INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

Opinion

We have audited the financial statements of **"Skills Training and Rehabilitation Society (STARS)"** (the Organization), which comprise the statement of financial position as at **December 31, 2023**, and the statement of income and expenditure, statement of cash flows and statement of changes in funds for the year then ended, 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 Organization as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with accounting policies mentioned in note 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies described in note 2 to the financial statements, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- 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 the management, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PKF F.R.A.N.T.S. KABUL Chartered Accountants

PKF F.R.A.N.T.S.
Chartered Accountants

Engagement Partner: Qamar Ali Mumtaz, FCA
Kabul, Afghanistan

Date: 18 DEC 2024

SKILLS TRAINING AND REHABILITATION SOCIETY (STARS)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	2023 USD	2022 USD
FIXED ASSETS			
Fixed assets (Cost less acc. Depreciation)	*5*	-	4,660
CURRENT ASSETS			
Receivable from donors	*6*	264,010	276,030
Other receivables		-	782
Cash and cash equivalents	*7*	59,255	216,977
		323,265	493,789
TOTAL ASSETS		**323,265**	**498,449**
CURRENT LIABILITIES			
Accrued expenses and other liabilities	*8*	180,213	306,517
Un-spent grant	*9*	6,043	61,812
TOTAL LIABILITIES		**186,256**	**368,329**
NET ASSETS		**137,009**	**130,120**
REPRESENTED BY			
Fund Balance	*10*	**137,009**	**130,120**

Auditor's report annexed.
The annexed notes from 1 to 17 form an integral part of these financial statements.

MANAGING DIRECTOR

FINANCE MANAGER

SKILLS TRAINING AND REHABILITATION SOCIETY (STARS)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	January 01, 2023 to December 31, 2023		2023	2022
INCOME		Restricted	Unrestricted	Total	Total
		USD	USD	USD	USD
Donor funds	*11*	1,193,215	-	1,193,215	1,245,975
Other income	*12*	-	7,408	7,408	77,594
Exchange gain / (loss)		-	23,784	23,784	29,842
Total income		**1,193,215**	**31,191**	**1,224,406**	**1,353,411**
EXPENDITURE					
Program expense	*13*	1,117,224	95,426	**1,212,650**	1,265,343
Administrative expense	*13*	75,991	-	**75,991**	50,373
Total expenditure		**1,193,215**	**95,426**	**1,288,641**	**1,315,716**
SURPLUS/(DEFICIT) FOR THE YEAR		**-**	**(64,235)**	**(64,235)**	**37,695**

The annexed notes from 1 to 17 form an integral part of these financial statements.

MANAGING DIRECTOR

FINANCE MANAGER

SKILLS TRAINING AND REHABILITATION SOCIETY (STARS)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 USD	2022 USD
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the year		(64,235)	37,695
Depreciation		4,660	4,660
Net cash before working capital changes		(59,575)	42,355
Working capital changes			
(Increase)/ decrease in:			
Receivable from donors		12,020	(96,323)
Other receivable		782	3,114
Increase/ (decrease) in:			
Accrued expenses and other liabilities		(126,304)	65,754
Un-spent grant		(55,769)	(59,915)
Net working capital changes		(169,271)	(87,370)
Net cash (used in)/ generated from operating activities		(228,846)	(45,015)
Receivable/Payable from/to Donors written off		(128,704)	-
Adjustment in opening balance		199,828	139,785
Net (decrease)/ increase in cash and cash equivalents during the year		(157,722)	94,770
Cash and cash equivalents at the beginning of the year		216,977	122,207
Cash and cash equivalents at the end of the year	7	**59,255**	**216,977**

The annexed notes from 1 to 17 form an integral part of these financial statements.

MANAGING DIRECTOR

FINANCE MANAGER

1. STATUS AND NATURE OF ACTIVITIES

Skills Training and Rehabilitation Society (STARS) (herein after referred to as the " Organization") is a non-governmental and non-profit organization, working for the rehabilitation of Afghanistan through implementation of various projects.

