



AFGHANISTAN INSTITUTE FOR CIVIL SOCIETY (AICS)

Financial Statements and Auditors' Report

For the year ended December 31, 2020



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The Board

Afghanistan Institute for Civil Society (AICS)
Kabul, Afghanistan

March 02, 2021

Gentlemen

1 FINANCIAL STATEMENTS - FOR THE PERIOD 1ST JANUARY 2020 TO 31ST DECEMBER 2020

We are pleased to enclose the financial statements of Afghanistan Institute for Civil Society (AICS) ("the Organization"), for the period 1st January 2020 to 31st December 2020 prepared by the management, together with our draft audit report thereon. The financial statements have been initialled by us for the purpose of identification only. We shall be pleased to sign our report in the present form or with modifications after you have considered the matters raised in this letter and after:

- The enclosed financial statements, in present form or with modifications, have been approved and signed by the Executive Director, Country Director and Finance Manager;
- We have received the management representation letter duly signed by the Executive Director and Finance Manager; and
- We have completed our audit procedures for subsequent events up to the date of our audit report.

2 RESPONSIBILITIES OF THE AUDITORS AND THE MANAGEMENT IN RELATION TO THE FINANCIAL STATEMENTS

The responsibilities of the independent auditors in a usual examination of the financial statements are explained in International Standards on Auditing. While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for their preparation in accordance with the cash disbursement basis of accounting described in Note 2. of financial statements, is primarily that of the Organization's management. The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies and safeguarding of the assets of the Organization. The audit of the financial statements does not relieve the management of its responsibilities. Accordingly, our examination of the books of account and records should not be relied upon to disclose all the errors or irregularities, which are not material in relation to the financial statements.

Further the inclusion, publication, or reproduction by the Organization of our report in documents containing information in addition to the financial statements and our report thereon may require us to perform additional procedures to fulfill our professional responsibilities. For this management shall provide us that additional information for our review.

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3 SIGNIFICANT MATTERS FOR BOARDS' ATTENTION

We have also included in this letter our observations and comments if any on the Organization's financial statements, underlying accounting records, controls and related matters, which we believe require your attention.

We emphasize that as auditors, we are not required to report on the adequacy and effectiveness of the internal control system. Therefore, our issuing observations and comments are based on the matters that came to our notice during the course of our audit and are being submitted as part of our value added service provided to you with our insight into certain important aspects of accounting, internal controls and related matters.

3.1 Management letter

A management letter highlighting weaknesses if any in the internal control system which have come to our knowledge, together with our recommendations for improvements, will be forwarded to the management in due course.

We also take this opportunity to place on record our appreciation for the co-operation extended to us by the management of the Organization during the course of our audit.

Yours truly,

Anwar Javed & Co.

Chartered Accountants and Management Consultants

Encl.: as above



Independent auditors' report to the Board of Directors of Afghanistan Institute for Civil Society (AICS)

Opinion

We have audited the financial statements of Afghanistan Institute for Civil Society (AICS), which comprises the statement of financial position as at December 31, 2020, and the statement of income and expenditure, statement of changes in net assets and statement of cash flows for the year ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Organization's financial statements present true and fair view in all material respects, the financial position of the Organization as at December 31, 2020, and its financial performance and its cash flows for the year ended in accordance with the entity's accounting policy.

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 other 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 entity's accounting policy as disclosed in 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 scepticism 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, 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.



Anwar Javed & Co.
Chartered Accountants
Engagement Partner: Javed Anwar
Date: March 02, 2021
Place: **Kabul, Afghanistan**

AFGANISTAN INSTITUTE FOR CIVIL SOCIETY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

