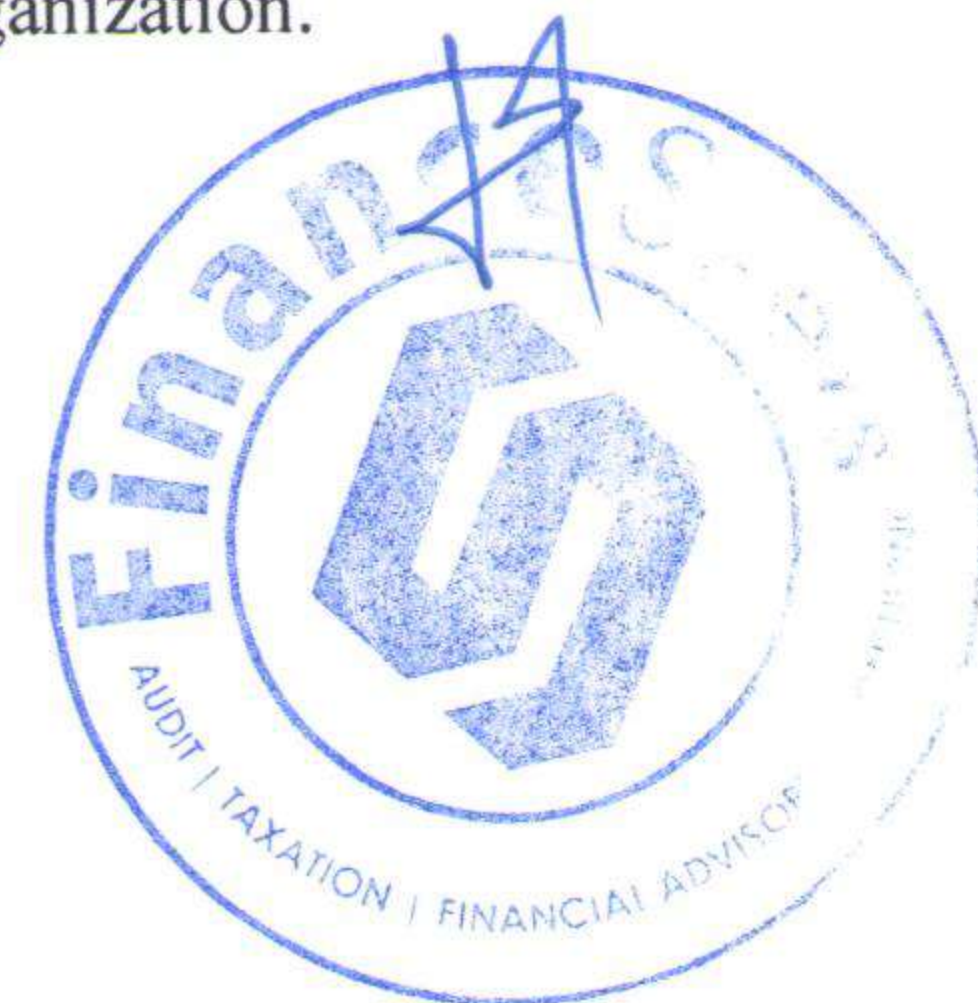
Advances and receivables are measured at original invoice amount less an estimated made for doubtful receivable if any based on review of all outstanding amounts at the year end. Bad debts are written off when identified.

