

HUMAN RIGHTS EDUCATION AND MONITORING CENTER (EMC)

INDEPENDENT AUDITOR'S REPORT

2018

**Human Rights Education and Monitoring Center
(EMC)**

The Financial Statements
for the Year Ended 31 December, 2018
and
Independent Auditors' Report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The management of the Human Rights Education and Monitoring Center (referred to as "the Organization") is responsible for the preparation of the financial statements.

This responsibility includes:

- preparation of financial statements in accordance with Financial Standard for Non-entrepreneurial (non-profit) Legal Entities approved under the order (June 26, 2018) of the head of the Service for Accounting, Reporting and Auditing Supervision Subdivision of the Ministry of Finance of Georgia;
- selection of suitable accounting policies and their consistent application,
- making judgments and estimates which are reasonable and prudent,

Management is also responsible for:

- creation, implementation and maintaining effective internal control system;
- keeping proper accounting records in compliance with local regulations;
- taking such steps as are reasonably open to them to safeguard the assets of the Organization, and
- prevention and detection of fraud and other irregularities.

The present financial statement for the year ended December 31, 2018 is approved by the management and signed on its behalf:

Tamta Mikeladze

Director

Human Rights Education and Monitoring Center

Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

INDEPENDENT AUDITORS' REPORT

Human Rights Education and Monitoring Center
I. Abashidze St. #12 a
Tbilisi, Georgia

Opinion

We have audited the financial statements of Human Rights Education and Monitoring Center (the Organization), which comprise the statement of financial position, as at December 31, 2018, and the statements of activities, functional expenses and cash flows 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, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Financial Standard for non-entrepreneurial (non-profit) legal entities approved under the order (June 26, 2018) of the head of the Service for Accounting, Reporting and Auditing Supervision Subdivision of the Ministry of Finance of Georgia.

Basis for our 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 Georgia, 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 Financial Standard for non-entrepreneurial (non-profit) legal entities approved under the order (June 26, 2018) of the head of the Service for Accounting, Reporting and Auditing Supervision Subdivision of the Ministry of Finance of Georgia, 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.

Auditors' 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 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.

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

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 statement, including the disclosures, and whether the financial statement represents 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.

Mikheil Abaiadze / Certified Auditor / Partner

Audit firm registration number: SARAS-F-320544

Auditor's registration number: SARAS-A-865011

November 5, 2019
Tbilisi, Georgia



STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31-Dec-2018	31-Dec-2017
Current assets			
Cash and bank	3	1,029,624	257,054
Grants receivable	4	2,117,599	475,279
Other assets	5	168,927	1,556
Inventory		5,870	4,768
Total current assets		3,322,020	738,657
Fixed assets	6	31,019	16,673
Intangible assets		13,144	13,144
Total non current assets		44,163	29,817
TOTAL ASSETS		3,366,183	768,474
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		8,189	8,353
Payable to donor		40,103	47,352
Deferred grant income	7; 8	3,266,741	669,097
Total current liabilities		3,315,033	724,801
Unrestricted net assets		10,000	2,100
Temporarily Restricted Net assets		41,150	41,572
Net assets		51,150	43,672
TOTAL LIABILITIES AND NET ASSETS		3,366,183	768,474


The financial statements including the notes were approved and signed on November 5, 2019 by:



Tamta Mikoladze

Director

Human Rights Education and Monitoring Center



Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

STATEMENT OF ACTIVITIES

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Year 2018	Year 2017
Changes in net assets:				
Revenues				
EWMI-G1426	-	176,120	176,120	50,333
RFSU-4401-040301-1801	-	174,961	174,961	193,787
OSF-OR2016-29336	-	108,780	108,780	125,779
EU- ENI/2018/395-919	-	108,780	108,780	-
EPD/SUB-EMC/2018-01	-	103,345	103,345	-
OSGF-HR/02/18- 20771	-	84,647	84,647	-
OSF- OR2015-24387	-	74,177	74,177	174,265
OSGF-HR/06/17- 20602	-	68,701	68,701	38,601
BOELL-12421003	-	40,395	40,395	-
OSGF-EINT/09/17-20645	-	36,694	36,694	5,207
EWMI-G1402	-	36,091	36,091	41,503
OSF- OR2018-45437	-	32,771	32,771	-
OSGF-MED/13/18-20839	-	31,196	31,196	-
DUTCH-AVT16/BZ/120646B	-	30,724	30,724	-
OSGF-LDD/17/17- 20558	-	30,129	30,129	26,330
OSF- OR2018-41038	-	23,598	23,598	-
TI Sub-Grants	-	6,555	6,555	31,933
OSGF-NINT/07/18-20827	-	3,421	3,421	-
PHR Sub-Grants	-	212	212	-
EWMI-Prolog-G1247	-	-	-	94,631
HBS BMZ	-	-	-	69,234
HBFBM-Z-12282044	-	-	-	56,863
Income from donations	10,000	-	10,000	2,100
Other income UNFPA-29-06-2017	-	-	-	3,611
Total Revenue	10,000	1,171,299	1,181,299	914,175
Expenses				
Administrative Expenses	-	(1,193,768)	(1,193,768)	(931,794)
Net result from foreign exchange difference	-	19,947	19,947	(11,836)
Total Expenses	-	(1,173,821)	(1,173,821)	(943,631)
(Increase) / Decrease in net assets	10,000	(2,522)	7,478	(29,455)
Net assets at the beginning of the year	2,100	41,572	43,672	73,127
Net assets at the end of the year	12,100	39,050	51,150	43,672
Temporarily Restricted Net assets	-	39,050	39,050	41,572
Unrestricted Net assets	12,100	-	12,100	2,100
Total Net Assets	12,100	39,050	51,150	43,672


