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DANISH COMMITTEE FOR AID TO AFGHAN REFUGEES
(DACAAR)
ANNUAL REPORT
2021

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INFORMATION ABOUT THE ORGANISATION

Organisation	Danish Committee for Aid to Afghan Refugees (DACAAR)	
	Larsbjørnsstræde 3	
	1454 Copenhagen K	
	CVR-no.:	29 90 24 88
	Established:	17 October 2006
Board	Registered Office:	Copenhagen
	Financial year:	1 January - 31 December
	Peder Thorning	
Director	Mads Bugge Madsen	
	Elin Petersen	
Audit in Denmark	John Morse	
	BDO Statsautoriseret revisionsaktieselskab	
	Havneholmen 29	
	1561 Copenhagen V	

STATEMENT BY MANAGEMENT

Today the management have discussed and approved the Management Annual Report of Danish Committee for Aid to Afghan Refugees (DACAAR) for the financial year 1 January - 31 December 2021.

The annual report has been prepared in accordance with the accounting policies applied as described on page 12 to the annual report.

It is our opinion that the financial statements give a true and fair view of DACAAR's financial position at 31 December 2021 and of the results of DACAAR's operations for the financial year 1 January - 31 December 2021.

Further, in our opinion, the management's review gives a fair review of the development in the Organisation's operations and financial matters and the results of the Organisation's operations and financial position.

Copenhagen, 7. december 2022

Director


John Morse
Director



Board


Peder Thorning
Chairman


Mads Bugge Madsen


Elin Petersen

INDEPENDENT AUDITOR'S REPORT

To the partners of Danish Committee for Aid to Afghan Refugees (DACAAR)

Opinion

We have audited the Management Financial Statements of Danish Committee for Aid to Afghan Refugees (DACAAR) for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, notes and a summary of significant accounting policies. The Management Financial Statements are prepared in accordance with the accounting policies described on page 12.

In our opinion, the Management Financial Statements give a true and fair view of the assets, liabilities and financial position of the Organisation at 31 December 2021 and of the results of the Organisation's operations for the financial year 1 January - 31 December 2021 in accordance with the accounting policies described on page 12.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities for the Management Financial Statements

Management is responsible for the preparation of Management Financial Statements that give a true and fair view in accordance with the accounting policies described on page 11 and for such Internal control as Management determines is necessary to enable the preparation of Management Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Management Financial Statements

Our objectives are to obtain reasonable assurance about whether the Management 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 and the additional requirements applicable in Denmark 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 Management Financial Statements.

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

- Identify and assess the risks of material misstatement of the Management 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 Organisation'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 in preparing the Management Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation'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 Management 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 Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Management Financial Statements, including the disclosures, and whether the Management Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Management Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Management Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Management Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Management Financial Statements. We did not identify any material misstatement of Management's Review.

Copenhagen, 7 December 2022

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70



Henrik Brünings
State Authorized Public Accountant

MANAGEMENT'S REVIEW, EXECUTIVE SUMMARY

2021 Brief Report by the Management

DACAAR is a non-political, non-governmental, non-profit humanitarian and development organization working to improve the lives of Afghan people since 1984. It addresses the acute needs of the most vulnerable and support early recovery and sustainable development for all Afghans by aligning its work to the specific needs and priorities of the Afghan communities. While maintaining our Danish roots, DACAAR is deeply embedded in the Afghan society. DACAAR is registered with the Afghan Ministry of Economy and benefited over 13 million Afghans through its unprecedented access to Afghan communities since its establishment.

In 2021 DACAAR achieved most of its planned targets. The overall expenditure of DACAAR in the year 2021 exceeded 79.8% of the secured annual budget. The total budget secured and allocated for the year was \$17,138,425. Of the total budget \$13.67 million was spent during the budget year. Despite the COVID-19, security challenges, overthrow of the Afghan republic in the hands of Islamic Emirate of Afghanistan and the ensuing international sanctions and resulting banking crisis in Afghanistan, DACAAR's emergency response in these provinces was aimed at life-saving in early stages of a crisis targeting internally displaced people and returning refugees, and communities affected by conflicts and natural disasters. Our early recovery and developmental intervention on the other hand are aimed at building resilience, enhancing capacity and improving livelihoods for protracted internally displaced people and returning refugees and their vulnerable host communities. We adopted a holistic and integrated approach with an emphasis on sustainability in term of real and positive changes of our beneficiaries' lives. Until the fall of the Afghanistan Republic on 15 August 2021, DACAAR has maintained a successful partnership and working relationship with the government at both national and field level.