3.4 Cash and Bank balances

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

3.5 Liabilities

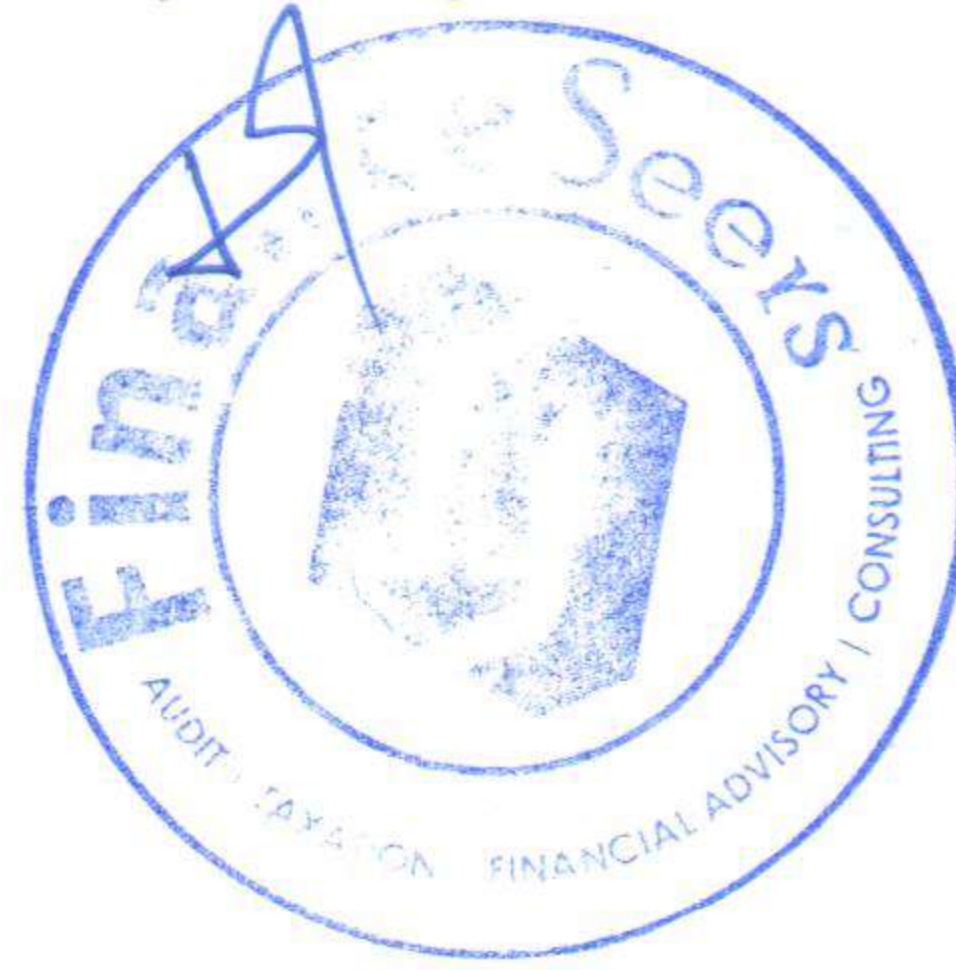
Liabilities for amounts payables are measured at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether nor not billed to the organization.



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3.6 Exchange gain and losses

Transactions in currencies other than the reporting currencies (US Dollars) are accounted for at the exchange rates prevailing of the date of transactions. 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 historcial 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.

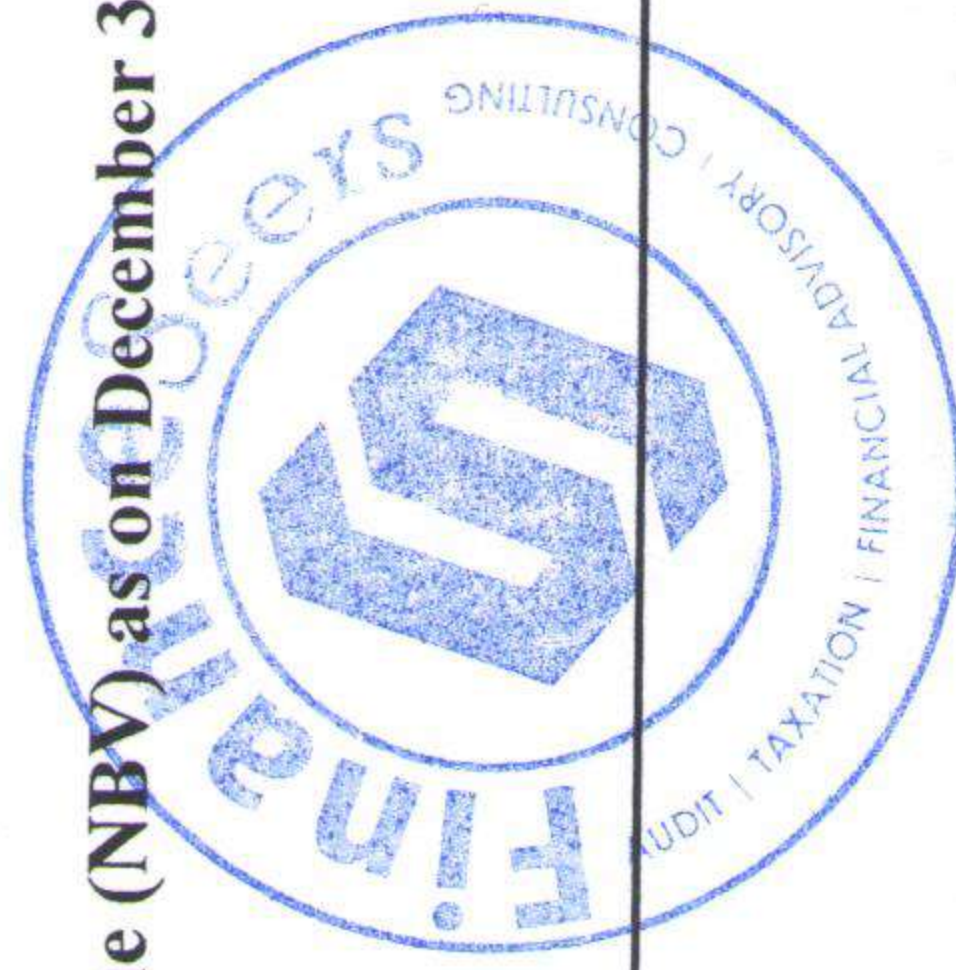


FUTURE GENERATION AFGHANISTAN (FGA)
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