The financial statements including the notes were approved and signed on November 5, 2019 by:



Tamta Mikelaдзе

Director

Human Rights Education and Monitoring Center



Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

STATEMENT OF CHANGES IN NET ASSETS

	Unrestricted net assets	Temporarily restricted net assets	Total net assets
Balance as at 31-Dec-2016	7,581	65,545	73,127
Grants	-	912,075	912,075
Donations	2,100	-	2,100
Financing of expenses	-	(943,630)	(943,630)
Balance as at 31-Dec-2017	9,681	33,990	43,672
Grants	-	1,171,297	1,171,297
Donations	10,000	-	10,000
Financing of expenses	-	(1,173,819)	(1,173,819)
Balance as at 31-Dec-2018	19,681	31,468	51,150

The financial statements including the notes were approved and signed on November 5, 2019 by:



Tamta Nikeladze

Director

Human Rights Education and Monitoring Center



Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

Human Rights Education and Monitoring Center (EMC)
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF FUNCTIONAL EXPENSES


Description	Own funds	OSF-OR2015-24387	RFSU-4401-U403U1-1801	OSF-OR2016-29336	TI Sub-Grants	OSGF-HR/06/17-20602	OSGF-LDD/17/17-20558	EWMI-G1426	OSGF-EINT/09/17-20645	EWMI-G1402	PHR Sub Grants	OSGF-MED/13/19-20839	OSGF-NINT/07/18-20827	OSGF-HR/02/19-20771	OSF-OR2018-41038	OSF-OR2018-45437	BOELL-12421003	EU-ENI/2018/395-919	EPD/SUB-EMC/2018-01	DUTCH-AVT16/B Z/120646B	Total Expenses 2018	Total Expenses 2019
Payroll	10,606	21,049	103,340	44,078	6,549	20,935	11,374	99,585	10,149	16,706	-	15,034	1,811	46,792	11,892	31,582	21,290	70,885	44,773	29,426	617,856	5
Services Rendered and Goods Purchased	14	17,624	26,306	17,335	-	24,333	3,204	18,868	15,146	3,908	-	1,000	1,604	18,278	11,037	-	3,404	5,510	42,849	53	210,473	1
Conference & Training	-	5,202	8,858	3,092	-	3,910	-	13,881	2,342	2,600	-	11,053	-	1,658	-	-	-	8,421	450	193	61,660	1
Office Rent	-	7,926	10,953	8,462	-	4,737	-	12,852	-	3,587	-	-	-	4,167	-	-	6,618	6,768	-	-	66,070	-
Translation	110	5,674	7,173	11,125	-	5,459	5,657	8,117	2,598	3,620	-	2,080	-	4,098	-	-	2,176	6,379	5,208	-	69,474	-
Publication expenses	-	-	-	6,212	-	800	4,100	-	4,200	3,250	-	-	-	2,941	-	-	-	3,990	-	-	25,493	-
Transportation	1,465	1,980	3,570	3,270	-	628	645	6,705	631	228	-	1,425	-	1,266	262	150	2,700	1,805	4,000	180	30,910	-
Hotel and Business Trips	-	280	349	6,651	-	-	1,517	3,136	-	-	210	290	-	2,392	-	-	826	1,869	-	40	17,560	-
Communication and utility	150	5,329	9,215	646	-	2,947	1,428	3,252	143	1,351	-	-	-	1,739	140	755	2,425	730	4,091	177	34,518	-
Depreciation	9,137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,137	-
Stationary	-	3,259	810	-	-	200	-	2,536	1,140	156	-	-	-	-	-	-	-	1,155	412	62	9,730	-
Office Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Fees	339	326	344	315	6	48	30	191	45	23	2	14	6	424	17	18	227	285	358	25	3,043	-
Other Expenses	647	5,529	4,043	7,594	-	4,704	2,173	6,997	300	662	-	300	-	892	250	266	730	983	1,204	570	37,845	-
Total expenses	22,468	74,178	174,961	108,780	6,555	68,701	30,128	176,120	36,694	36,091	212	31,196	3,421	84,648	23,598	32,771	40,396	108,780	103,345	30,725	1,193,768	9