All the Memorandums of Understanding signed with the line ministries were maintained active during the budget year this strong partnership and working relationship with the line ministries facilitated the smooth working attachment with the line offices at the province and district level. However, following the takeover of Afghanistan by the IEA, gaps in coordination started to appear due to the new leadership in the Afghan ministries.

Despite the challenges and restriction on signing of MOU at the ministerial level, most of the new projects raised during the year were registered with the Ministry of Economy and all the semiannual reports made on time. All legal taxes and dues to the government were paid to comply with the rule of the land. Good working relationship and cooperation was similarly maintained with the relevant humanitarian and development actors in the country too.

In the year 2021, DACAAR continued to fulfill its role as a co-leader of the WASH cluster and leader of the Water Technical Working Group. It was also an active member of water sector group, Hygiene and sanitation group in the year. DACAAR was also active in the humanitarian country team that coordinates humanitarian activities, maintained its membership with ACBAR and as well keeps its close coordination with INSO advisor group in Afghanistan to ensure coherence in achieving common objectives, avoiding duplication and ensuring areas of need are prioritized.

MANAGEMENT'S REVIEW, EXECUTIVE SUMMARY

Strong Donor Relation

The grant agreements with DANIDA and Royal Norwegian Ministry of Foreign Affairs, helped DACAAR to continue supporting the most vulnerable during the year. ECHO funded Emergency Response Mechanism (ERM) project was also extended to consolidate our long-term partnership and to help ECHO reach the increasing number of IDP's WASH needs in 2021 and beyond. During the year, we enjoyed the continuation of the important funding and partnerships with UNICEF, UNOCHA (AHF funding pool), DUTCH MFA, BHA (USAID), EU, UNODC and CCAP (include other donors). During the year, over 27% of our total budget was supported by European Commission Humanitarian organization- ECHO, DANIDA and Norwegian MFA contributing 21% and 10%. DACAAR reserve fund 11%, UNICEF 9%, UNOCHA 7.6%, and MFA Dutch 5% of DACAAR's 2021 expenditure respectively. The rest 9.4% of our annual budget was raised from various donors.

DACAAR maintained its annual budget and spending level below expected levels due to the political changes in the country that led to banking crisis and market distortions. In the year 2021, the annual budget allocated was USD 17.13 Million. The spending in the year 2021 showed a decline of 21% compared to the year 2021.

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1 JANUARY - 31 DECEMBER

	Note	2021 DKK	2020 DKK'000
Grants.....		82.516.476	112.994
Other income.....		400.021	280
TOTAL INCOME.....		82.916.497	113.274
Salaries, wages and benefits.....		-36.853.889	-45.372
Suppliers, services and others.....		-32.593.068	-46.735
Capital expenditures.....		-260.956	-3.070
Other costs.....		-7.986.802	-11.034
Project indirect expenses.....		-4.821.758	-6.784
Exchange gain.....		10.058.095	4.587
Expenses not allocable to projects.....		-9.420.295	-6.485
TOTAL EXPENDITURE.....		-81.878.673	-114.893
Overhead recovery from projects.....		4.848.985	8.004
Other expenses/income.....		0	0
RESULT FOR THE YEAR.....		5.886.809	6.385
DISTRIBUTION OF RESULTS			
Carried forward to next year.....		5.886.809	6.385
IN TOTAL.....		5.886.809	6.385