4 PROPERTY AND EQUIPMENT

Particulars	25%				20%		25%		33%	
	Vehicles	Furniture & Fixtures	Office Equipments	IT Equipments	TOTAL					
Closing Net Book Value (NBV) as on December 31, 2014	23,777	4,487	16,705	7,993	52,962					
Addition for the year 2015	-	1,028	5,377	-	6,405					
Deletion during the year	-	-	-	-	-					
As at December 31, 2015	23,777	5,515	22,082	7,993	59,367					
Depreciation										
For the year 2015	5,944	1,165.00	5,109	2,782	15,000					
Deletion during the year	-	-	-	-	-					
	5,944	1,165	5,109	2,782	15,000					
Closing Net Book Value (NBV) as on December 31, 2015	17,833	4,350	16,973	5,211	44,367					
Addition for the year 2016	12,400	887	2,320	-	15,607					
Deletion during the year	(10,522)	(1,117)	(4,982)	(2,072)	(18,693)					
As at December 31, 2016	19,711	4,120	14,311	3,139	41,281					
Depreciation										
For the year 2016	4,999	824	3,062	1,094	9,979					
Deletion during the year	-	-	-	-	-					
	4,999	824	3,062	1,094	9,979					
Closing Net Book Value (NBV) as on December 31, 2016	14,712	3,296	11,249	2,045	31,302					