**AFGHANISTAN INSTITUTE FOR CIVIL SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31,2020**

	Note	2020 USD	2019 USD
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	-	12,838
		-	12,838
CURRENT ASSETS			
Cash and cash equivalents	5	132,073	82,138
Advances and prepayments	6	5,771	1,528
Receivable from donor	7	493,804	565,647
		631,648	649,314
TOTAL ASSETS		631,649	662,153
NET ASSETS AND LIABILITIES			
NET ASSETS			
Capital fund		483,815	598,181
		483,815	598,181
NON CURRENT LIABILITIES			
Deferred capital grant		-	12,838
CURRENT LIABILITIES			
Accrued and other liabilities	8	36,982	19,115
Deferred income	9	110,852	32,019
		147,834	51,134
TOTAL NET ASSETS AND LIABILITIES		631,649	662,153

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


FINANCE MANAGER


EXECUTIVE DIRECTOR



**AFGHANISTAN INSTITUTE FOR CIVIL SOCIETY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31,2020**

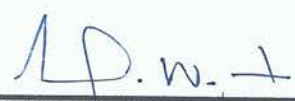
	Note	2020 USD	2019 USD
INCOME			
Grant income	10	342,787	906,264
Other income	11	20,139	44,464
		362,926	950,728
EXPENDITURE			
Personnel cost	12	225,936	421,117
Fringe benefits	13	31,179	57,117
Travel cost	14	14,498	53,576
Contractual cost	15	-	99,285
Program cost	16	27,095	171,758
Operation cost	17	68,606	106,439
Setup cost	18	12,838	13,395
Foreign exchange loss		650	3,549
Other expense	19	882	561
		381,684	926,797
Profit/(Loss)		(18,758)	23,931

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



FINANCE MANAGER



EXECUTIVE DIRECTOR



**AFGHANISTAN INSTITUTE FOR CIVIL SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31,2020**

	Sustainability Fund	Retained Surplus	Total Capital Fund
	-----USD-----		
Balance as January 01, 2018	-	15,330	15,330
Surplus for the year	-	2,159	2,159
Balance as at December 31, 2018	-	17,488	17,488
Balance as January 01, 2019	-	17,488	17,488
Surplus for the year	-	23,931	23,931
Receivable from AKF-USA	564,674	-	564,674
Prior period adjustment of payable to reserve	-	(7,912)	(7,912)
Balance as at December 31, 2019	564,674	33,507	598,181
Balance as January 01, 2020	564,674	33,507	598,181
Surplus for the year	-	(18,758)	(18,758)
Receivable from AKF-USA	-	-	-
Withdrawal from sustainability Fund	(95,606)	-	(95,606)
Balance as at December 31, 2020	469,068	14,749	483,815

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


FINANCE MANAGER


EXECUTIVE DIRECTOR



AFGHANISTAN INSTITUTE FOR CIVIL SOCIETY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31,2020

	Note	2020 USD	2019 USD
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		(18,758)	23,931
Adjustments for:			
Depreciation		12,838	12,838
Interest received from bank deposit		(77)	(196)
Amortization of deferred capital grant	4	(12,840)	(12,838)
Prior period adjustment of payable to reserve		-	(7,912)
		(18,837)	15,822
Operating profit before working capital changes			
(Increase)/Decrease in advances and prepayments		(4,242)	7,293
(Increase)/Decrease in receivable from donor		71,843	(565,647)
Increase/(Decrease) in accrued expenses		17,867	(83,276)
Increase/ (Decrease) in deferred income		78,833	(77,386)
		164,301	(719,016)
Net cash generated from operating activities			
		145,463	(703,193)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received from bank deposit		77	196
		77	196
Net cash from investing activities			
		77	196
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from sustainability fund		(95,606)	564,674
Net cash used in financing activities		(95,606)	564,674
Net increase in cash and cash equivalents			
		49,934	(138,323)
Cash and cash equivalents at beginning of the year			
		82,139	220,461
Cash and cash equivalents at the end of the year			
	5	132,073	82,138

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


FINANCE MANAGER


EXECUTIVE DIRECTOR



1 STATUS AND NATURE OF BUSINESS

With effect from April 14, 2019 the name of the organization has changed from " Afghanistan Organization for Civil Society" (AOCS) to " Afghanistan Institute for Civil Society (AICS)". AICS is an independent, non-for-profit, non-political public welfare organization. AICS aim to raise the credibility of the civil society sector by certifying local CSOs using locally defined and internationally recognized standards, systemize capacity building efforts by coordinating initiatives using measurable performance indicators, strengthen the role of civil society in Afghanistan's development through policy dialogue and active engagement with the government, donors and the broader development sector and to provide a channel for resources for civil society by strengthening philanthropic and corporate social responsibility efforts. AICS is Registered with Ministry of Economy as Non Governmental Organization under license number 3306 and has registered office at house# 58,street #12,Qela-e-Fateh Ullah District 10 Kabul, Afghanistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with Accounting policy as adopted by the organization in note 3.