2. BASIS OF PREPARATION

2.1. Statement of compliance

These financial statements have been prepared in accordance with the Organization's accounting policies as described in note **3**.

2.2. Basis of measurement

These financial statements have been prepared under historical cost basis, except monetary assets and liabilities in currency other than reporting currency which are stated as per accounting policy of foreign currency transactions.

2.3. Functional and presentation currency

These financial statements are presented in US Dollars (USD), which is also the Organizations' functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Foreign currency transactions

Expenditure incurred in currencies other than reporting currency (USD) has been converted to US Dollar by applying quarterly average exchange rate. Monetary assets and liabilities denominated in currencies other than functional currency are re-measured at the exchange rate prevailing at the statement of financial position date. Exchange gain or loss, if any, arising from the remeasurement of monetary assets and liabilities are dealt within the statement of income and

Balances in other than USD have been converted at the following rates as on Dec 31, 2023 for reporting purposes.

1 USD = AFN 70.3 (2021: 1 USD = AFN 89.2400)

3.2. Fixed assets-operating

Property, plant and equipment (non expandable items) purchased during the year have been charged to the donors' funds. However, a memorandum record is being maintained for the management purposes. Vehicles donated to STARs will be depreciated at 20% using reducing balance method of depreciation.

3.3. Funds from donors

Funds from donors are recognized up to the extent of expenditure incurred. Excess funds are recognized as fund balance for running projects and as payable to donors for closed projects. Excess of expenditure over funds is recognized as receivable from donors.

3.4. Taxation

The organization is not liable to tax in accordance with the Income Tax Law 2005(amended in 2009).

3.5. Financial assets

Financial assets comprise receivable from donors and cash and cash equivalents. These are recognized initially at fair-value plus directly attributable transaction costs, if any, and subsequently measured at amortized cost using effective interest rate method, if applicable, less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the Organization will not be able to collect all amounts due according to the original terms of arrangement.

3.6. Financial liabilities

Financial liabilities include accrued expenses and other liabilities. All financial liabilities are recognized initially at fair value plus directly attributable transactions costs, if any, and subsequently measured at amortized cost using effective interest rate method, if applicable.

3.7. Employee benefits

Employee benefits consist of short-term employee benefit obligations only and are measured on an undiscounted basis and expensed as the related service is provided. These include salaries and other benefits.

3.8. Payables

Liabilities for payable are measured at cost which is the fair value of the consideration to be paid in future to discharge such liabilities.

3.9. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

3.10. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if the Organization has a legally enforceable right to offset the recognized amounts and the Organization intends to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

3.11. Provisions

Provisions are recognized when; the Organization have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.12. Expenses

Expenses are recognized as and when these are incurred.

3.13. Revenue recognition

Income received from Donors and other sources is recognized on cash basis.

	Note	2023 USD	2022 USD
5. FIXED ASSETS			
Assets ownership transferred to organization		-	4,660
		-	**4,660**
6. RECEIVABLES FROM DONORS			
World Bank		-	19,194
Save the Children International (SCI)		-	5,060
Norwegian Church Aid (NCA)		-	3,714
The Johanniter		-	1,266
Cordaid		-	7,393
FAO Wardak 1		111,051	111,051
FAO Wardak 2		-	8,420
FAO Khost		-	47,373
FAO 213		38,081	-
FAO 203		72,676	-
ACTED - Reach		-	49
WFP SS Food Wardak		-	45,002
AHF		*28,902*	2,529
WFP ESRP		-	60
UNICEF		-	18,111
UNESCO		13,300	6,582
CAID		-	225
		264,010	**276,030**
7. CASH AND CASH EQUIVALENTS			
Cash in hand	*7.1*	*3,273*	-
Cash at bank - Current account	*7.2*	*55,981*	216,977
		59,255	**216,977**
7.1 Cash in Hand			
US Dollars		*121*	-
Afghanis		*3,152*	-
		3,273	**-**
7.2 Cash at Bank			
Bank Alfalah-USD-(A/C-1810879)		*44,176*	3,817
Azizi Bank-AFN-(A/C No. 000101111914536)		-	60
Azizi Bank-USD-(A/C No. 000101202279073)		*4,059*	57,448
Islamic Bank of Afghanistan IBA		*7,746*	155,652
		55,981	**216,977**