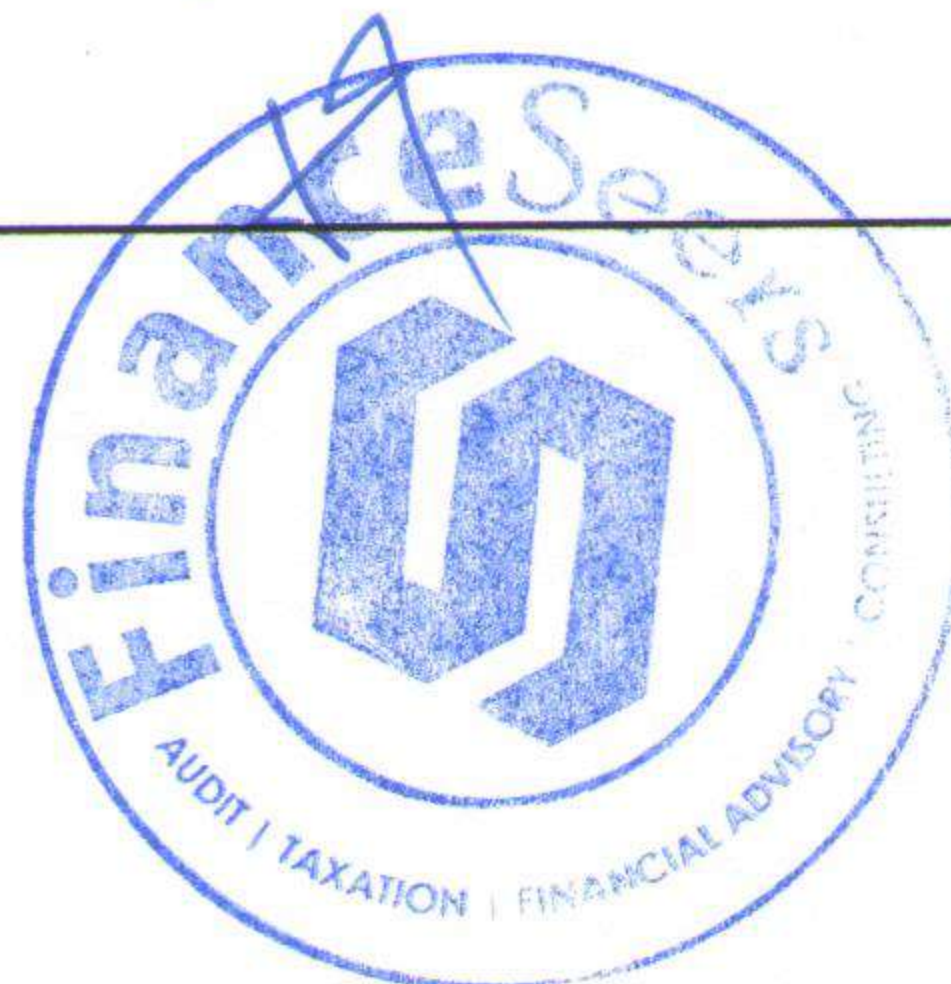
A



FUTURE GENERATION AFGHANISTAN (FGA)
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	December 31	
		2016	2015
		----- USD -----	
5 ADVANCES FOR EXPENSES			
Head office advances for expenses AFN		298	350
Head office advances for expenses USD		-	200
		298	550
6 CASH AND BANK BALANCES			
Cash in Hand	6.1	2,373	6,457
Cash at Bank	6.2	730,944	569,256
		733,316	575,712
6.1 Cash in Hand			
Head office USD		900	178
Nangarhar USD		75	140
Ghazni USD		-	401
Dehkundi USD		-	-
Head office AFN	6.3	1,014	324
Nangarhar AFN	6.3	383	1,520
Ghazni AFN	6.3	-	1,437
Dehkundi AFN	6.3	-	2,457
		2,373	6,457
6.2 Cash at Bank			
Azizi Bank Head Office USD		727,537	554,658
Azizi Bank NGR USD		-	1,059
Azizi Bank Ghazni USD		-	314
Kabul Bank FGA Main USD		-	-
Kabul Bank FGA NSP USD		-	-
Kabul Bank Ghazni USD		-	-
Kabul Bank NGR USD		-	-
Habib Bank Limited USD		-	-
Azizi Bank Head Office AFA		3,407	7,730
Azizi Bank NGR AFA		-	742
Kabul Bank FGA NSP Daikundi USD		-	4,752
Kabul Bank FGA NSP Daikundi AFA		-	1
		730,944	569,256

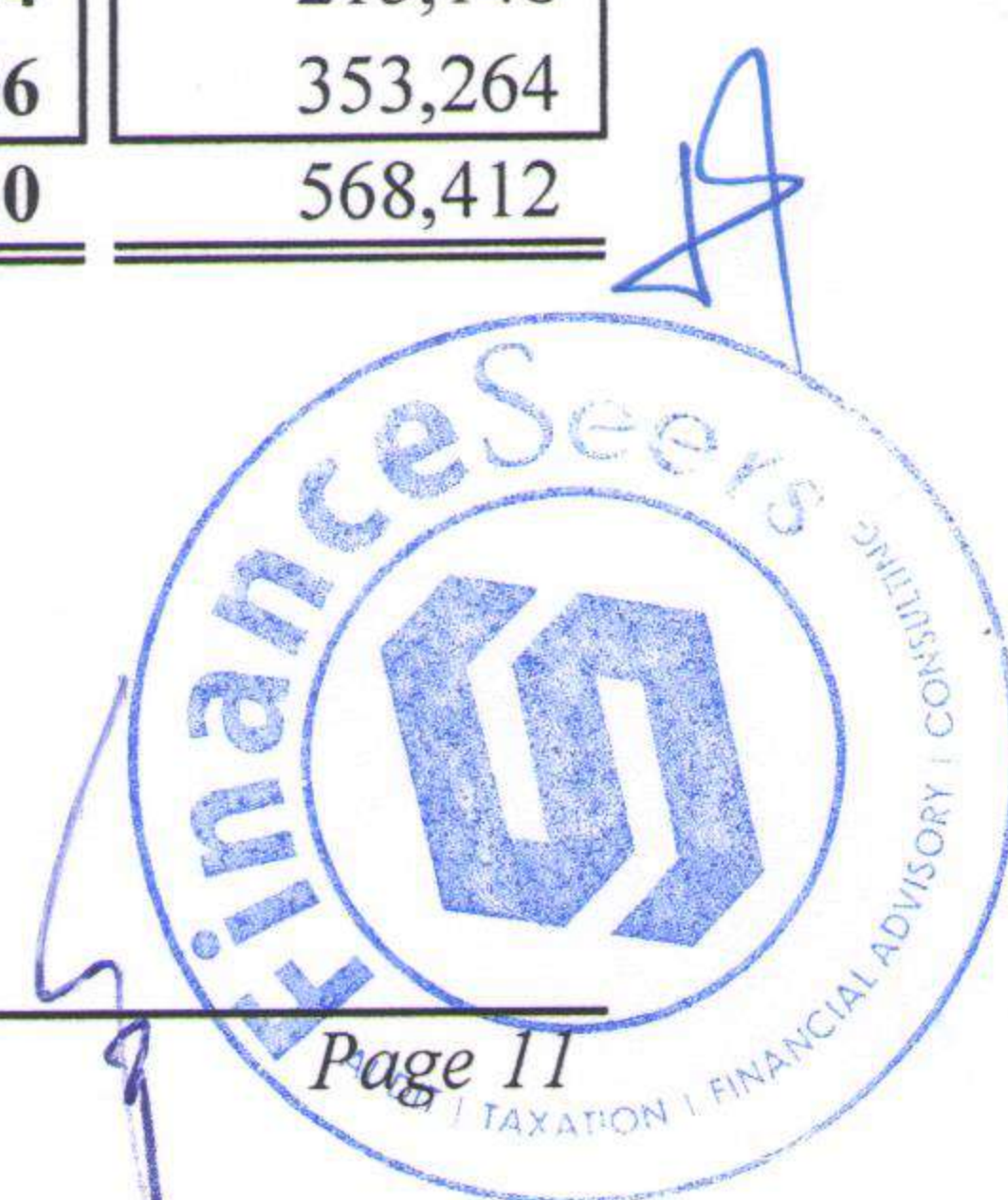
6.3 The exchange rate used for the conversion of Afghani to US Dollars is as follows. One USD = 67.39 Afghani. This is the average buying rate of Da Afghanistan Bank (DAB).