2.2 Basis of measurement

These financial statements have been prepared under historical cost basis using accrual basis of accounting.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies applied for the period presented, unless otherwise stated.

3.1 Property, plant and equipment

Fixed assets are charged to donor as expense in the year of purchase except the fixed assets in kind. However, a memorandum record is being maintained for the management purpose.

3.2 Depreciation

Depreciation is recognized in profit or loss and calculated to write off the cost of the property, plant and equipment which include the assets in kind on a Straight line basis over the expected useful lives of the assets concerned. The estimated useful lives for the current and comparative periods are as follows: -

Office Equipment:	20%
Vehicle:	20%

Management review the depreciation methods, residual value and useful life of an asset at the year end and any change considered to be appropriate in accounting estimate is recorded through the statement of comprehensive income. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the operating result for the reporting period

3.3 Deferred capital grants

Grants utilized for capital expenditure are transferred to deferred capital grant and amortized as income over the useful life of the respective items of property, plant and equipment,

3.4 Taxation

No tax related provisions have been made in these financial statements because entity is exempted from income tax and is liable to withheld taxes from employees and vendors .

Income from donor grants is recognized when conditions on which they depend have been met. Substantially,



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3.5 Donor Grants

Income from donor grants is recognized when conditions on which they depend have been met. Substantially, AICS donor grants are for the funding of projects and programmes, and for these grants, income is recognized to equate to expenditure incurred on projects and programmes. For donor grants which involve funding for fixed assets or fixed assets in kind, grant income is recognized as the amount equivalent to depreciation expenses charged on the fixed assets concerned... For ongoing projects and programmes, any expenditure yet to be funded but for which funding has been agreed at the end of the reporting period is recognized as grant receivable. All donor grants received are initially recorded at fair value as liabilities as the deferred income

3.6 Recognition of expenses

Expenses are recognized as and when these are incurred. The expenses related to projects are charged to concerned projects. The depreciation is charged in total as operation expense.

3.7 Cash and cash equivalents

Cash and Cash equivalents include notes and coins in hand, unrestricted balances held with banks. which are subject to insignificant risk of changes in their fair value and are used by the management of its short term commitments at known amount in USD.

3.8 Functional and presentation currency

Theses financial statements are presented in US Dollar, transaction in functional currencies are recorded at the rate of exchange ruling at the transaction date, Gain and losses arising on are credited to or charged against

3.9 Foreign Currency Transactions

Monetary assets and liabilities denominated in foreign currencies are translated to US dollars using year-end exchange rate. Revenue and expenses are translated throughout the year at prevailing exchange rates on the date of transaction. Exchange gains losses are recorded in the statement of income and expenditures

3.10 Short Term Employment Benefits

Short-term employment benefits, such as wages salaries and other benefits, are recognized as expense when the employees have rendered services to the organization. the expected cost of accumulating compensated absences are recognized when the employees render services that increases their entitlement to future compensated absences. The expected cost of non-accumulating compensated absences, such as sick and medical leaves, are

3.11 Loans and Advances

These are stated at cost as reduced by appropriate provision for impairment. Known impaired loans and advances are written off, while loans and advances considered doubtful of recovery are fully provided for.