	Note	2023 USD	2022 USD
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses	*8.1*	*180,213*	306,517
		180,213	**306,517**
8.1 Accrued expenses			
Audit fee payable		*1,000*	1,000
Salary payable		*114,566*	142,839
Tax payable		*1,480*	18,183
Office rent payable		-	1,850
Vehicle rent payable		*63,166*	42,810
Other payables		-	99,835
		180,213	**306,517**
9. UN-SPENT GRANT			
Cordaid		-	4,841
NRC		-	3,042
CFS		-	394
Central Asia Institute		-	3,365
UNICEF		*943*	1,670
ALLOHA		-	17,266
AHF		-	26,684
ACBAAR		*5,100*	4,550
		6,043	**61,812**
10. FUND BALANCE			
Opening fund balance		*130,123*	(47,360)
Surplus / (Deficit) for the year		*(64,235)*	37,695
Receivable from Donors written off		*(157,612)*	-
Payable to Donors written off		*28,908*	-
Adjustments in opening fund balance		*199,829*	139,788
Closing balance		***137,013***	**130,123**
11. DONOR FUNDS			
Funds received/receivable during the year			
FAO		*140,944*	173,646
UNICEF		-	234,207
ACBAAR		*550*	1,050
UNESCO		*120,052*	-
AHF		*759,216*	678,773
ACTED		-	731
World Food Program(WFP)		-	1,330
		1,020,762	**1,089,737**

	Note	2023 USD	2022 USD
Add:			
Opening balance of unspent grant		*61,812*	121,727
Closing balance of receivable from donors		*264,010*	276,030
Less:			
Closing balance of unspent grant		*(6,043)*	(61,812)
Opening balance of receivable		*(276,030)*	(179,707)
Receivable/Payables from/to written off		*128,704*	-
Net funds available for the year		***1,193,215***	**1,245,975**

12. OTHER INCOME

Admin Income		28	64,516
Vehicle income		7,380	14,933
		7,408	**79,449**

13. EXPENDITURE

Program expense	*12.1*	*1,117,224*	1,200,262
Administrative expense	*12.1*	*75,991*	45,712
		1,193,215	**1,245,974**

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

14.1 FINANCIAL ASSETS AND LIABILITIES

2023	Mark - up/ Interest bearing		Non mark - up/ Non interest bearing		Total
	Maturity		Maturity		
	Within one year	One year to five years	Within one year	One year to five years	
	USD		USD		USD
Financial assets					
Receivable from donors	-	-	264,010	-	264,010
Other receivables	-	-	-	-	-
Cash and cash equivalents	-	-	59,255	-	59,255
	-	**-**	**323,265**	**-**	**323,265**
Financial liabilities					
Accrued expenses and other liabilities	-	-	180,213	-	180,213
Un-spent grant	-	-	6,043	-	6,043
	-	**-**	**186,256**	**-**	**186,256**
Net financial assets	**-**	**-**	**137,009**	**-**	**137,009**

2022	Mark - up/ Interest bearing		Non mark - up/ Non interest bearing		Total
	Maturity		Maturity		
	Within one year	One year to five years	Within one year	One year to five years	
	USD		USD		USD
Financial assets					
Receivable from donors	-	-	276,030	-	276,030
Other receivables	-	-	782	-	782
Cash and cash equivalents	-	-	216,977	-	216,977
	-	**-**	**493,789**	**-**	**493,789**
Financial liabilities					
Accrued expenses and other liabilities	-	-	306,517	-	306,516
Un-spent grant	-	-	61,812	-	61,812
	-	**-**	**368,329**	**-**	**368,328**
Net financial assets	**-**	**-**	**125,460**	**-**	**125,460**

14.2 RISK MANAGEMENT

a. Liquidity risk

Liquidity risk reflects an enterprises inability in raising funds to meet its commitments. The organization commenced its activities many years ago and the Organizational commitments during the year have been met through grants received through different donors . The management believes that the Organization is not exposed to any liquidity risk.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Organization's financial assets mainly comprise of cash and bank balances and receivable from donor. Credit risk is limited because the counter parties are banks and donor agencies of good repute.

c. Foreign exchange risk

Foreign currency risk is the risk that the value of a financial assets and liabilities will fluctuate due to changes in foreign exchange rates. The Organization is not exposed to foreign currency risk as all commitments and obligations are in reporting currency USD.