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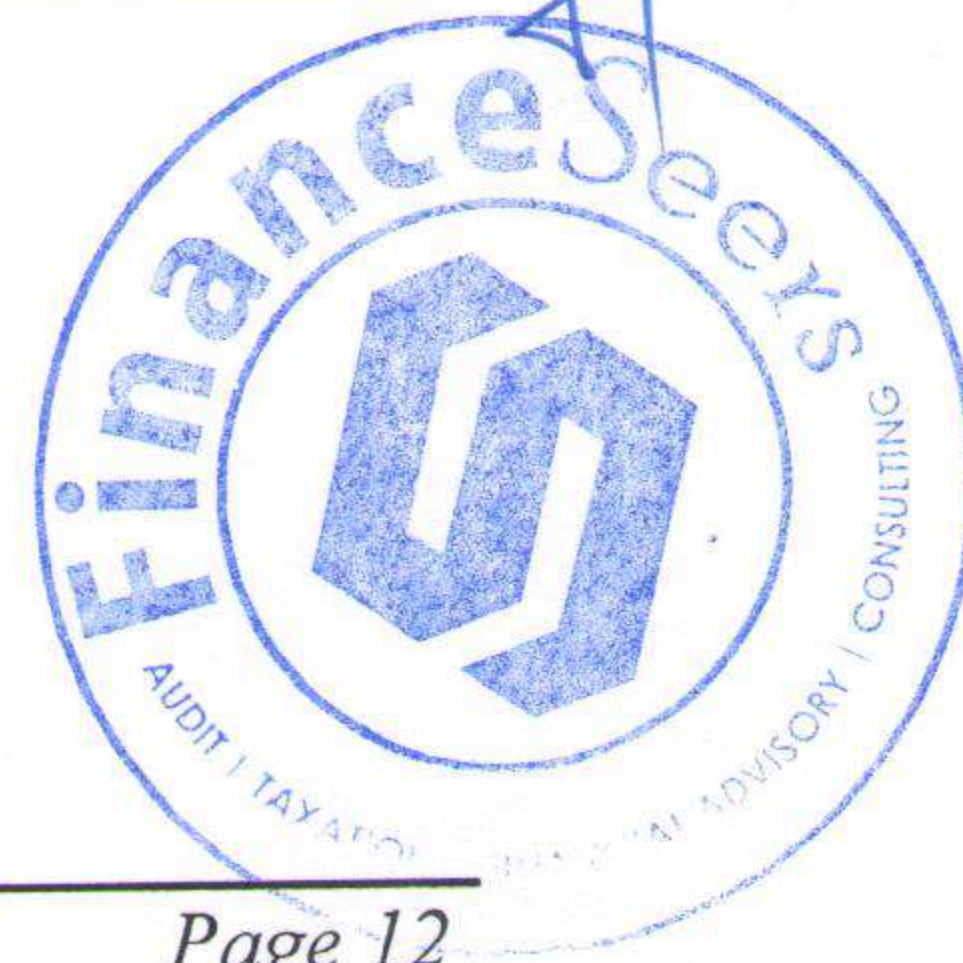
FUTURE GENERATION AFGHANISTAN (FGA)
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	December 31	
		2016	2015
----- USD -----			
7 SUSTAINABILITY FUND			
Opening Balance		246,033	233,835
Amount transferred to fund		524,387	12,198
Amount transferred from fund		(17,054)	-
Closing balance		<u>753,366</u>	<u>246,033</u>
8 GRANT RECEIVED IN ADVANCE			
<p>This represents the amount received from Ministry of Rural Rehabilitation and Development (MRRD) for National Solidarity Programme (NSP) to be implemented by Future Generation Afghanistan (AGA), the amount was received in May 2013 but partial work has been started in 2015.</p>			
9 TAX PAYABLE			
Salaries		705	573
Rent		13	57
Contractual Taxes		102	250
Other accrued liabilities		117	-
		<u>937</u>	<u>880</u>
10 GRANTS FROM DONOR			
Ministry of Rural Rehabilitation & Development		726,490	940,722
World Food Programme		-	11,459
UNDP		10,000	15,000
French Embassy		19,148	-
United States Institute of Peace		-	66,001
Future Generations (HQ) RBF Project		-	-
Other Income		25,838	12,108
		<u>781,476</u>	<u>1,045,289</u>
11 STAFF COST			
Regular Staff		198,204	215,148
Project Staff		193,006	353,264
		<u>391,210</u>	<u>568,412</u>