BALANCE SHEET AS OF 31 DECEMBER

ASSETS	Note	2021 DKK	2020 DKK'000
Cash and cash equivalents.....		71.756.070	39.005
Inventories.....		533.196	879
Advance and prepayments.....		250.138	73
Grants receivable.....		7.665.585	17.616
Short term investments		14.014.353	0
TOTAL ASSETS.....		94.219.342	57.573
EQUITY AND LIABILITIES			
Accumulated equity at 1 January.....		36.144.740	38.959
Profit for the year.....		5.886.809	6.385
Exchange rate adjustments for the year.....		-1.950.206	-2.746
TOTAL EQUITY.....	2	40.081.343	42.598
Severance pay fund.....		807.331	1.637
Deferred liabilities.....		807.331	1.637
Donor commitments.....		43.673.486	9.435
Other liabilities.....		9.657.182	3.903
Current liabilities.....		53.330.668	13.338
TOTAL LIABILITIES.....		54.137.999	14.975
TOTAL EQUITY AND LIABILITIES.....		94.219.342	57.573
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NOTES

Operating review

1

Danish Committee for Aid to Afghan Refugees (DACAAR) is an international non-government, non-profit organisation founded in 1984. DACAAR is registered with the Ministry of Economy, Government of Afghanistan. The operational headquarters of DACAAR are situated in Kabul and have six regional offices spread throughout Afghanistan for execution of program activities in the provinces and coordination and management of DACAAR's field offices at district level. DACAAR also maintains an office in Copenhagen, Denmark to act as a donor liaison office and to house the Secretariat to the DACAAR'S Governing Board.

Equity

2

Danish Committee for Aid to Afghan Refugees (DACAAR) has created an unrestricted reserve fund as at 31 December 2015 to sustain financial operations and support unbudgeted operating expenses. This fund balance has been created by proportionately distributing the surplus for year as per the Afghani books between Reserves and Unrestricted reserve fund by 65% and 35%, respectively. Unrestricted fund balances will not exceed a total of USD 600,000 or equivalent.

At 31 December 2021, the equity can be analysed as follows:

	2021 DKK	2020 DKK'000
Reserve.....	36.144.740	38.959
Unrestricted Reserve Fund.....	3.936.603	3.639
	40.081.343	42.598

Danida Payments 2018-2021 (ROI)

3

Current account with Ministry of Foreign Affairs

Received contribution.....	88.800.000	61.000
Accumulative transfers.....	-76.948.114	-60.337
	11.851.886	663

ACCOUNTING POLICIES

Basis preparation

These financial statements have been prepared for reporting to Governing Board of DACAAR, donors and Government of Afghanistan.

The financial statements have been prepared on accrual basis of accounting in accordance with the accounting policies as set out below. However, in relation to the accounting treatment of the acquisition of property and equipment. DACAAR's policy is to expense these immediately to the Statement of Income and Expenditure at the time of acquisition. Considering the Afghan state of affairs, indicative of total loss of control over the fixed assets at any time is deemed to be a more appropriate accounting treatment than the treatment normally afforded to such transactions in generally accepted accounting principles (GAAP), which would require these transactions to be recorded as assets subject to annual depreciation/consumption charges, when these assets are utilised or consumed.

Fixed assets

Cost of fixed assets purchased is charged to expense in the year of purchase.

Inventory

Inventory includes construction material, computer accessories, stationery and other consumables. Inventory items are stated at the lower of cost and net realisable value. Inventory issued to project sites is treated as consumed, when issued, and is charged to the related project expenditure.

Foreign currency translation

Transactions in currencies other than AFS are recorded at previous month's average exchange rate. Monetary assets and liabilities are translated at the closing exchange rate prevailing at the statement of financial position date. Exchange differences are taken to the Statement of Income and Expenditure.

Exchange rate differences in connection with translation from AFS to DKK at year end are taken to equity.

Severance pay fund

Severance pay fund is maintained for the benefit of those employees of DACAAR who are on permanent contract. Employees, who have been employed for more than one year, are entitled to severance payment equivalent to one month's gross salary for each year of employment. Provision in respect of employees who leave before one year is reversed and treated as income.

Grant revenue

Income is recognised to the extent of actual expenditure incurred on projects against the grant receipts.

Other revenue

Revenue from sale of goods and services is recognised, when such goods are delivered and services rendered.

Taxation

DACAAR's revenue is exempt from income tax, as per exemption obtained from relevant authorities under Article 10 of the Afghanistan Income Tax Law 2009.