14.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximates their fair values as reflected in the financial statements.

15 RELATED PARTY DISCLOSURE

A party is related to an entity if the party has an interest in an entity that gives it significant influence over the entity and would include members of the key management personnel of the entity.

Key management personnel

Key management personnel includes Managing Director of the Organization. The significant transactions with the key management personnel are as follows;

	2023	2022
	USD	USD
Annual salary - Managing Director	10,985	12,000

16. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on December ***16, 2024*** by the Managing Director and Finance Manager of the Organization.

17. GENERAL

Figures have been rounded off to the nearest USD.
Figures have been re-arranged and regrouped where necessary for comparison purpose.

MANAGING DIRECTOR **FINANCE MANAGER**

4. FIXED ASSETS (MEMORANDUM RECORD)

PARTICULARS	COST			
	Opening Balance	During the year		Closing Balance
	As at Jan 01, 2023	Addition	(Deletion)	As at Dec 31, 2023
	US DOLLARS			
Donor funded				
Vehicles	73,092	-	-	73,092
Computer and accessories	35,910		-	35,910
Furniture and fixtures	23,474	-	-	23,474
Office equipment	30,897		-	30,897
Total USD	**163,373**	**-**	**-**	**163,373**
Organization owned Vehical				
Cost	23,300	-	-	23,300
Accumulated Depreciation	(18,640)	(4,660)		(23,300)
Total USD	**4,660**	**(4,660)**	**-**	**-**

Note: Organization omitted to record depreciation in prior years. Please refer to note 4 for further explanation.