FUTURE GENERATION AFGHANISTAN (FGA)
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	December 31	
		2016	2015
		----- USD -----	
12 EQUIPMENT COST			
Computers		1,794	2,354
Electronic Appliances		-	26
Furnitures & Fixtures		887	973
Generator		252	246
Office Equipments		365	2,308
Other IT Equipments		-	582
		<u>3,298</u>	<u>6,490</u>
13 OPERATIONAL COST			
Office Supplies		4,716	10,995
Office Rent		31,119	45,728
Utilities		4,251	13,607
Printing Postage & Stationery		2,662	5,723
Partner expenses		19,148	-
Donations		12,030	-
Program materials and supplies		11,132	-
Travel & Transportation		8,571	18,595
Vehicles Operating Cost		16,857	67,588
Fuel for vehicle and generator		12,696	-
Repair & Maintenance		2,183	2,210
Depreciation		9,979	15,000
Consultancy Charges		3,500	-
Meals and perdiem domestic		833	-
Training & Capacity Building		2,092	12,154
Workshops meetings and conferences		2,797	-
Legal & Professional Charges		1,630	3,681
Audit Fee		1,050	1,420
Bank Charges		934	1,649
Communication Cost		13,285	18,381
Miscellaneous expenses		1,408	444
		<u>162,873</u>	<u>217,177</u>



FUTURE GENERATION AFGHANISTAN (FGA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

14 GENERAL

Figures have been rounded off to the nearest of USD

Comparative Figures have been rearranged and regrouped for better presentation and comparison

15 AUTHORIZATION

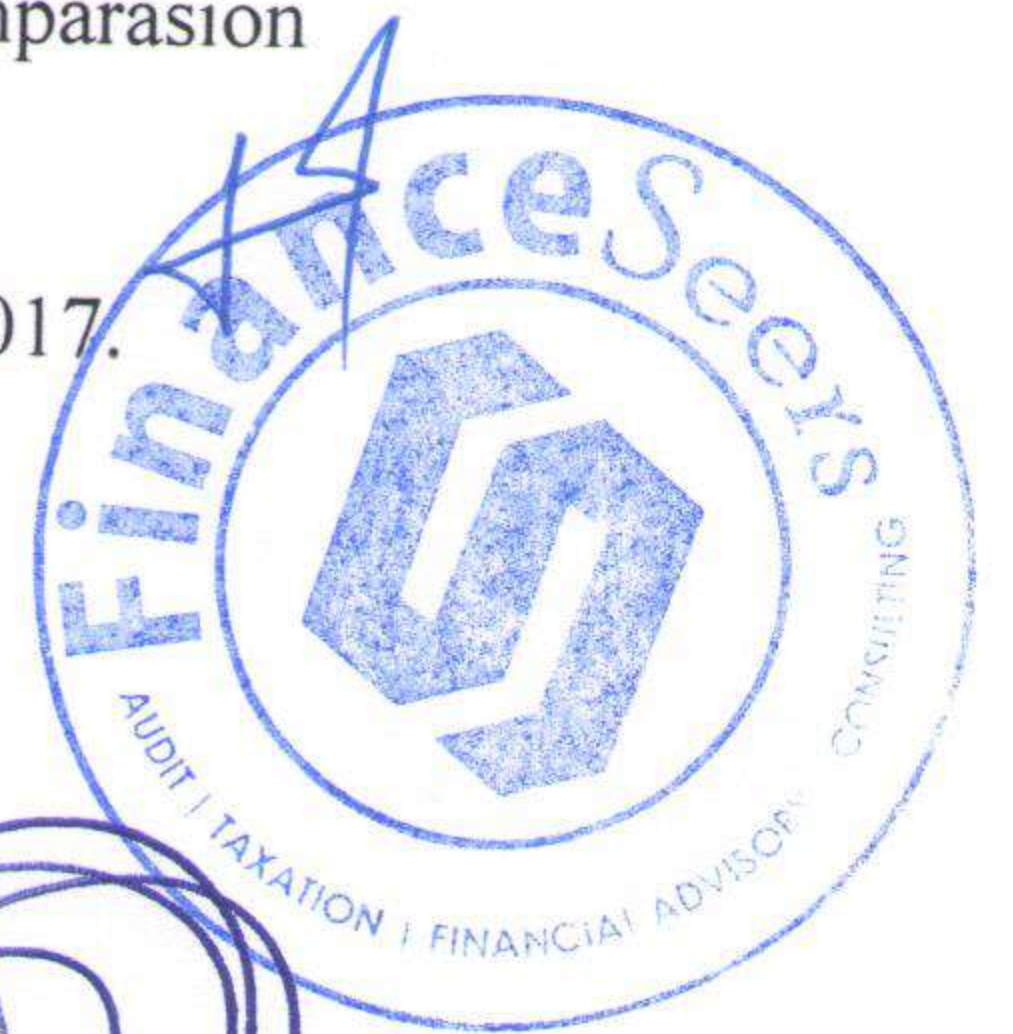
These financial statements have been authorized by the Country Director on March 10, 2017.



