



Charmaghz Cultural Services Organization

External Audit for the year 2021

**Auditors' Report, Audited Financial Statements
and Management Letter**

For the year ended December 31, 2021



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The Board

Charmaghz Cultural Services Organization (CCSO)
Kabul, Afghanistan

February 21, 2023

Gentlemen

1 FINANCIAL STATEMENTS - FOR THE PERIOD 1ST JANUARY 2021 TO 31ST December 2021

We are pleased to enclose the financial statements of Charmaghz Cultural Services Organization (CCSO) ("the Organization"), for the period 1st January 2021 to 31st December 2021 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 Deputy Director and Finance Officer.
- We have received the management representation letter duly signed by the Deputy Director and Finance Officer; and
- We have completed our audit procedures for subsequent events up to the date of our audit report.
- We have not received bank confirmations from Azizi Bank.

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 3. 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

Chartered Accountants and Management Consultants



our professional responsibilities. For this management shall provide us that additional information for our review.

3 SIGNIFICANT MATTERS FOR BOARDS' ATTENTION

We have also included in this letter our observations and comments 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 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. ASCU

Yours truly,

Anwar Javed and Co.

Anwar Javed & Co.

Chartered Accountants and Management Consultants



Encl.: as above

Independent auditors' report to the Board of Directors of Charmaghz Cultural Services Organization (The Organization)

Opinion

We have audited the financial statements of Charmaghz Cultural Services Organization (the Organization), which comprises the statement of financial position as at December 31, 2021, statement of income and expenditure, statement of cash flows and statement of changes in accumulated funds for the year then 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, 2021, 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.

AJCO

Anwar Javed and Co



Anwar Javed & Co.
Chartered Accountants
Engagement Partner: **Javed Anwar**
Date: May 14, 2023
Place: **Kabul, Afghanistan**

Charmaghz cultural services org: *kh. h. a*

Statement of Financial position

As at 31 December 2021

	<i>Note</i>	2021 USD	2020 USD <i>Re-States</i>
<u>Assets</u>			
Non Current assets			
Property, plant and equipment		-	-
Intangible asset		-	-
Current assets			
Cash & cash equivalent	5	11,218	18,188
Interproject Receivable	6	15,108	21,958
Receivables	7	4,308	4,308
		30,634	44,453
Total Assets		30,634	44,453
<u>Equity and Liabilities</u>			
Equity			
Accumulated Funds		1,270	21,695
Total Equity		1,270	21,695
Liabilities			
Interproject payables	8	16,722	21,957
Payables	9	12,641	800
Total Liabilities		29,363	22,757
Total Equity and Liabilities		30,634	44,453

The annexed notes 1 to 14 are an integral part of these financial statements.

Barakaly
Chief of Party

ATCO
Finance Officer

Charmaghz cultural services organization
Statement of income and expenditure
As on 31 December 2021

	<i>Note</i>	2021 <i>USD</i>	2020 <i>USD</i> <i>Re-Styled</i>
INCOME			
Grants received	10	49,598	82,406
Other income and Donations	11	498	1,000
		50,096	83,406
EXPENDITURE			
Program expenditure	12	73,737	80,041
Exchange (gain)/Loss	13	(3,216)	(1,404)
		70,521	78,637
Surplus / (deficit) for the year		(20,425)	4,769

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The annexed notes 1 to 14 are an integral part of these financial statements.

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 Chief of Party

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Finance Officer



Charmaghz cultural services organization

Statement of changes in accumulated funds

As on 31 December 2021

	Note	General funds	Total
		<i>Re-stated</i>	
Balance as January 01, 2019		18,578	18,578
Surplus/(Deficit) for the year		4,769	4,769
Prior period adjustment		(1,652)	(1,652)
Balance on 31 December 2020		21,695	21,695
Surplus/(Deficit) for the year		(20,425)	(20,425)
Prior period adjustment		-	-
Balance on 31 December 2021		(20,425)	1,270

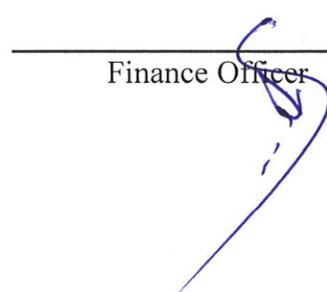
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The annexed notes 1 to 14 are an integral part of these financial statements.



Chief of Party





Finance Officer

Charmaghz cultural services organization

Statement of cash flow

As on 31 December 2021

	<i>Note</i>	2021 USD	2020 USD <i>Re-Stated</i>
Cash flows from operating activities			
Surplus / (deficit) for the year		(20,425)	4,769
Depreciation		-	-
Operating profit before working capital changes		<u>(20,425)</u>	<u>4,769</u>
Working capital changes			
Receivable		(1)	(4,308)
Payables		13,455	(14,417)
		<u>13,455</u>	<u>(18,725)</u>
Net cash generated from operating activities		<u><u>(6,970)</u></u>	<u><u>(13,956)</u></u>
Net cash used in investing activities			
Purchase of PPE		-	-
		<u>-</u>	<u>-</u>
Net cash from financing activities			
		-	-
		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		(6,970)	(13,956)
CASH AND CASH EQUIVALENTS AT THE BEGINNING		18,188	32,143
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>11,218</u></u>	<u><u>18,188</u></u>

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The annexed notes 1 to 14 are an integral part of these financial statements.



Chief of Party





Finance Officer

Charmaghz cultural services organization

Notes to the financial statements

As on 31 December 2021

1 Status and nature of operations

Charmaghz Culatural Services Organisation ("CCSO") is a non-governmental, non-political, not for profit and independent organization with a mission to strengthen national and subnational policy, advocacy and governance for strategic, equitable and sustainable health programming. The organization commenced its operations on 08 April 2018 under the license issued to it by Ministry of Economy NGO department.