Statement of expenditure

Project and Donor Reference	Opening		Received during the year	Available for use	2023			Received from donor	Written Off	Return to Donor	Closing	
	Receivable	Payable			Program Direct Expense	Administrative Expense	Total Expenditure				(Receivable)	Payable
						USD						
SAVE THE CHILDREN INTERNATIONAL												
CBE-NGR-SCI/2013	(5,060)	-	-	(5,060)	-	-	-	-	5,060	-	-	-
	(5,060)	**-**	**-**	**(5,060)**	**-**	**-**	**-**	**-**	**5,060**	**-**	**-**	**-**
AHF												
GHZ - 22258	-	26,684	358,160	384,843	359,686	25,282	384,967	-	-	-	(124)	-
WDK - 94	(784)	-	401,056	400,272	391,568	37,482	429,050				(28,778)	-
WDK - 20855	(1,745)	-		(1,745)			-	-	1,745	-	-	-
	(2,529)	**26,684**	**759,216**	**783,370**	**751,254**	**62,764**	**814,018**	**-**	**1,745**	**-**	**(28,902)**	**-**
NORWEGIAN REFUGEE COUNCIL (NRC)												
CFS Project	-	3,042	-	3,042	-	-	-	-	(3,042)	-	-	-
	-	**3,042**	**-**	**3,042**	**-**	**-**	**-**	**-**	**(3,042)**	**-**	**-**	**-**
WORLD FOOD PROGRAM (WFP)												
SS-FOOD-WARDAK	(45,002)	-		(45,002)	-	-	-	-	45,002	-	0	-
ESRP	(60)	-	-	(60)		-	-	-	60	-	-	-
	(45,062)	**-**	**-**	**(45,062)**	**-**	**-**	**-**	**-**	**45,062**	**-**	**0**	**-**
JOHANNITOR												
The Johanniter	(1,266)	-	-	(1,266)	-	-	-	-	1,266	-	-	-
	(1,266)	**-**	**-**	**(1,266)**	**-**	**-**	**-**	**-**	**1,266**	**-**	**-**	**-**
WAR CHILD HOLLAND												
CFS-KBL/WCH-2013	-	394	-	394	-	-	-	-	(394)	-	-	-
	-	**394**	**-**	**394**	**-**	**-**	**-**	**-**	**(394)**	**-**	**-**	**-**
CORDAID												
KFS-KUNDUZ/Cordaid-2015	(7,393)	-	-	(7,393)	-	-	-	-	7,393	-	-	-
Daikundi Livestock Development Program	-	4,841	-	4,841	-	-	-	-	(4,841)	-	-	-
	(7,393)	**4,841**	**-**	**(2,552)**	**-**	**-**	**-**	**-**	**2,552**	**-**	**-**	**-**
UNICEF												
PKT/KHT	-	1,670	-	1,670	727	-	727		-		-	943
Wardak	(18,111)	-		(18,111)		-	-	-	18,111	-	0	-
	(18,111)	**1,670**	**-**	**(16,441)**	**727**	**-**	**727**	**-**	**18,111**	**-**	**0**	**943**
UNESCO												
UNESCO	(6,582)	-	120,052	113,469	126,769	-	126,769	-	-	-	(13,300)	
	(6,582)	**-**	**120,052**	**113,469**	**126,769**	**-**	**126,769**	**-**	**-**	**-**	**(13,300)**	**-**
FOOD & AGRICULTURE ORGANIZATION (FAO)												
FAO Khost	(47,373)	-	-	(47,373)	-	-	-	-	47,373	-	(0)	-
FAO Wardak 1	(111,051)	-	-	(111,051)	-	-	-	-	-	-	(111,051)	-
FAO Wardak 2	(8,420)	-	-	(8,420)	-	-	-	-	8,420	-	-	
FAO 213	-	-	97,891	97,891	122,746	13,227	135,973	-	-	-	(38,081)	
FAO 203	-	-	43,053	43,053	115,729	-	115,729	-	-	-	(72,676)	-
	(166,845)	**-**	**140,944**	**(25,900)**	**238,474**	**13,227**	**251,701**	**-**	**55,793**	**-**	**(221,809)**	**-**
ACTED												
Reach Khost & Wardak	(49)	-		(49)	-	-	-	-	49	-		-

Project and Donor Reference	Opening		Received during the year	Available for use	2023			Received from donor	Written Off	Return to Donor	Closing	
	Receivable	Payable			Program Direct Expense	Administrative Expense	Total Expenditure				(Receivable)	Payable
	(49)	-	-	(49)	-	-	-	-	49	-	-	-
ACBAAR												
Twinning Program	-	4,550	550	5,100	-	-	-	-	-	-	-	5,100
	-	4,550	550	5,100	-	-	-	-	-	-	-	5,100
NORWEGIAN CHURCH AID (NCA)												
PLTLR-Daikundi-NCA/2013	(3,714)	-	-	(3,714)	-	-	-	-	3,714	-	-	-
	(3,714)	-	-	(3,714)	-	-	-	-	3,714	-	-	-
WORLD BANK												
DT3	(19,194)	-	-	(19,194)	-	-	-	-	19,194	-	-	-
	(19,194)	-	-	(19,194)	-	-	-	-	19,194	-	-	-
CHRISTIAN AID INTERNATIONAL												
COVID-19 and PH	-	3,365		3,365	-	-		-	(3,365)	-	-	-
Women capacity building	(225)	-	-	(225)	-	-	-	-	225	-	-	-
	(225)	3,365	-	3,140	-	-	-	-	(3,140)	-	-	-
ALLOHA												
Alloha	-	17,266	-	17,266	-	-	-	-	(17,266)	-	-	-
	-	17,266	-	17,266	-	-	-	-	(17,266)	-	-	-
STARS												
Own fund	-	-	31,191	31,191	95,426	-	95,426	-	-	-	-	-
	-	-	31,191	31,191	95,426	-	95,426	-	-	-	-	-
Total	(276,030)	61,812	1,051,953	837,735	1,212,650	75,991	1,288,641	-	128,704	-	(264,010)	6,043