Finance Manager



Country Director



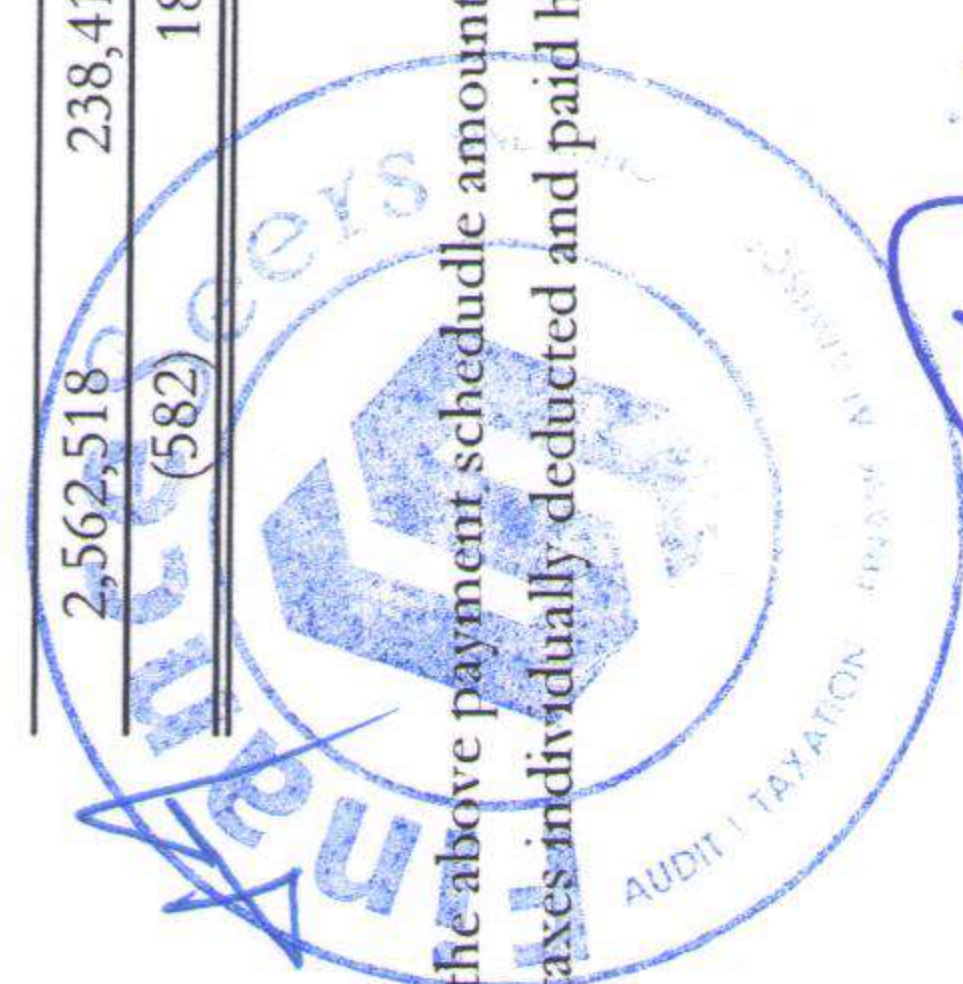
FUTURE GENERATIONS AFGHANISTAN
Tax calculation for the year ended December 31, 2016
Staff salaries tax calculation