The registered office of the organization is located in Kabul, Afghanistan.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the accounting policies and procedures adopted by the Charmaghz as described in note 3.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

These financial statements are presented in US Dollars (USD), while the organisations' functional currency are both Afghani (AFN) and USD (\$). Except as otherwise indicated, the amounts in the financial statements have been rounded to the nearest thousand USD

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. The foreign currency gain or loss arising on retranslation is recognized in income and expenditure account.

3.2 Financial assets and financial liabilities

3.2.1 Fixed Asset

The cost of fixed assets purchased during the year is written off against funds received from various donors in the same period. However the memorandum record has been maintained for control purposes.

3.2.2 Cash and cash equivalents

For the purpose of cash flow statements cash and cash equivalents comprise cash in hand and cash at bank. These are carried in the statement of financial position at cost or revalued amounts, as case prevails.

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Charmaghz cultural services organization

Notes to the financial statements

As on 31 December 2021

3.2.3 Inter project Receivables and Payables

The Charmaghz organisation has interproject receivables and payables of \$ 15,108 which is interproject and can be reconciled.

3.3 Grant income

Funds from donors are recognized up to the extent of expenditure incurred. Any excess or shortfall of funds is recognized as either payable or receivable from the donors.

3.7 Expenditure

Expenses are recognized as and when these are incurred.

3.8 Taxation

Charmaghz 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.

4 Change in Accounting Policy

Accounting policy for fixed assets has been changed from cost less accumulated depreciation to the cost of fixed assets purchased during the year is written off against funds received from various donors in the same period. However the memorandum record has been maintained for control purposes.

This change in policy has an effect on balance sheet, statement of income and expenditure and on the statment of changes in funds for the year ended December 31, 2020.

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Chief of Party



Finance Officer

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Charmaghz cultural services organization

Notes to the financial statements

As on 31 December 2021

	<i>Note</i>	<i>2021</i> <i>USD</i>	<i>2020</i> <i>USD</i> <i>Re-stated</i>
5 Cash & cash equivalent			
Cash at bank	5.1	10,237	17,600
Cash in Hand		980	588
		11,218	18,188
5.1 Cash at bank			
Azizi Bank AFN account (CCS)		260	2,057
Azizi Bank AFN account (Reserve Fund)		602	
Azizi Bank AFN account (CMBL)		783	2,519
Azizi Bank AFN account (CMGL)		1,478	3,797
Azizi Bank AFN account (COML)		255	1,248
Azizi Bank AFN account (CMPL & RNN)		-	4,584
Azizi Bank AFN account (CMYK)		4,870	3,395
Azizi Bank AFN account (USD A/C)		1,990	-
		10,237	17,600
6 Inter project Receivable			
CMPL&RNN		-	16,400
CMGL		5,540	2,000
CCS		5,057	-
CMOL		2,868	-
CMBL		1,643	-
Reserve Fund		-	-
CMYK		-	3,558
		15,108	21,958
7 Receivables			
Azizi Bank		183	183
OSA		4,125	4,125
		4,308	4,308
8 Interproject Payables			
CCS		-	2,556
CMBL		3,000	643
CMGL		3,000	7,500
CMYK		2,058	1,900
Reserve Fund		8,664	
CMOL		-	9,358
		16,722	21,957

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Charmaghz cultural services organization**Notes to the financial statements****As on 31 December 2021**

	<i>Note</i>	<i>2021</i> <i>USD</i>	<i>2020</i> <i>USD</i>
9 Payables			
Habib Yar		1,090	-
Siyam Barakati		1,818	-
Global Entourge Service		300	-
Audit fee		-	800
Tax Payable		10	-
Bus Rent Libility		5,899	-
Salaries Payable		2,361	-
GPS Fee Payables		80	-
Netlinks		1,010	-
Other payables		73	-
		12,641	800
10 Grants Income			
OSA		-	24,750
Afghanistan International Bank		10,856	14,070
Kardan		11,288	12,902
Netlinks		13,781	15,060
Global Giving Foundation		8,026	15,624
Shafi Sharifi		2,000	-
United Nations Joint		2,631	-
Action for Development		302	-
Ahmad Salar		515	-
Bright Point		200	-
		49,598	82,406
11 Other income and Donations			
Other Donation USD		498	1,000
		498	1,000

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Charmaghz cultural services organization

Notes to the financial statements

As on 31 December 2021

	Note	2021 USD	2020 USD
12 Program expenditures			
Salaries, Wages & Benefits		31,845	30,370
Overtime		-	109
Audit fee		-	800
Bank charges		1,489	1,489
Bonus & Topup cards		999	707
Bus related expenses		14,596	18,007
Consumables		-	41
Sustainability Cost		3,000	-
Events & Training		372	395
GPS Fee		160	-
Food expenses		2,355	1,882
Fuel expense		3,327	436
Taxes		1,299	1,293
Internet charges		1,200	1,525
Zarnaj - CCMBL		1,300	-
Office equipment		863	1,245
Furniture		-	2,232
Computer Equipment		-	2,330
Electrical Equipment		-	4,833
Software		-	950
office rent		4,440	4,800
Painting cost		-	613
Playing equipments		-	26
Repair & Maintenance		1,860	1,964
Stationary		1,053	1,588
Design Zaranj		880	-
Website Renewal		283	-
Transportation cost		1,636	1,220
Utilities		471	401
Other Expenses		307	783
Depreciation		-	-
		73,737	80,041

13 Exchange (Gain)/Loss

Exchange (Gain)/Loss	(3,216)	1,404
	(3,216)	1,404

14 These financial statements have been approved and authorized by the management on

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 Chief of Party

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 Finance Officer