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**AFGHANISTAN INSTITUTE FOR CIVIL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31,2020**

4. PROPERTY, PLANT AND EQUIPEMENTS

	Office Equipment	Vehicles
COST		
Opening balance as at January 01, 2019	16,762	47,430
Addition of assets during the period	-	-
Closing balance as at December 31, 2019	<u>16,762</u>	<u>47,430</u>
Opening balance as at January 01, 2020	16,762	47,430
Addition of assets during the period	-	-
Closing balance as at December 31, 2020	<u>16,762</u>	<u>47,430</u>
ACCUMULATED DEPRECIATION		
Opening balance as at January 01, 2019	10,057	28,458
Charge for the year	3,352	9,486
Closing balance as at December 31, 2019	<u>13,410</u>	<u>37,944</u>
Opening balance as at January 01, 2020	13,410	37,944
Charge for the year	3,352	9,486
Closing balance as at December 31, 2020	<u>16,762</u>	<u>47,430</u>
Rates of depreciation per annum - %	<u>20%</u>	<u>20%</u>
Net book value as of December 31,2020	<u>-</u>	<u>-</u>
Net book value as of December 31,2019	<u>3,352</u>	<u>9,486</u>

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4.1 The depreciation expense has been allocated to operation expenses



**AFGHANISTAN INSTITUTE FOR CIVIL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31,2020**

	Note	2020 USD	2019 USD
5 CASH AND CASH EQUIVALENTS			
Cash in hand		-	-
Cash at bank	5.1	132,073	82,138
		<u>132,073</u>	<u>82,138</u>
5.1 Cash at Bank			
Current Account			
The First Micro Finance Bank-USD		7,678	32,650
The First Micro Finance Bank-AFN		30,248	1,661
The First Micro Finance Bank-AFN-GIZ		38	2,912
FMFB WHH (USAID / AAI) AFN A/C		67,133	-
FMFB GIZ/OPAF(FA-PDCSA) AFN A/C		6,038	-
		<u>111,135</u>	<u>37,223</u>
Saving Account			
The First Micro Finance Bank-USD		10,573	26,741
The First Micro Finance Bank-AFN		10,365	18,175
		<u>20,939</u>	<u>44,916</u>
6 ADVANCES AND PREPAYMENTS			
Prepaid expenses		350	350
Advances to staff		5,421	1,124
Other receivables		-	55
Advances for expenses		-	-
		<u>5,771</u>	<u>1,528</u>
7 RECEIVABLE FROM DONOR			
Sustainability fund receivable		469,068	564,674
Fund receivable from donor		24,318	973
Other Receivables		418	-
		<u>493,804</u>	<u>565,647</u>
8 ACCRUED AND OTHER LIABILITIES			
Accounts payable		10,245	45
Accrued expenses		26,670	19,070
Withholding tax payable-vendor		67	-
Rent tax payable		-	-
Salary tax payable		-	-
Payable to AKF cost share		-	-
		<u>36,982</u>	<u>19,115</u>
9 DEFERRED INCOME			
USAID-AKF ACEP		-	-
EU/Oxfam		-	10,745
Tides		-	18,131
Civicus		-	-
GIZ		6,055	3,068
AICS (SIF)		8,758	-
WHH (USAID / AAI) Project		68,469	-
BAAG Finland Embassy Sub FA		27,496	-
AKF-AFG		74	74
		<u>110,852</u>	<u>32,019</u>