ANNEX A

Particulars	Staff salaries Tax Calculation												
	TOTAL	January	February	March	April	May	June	July	August	September	October	November	December
Kabul Office	12,206,123	1,048,423	1,028,132	1,068,725	1,042,196	1,018,873	901,357	872,186	868,289	969,628	967,426	956,338	1,464,550
Tax deducted	1,753,092	142,453	138,639	146,269	142,902	141,434	125,735	124,081	123,356	135,881	134,208	132,024	266,111
	13,959,215	1,190,876	1,166,771	1,214,994	1,185,097	1,160,307	1,027,092	996,267	991,645	1,105,509	1,101,634	1,088,362	1,730,661
Nengarthar & Laghman Offices	4,355,596	486,093	459,583	495,664	493,091	492,807	453,308	273,794	248,736	237,586	203,585	195,572	315,779
Tax deducted	321,075	34,664	33,113	35,518	35,232	35,201	33,256	19,422	17,860	16,621	14,065	13,175	32,949
	4,676,671	520,756	492,696	531,182	528,323	528,008	486,564	293,215	266,595	254,207	217,650	208,747	348,728
Daikundi Office	4,645,901	540,871	530,385	551,366	548,569	486,508	488,096	413,021	411,157	332,136	181,493	162,298	-
Tax deducted	331,894	37,196	36,113	38,279	37,902	33,545	33,707	29,007	28,820	24,988	13,002	19,336	-
	4,977,795	578,067	566,498	589,645	586,471	520,053	521,803	442,028	439,977	357,124	194,495	181,634	-
Ghazni Office	2,557,874	416,627	408,683	424,572	169,993	202,615	214,334	215,533	214,572	167,075	59,215	32,195	32,460
Tax deducted	155,875	24,292	23,409	25,175	10,333	12,735	14,037	14,170	14,064	10,008	2,913	2,355	2,384
	2,713,749	440,919	432,092	449,747	180,326	215,350	228,371	229,703	228,636	177,083	62,128	34,550	34,844
GRANT TOTAL NET SALARIES	23,765,494	2,492,014	2,426,783	2,540,328	2,253,849	2,200,804	2,057,094	1,774,533	1,742,754	1,706,425	1,411,719	1,346,403	1,812,789
GRANT TOTAL TAX WITH HO	2,561,936	238,604	231,274	245,240	226,368	222,914	206,736	186,680	184,099	187,498	164,188	166,890	301,444
GRANT TOTAL GROSS SALARI	26,327,430	2,730,618	2,658,057	2,785,568	2,480,217	2,423,718	2,263,830	1,961,213	1,926,853	1,893,923	1,575,907	1,513,293	2,114,233
Amount Paid to DAB	2,562,518	238,418	231,344	245,245	226,369	222,902	206,734	186,682	184,098	188,208	164,184	166,888	301,446
Over/Under deposit	(582)	186	(70)	(5)	(1)	12	2	(2)	1	(710)	4	2	(2)

Note

The negative appearing in the above payment schedule amounting AFN 582/- shows last year tax payable which has been paid in the current year. Tax has been deducted as per income tax law and the breakup of all the taxes individually deducted and paid has been available in the finance department of AFG



Finance Manager

[Signature]
Country Director

Future Generation Afghanistan
 Audit for the year ended December 31, 2016
 Details of office rent and its taxes

Annexure B

FGA Offices	Payment	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Kabul Office	AFN- Office Rent	-	-	-	19,018	91,190	91,190	91,190	91,190	91,190	91,190	266,160	1,079,460
	AFN-tax deducted	-	-	-	1,902	9,119	9,119	9,119	9,119	9,119	9,119	26,616	107,946
Nangarhar Office	AFN- Office Rent	-	-	155,863	19,018	19,018	19,018	19,170	19,170	19,170	19,230	19,230	328,117
	AFN-tax deducted	-	-	15,586	1,902	1,902	1,902	1,917	1,917	1,917	1,923	1,923	32,811
Daikundi office	AFN- Office Rent	-	-	-	41,667	13,889	13,889	13,889	13,889	9,559	13,889	-	106,782
	AFN-tax deducted	-	-	-	4,167	1,389	1,389	1,389	1,389	956	1,389	-	10,678
Ghazni office	AFN- Office Rent	-	-	-	205,200	34,200	34,200	34,200	34,200	34,200	16,635	-	324,435
	AFN-tax deducted	-	-	-	20,520	3,420	3,420	3,420	3,420	3,420	1,664	-	32,444
Pay office Rent which is not taxable	AFN- Office Rent	10,000	10,000	10,000	10,000	10,000	-	-	-	-	-	-	50,000
	AFN-tax deducted	-	-	-	-	-	-	-	-	-	-	-	-
	AFN- Office Rent	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	-	50,000
	AFN-tax deducted	-	-	-	-	-	-	-	-	-	-	-	-
	AFN- Office Rent	-	-	10,000	10,000	10,000	10,000	10,000	8,000	-	-	-	58,000
	AFN-tax deducted	-	-	-	-	-	-	-	-	-	-	-	-
	AFN- Office Rent	49,200	-	-	-	-	-	-	-	-	-	-	-
	AFN-tax deducted	-	-	-	-	-	-	-	-	-	-	-	-
	AFN- Office Rent	6,759	6,759	6,759	6,759	6,759	-	-	-	-	-	-	49,200
	AFN-tax deducted	-	-	-	-	-	-	-	-	-	-	-	-
Total rent paid for the year 2016													2,079,789
Total tax withhold and deposit													183,879



Contractual tax withheld and paid during the year ended December 31, 2016

Supplier Name	Percentage	Amount Paid	With held	Paid to DAB	Balance
Matiullah Kazimi	7%	68,960	4,827.20	4,827	-
	7%	34,320	2,402.40	2,402	-
Soor Gul owner of rental vehicle in Ghazni	7%	41,000	2,870	2,870	-
	7%	41,000	2,870	2,870	-
	7%	41,000	2,870	2,870	-
Roozi Mohammad owner of rental vehicle in Ghazni	7%	41,000	2,870	2,870	-
	7%	41,000	2,870	2,870	-
	7%	41,000	2,870	2,870	-
Total		349,280	24,450	24,450	

Finance Manager

Country Director