AKF

	Note	2020 USD	2019 USD
10 GRANT INCOME			
AKF-AFG		25,000	66,326
USAID-AKF ACEP		-	482,235
AICS (SIF)-AKF		108,806	-
EU/Oxfam		10,745	130,735
Tides		3,000	199,947
Civicus		-	24,655
GIZ		7,683	2,366
BAAG- Cafod		6,973	-
BAAG- Fin.Embassy		42,504	-
WHH		138,075	-
		<u>342,787</u>	<u>906,264</u>
11 OTHER INCOME			
Certification fee		430	8,359
Interest received from bank		77	196
Discount received		-	247
Amortization of deferred grant	4	12,840	12,838
Retainee fee		-	2,576
Misc. income		-	20,247
Interest on fund investment		-	-
Service fee income		6,791	-
		<u>20,139</u>	<u>44,464</u>
12 PERSONNEL COST			
Salaries		225,936	421,117
		<u>225,936</u>	<u>421,117</u>
13 FRINGE BENEFITS			
Fringe benefits		31,179	57,117
		<u>31,179</u>	<u>57,117</u>
14 TRAVEL COST			
International exposure visit		-	12,131
International exp visit -certification		364	-
Travel cost		156	21,542
Local air travelling charges		3,424	6,283
Per diem cost		2,477	4,028
Internal exposure visit		-	-
Accommodation charges		4,132	6,049
Local taxi charges		3,264	3,543
Travel sustainability & insurance		550	-
Travel cost-Monitoring/Coord		130	-
		<u>14,498</u>	<u>53,576</u>
15 CONTRACTUAL COST			
Consultant assessment cost		-	76,995
Consultants annual review cost		-	7,000
Annual report charges		-	-
Database development charges		-	5,084
Accommodation cost		-	496
Consultant fee-policy development		-	-
Promotion charges		-	9,709
		<u>-</u>	<u>99,285</u>



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	Note	2020 USD	2019 USD
16 PROGRAM COST			
Certification event cost		-	6,706
Staff retreat charges		-	1,682
Certificate award ceremony cost		-	3,644
Workshop cost		24,856	100,930
Strategic plan expenses		-	10,791
Promotional & Communication charges		2,000	7,312
Thematic roundtable charges		-	-
Environment report conference		-	5,917
Staff capacity and training charges		-	12,591
Board cost		-	-
Research CSRA		-	10,199
Event cost		159	6,127
Certificates printing charges		73	1,842
Ncsw charges		-	1,582
Policy paper charges		7	2,434
		27,095	171,758
17 OPERATION COST			
Office other cost		7,818	9,216
Promotion and networking events charges		-	-
Office rent		10,630	17,967
Repair & maintenance charges		1,318	2,372
Utilities charges		3,975	4,308
Office stationery & supplies		4,606	7,049
Communication charges		7,577	11,881
Vehicle fuel and maintenance		3,008	5,666
Generator fuel and maintenance		6,408	6,676
Vehicle rental charges		5,257	18,886
Bank charges		882	5,329
Miscellaneous office expense		-	100
Computer & IT consumables		4,380	5,617
Office furniture/furnishing		3,000	70
Computer equipment's		32	1,581
Office equipment's		76	2,360
Software & license		1,149	863
Service charges		3,791	-
Audit cost		4,700	6,500
		68,606	106,439
18 SETUP COST OTHER			
Business registration fee		-	556
Depreciation	4	12,838	12,838
		12,838	13,395
19 OTHER EXPENES			
Fine and penalties		31	561
Bad Debts		851	-
		882	561
20 GENERAL			

- The figures have been rounded off nearest to US dollar.
- These financial statements were authorized to issue by the board of directors on dated 22/2/2021



AFGHANISTAN INSTITUTE FOR CIVIL SOCIETY
 CONSOLIDATED DONOR WISE FUND UTILIZATION STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 2020

ANNEXURE-A

	USAID- AKF-ACEP	AICS-SIF	EU/Oxfam	Tides	WHH	BAAG- Fin.Emb	BAAG- Cafod	GIZ- OPAF	GIZ	AKF- AFG	Total
As at January 01, 2020											
Opening Balance	(973)	-	10,745	18,131	-	-	-	-	3,068	74	31,046
Funds received during the year	11,170	110,827	-	-	206,544	70,000	6,973	13,738	-	25,000	444,253
Other income	-	-	-	-	-	-	-	-	-	-	-
Invoice sent to the donor during the year	-	110,827	-	-	206,544	70,000	6,973	13,738	-	25,000	433,083
Refund to the donor	-	-	-	15,131	-	-	-	-	3,068	-	18,200
Expenses incurred during the year	-	102,069	10,745	24,967	138,075	42,504	9,324	7,683	-	25,000	360,368
Other Payment											
Closing Balance -Deferred income- Payables/(Receivable)	10,197	8,758	-	(21,967)	68,469	27,496	(2,351)	6,055	-	74	96,731

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