The financial statements including the notes were approved and signed on November 5, 2019 by:


Tamta Mikeladze

Director

Human Rights Education and Monitoring Center


Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

STATEMENT OF CASH FLOWS

	Year 2018	Year 2017
Cash flows from operating activities		
Cash received from grants	2,203,699	945,288
Cash received from donations	10,000	2,100
Advances to sub-contractors	(168,266)	-
Cash paid for salaries of employees	(502,370)	(415,805)
Cash paid for honorarium	(272,004)	(100,391)
Taxes paid	(182,848)	(152,998)
Cash paid for services rendered and goods purchased	(62,938)	(46,191)
Cash paid for Presentation, conferences and trainings	(52,856)	(48,638)
Cash paid for office expenses	(46,134)	(31,651)
Cash paid for rent expenses	(29,838)	(14,590)
Cash paid for books and publication	(26,179)	(21,794)
Cash paid for business trips	(16,731)	(14,455)
Cash paid for transportation	(2,381)	(25,834)
Bank expenses	(3,457)	(1,986)
Other expenses	(38,805)	(40,967)
Net cash provided by operating activities	808,892	32,088
Cash flows from investing activities		
Acquisition of property, plant and equipment	(18,238)	(2,815)
Net cash used in investing activities	(18,238)	(2,815)
Net increase in cash and cash equivalents	790,654	29,273
Gain/Loss from exchange rate changes	(18,084)	(1,301)
Cash and cash equivalents at the beginning of the year	257,054	229,082
Cash and cash equivalents at the end of the year	1,029,624	257,054

The financial statements including the notes were approved and signed on November 5, 2019 by:



Tamta Mikeladze

Director

Human Rights Education and Monitoring Center



Medea Zhghenti

Financial Manager

Human Rights Education and Monitoring Center

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BACKGROUND

Human Rights Education and Monitoring Center (EMC) Non-entrepreneurial (non-commercial) legal entity (I/C 404432565) is a membership-based organization, which unites human rights and civil activists with different professional backgrounds. It represents an open platform of civic and human rights activists; everyone who shares the declared values of EMC has a possibility to use this sort of resource.

Since its establishment on 28 November 2012, EMC works in human rights field *inter alia* on the protection of rights of socially vulnerable, marginalized and discriminated groups, systemic reform of the law enforcement bodies, the institutionalized violence and social oppression. The key beneficiaries of the organization are socially vulnerable homeless persons, employees working in poor conditions, persons with disabilities, LGBT and religious groups. In its activities, EMC uses research, monitoring, advocacy and raising awareness.

EMC work encompasses four main directions implemented by:

- Critical Policy and Solidarity Platform;
- Equality Policy Program;
- Justice and Democracy Program;
- Social Policy Program.

EMC has a horizontal structure managed by three program directors jointly, with direct and active involvement of the staff members. Essential issues of the organization are decided by EMC team by consensus.

In addition, one of the prioritized directions of EMC's activity is the support of young civic activists' platform, which aims to create alternative thinking space and to support the organized civic activists and students' groups.

Nowadays, EMC brings together 24 people with backgrounds in law, sociology, journalism and gender, as well as several contributors of various professions. Their joint work is addressed to the achievement of EMC's declared goals.

On August 01, 2017 the grant Agreement was signed between "USAID PROLoG" and EMC for implementation the project "Improving Human Rights Conditions for Marginalized Groups through Strategic litigation", with the total grant amount of 115,344 USD. The period of the grant is from August 01, 2017 to February 28, 2019. **(EWMI-G1426)**.

On January 1, 2018 RFSU awarded EMC the grant for the project "Strengthening the human rights situation of LGBT persons, advocacy on SRHR issues and support to queer activism". The period of the project's is from January 01, 2018 to December 31, 2022. The total amount of the grant is 3,500,000 SEK. **(RFSU-4401-040301-1801)**.

On November 24, 2016, the grant agreement was signed between the "Foundation to Promote Open Society" and EMC for the implementation of the project "Advocate for Relevant Changes in State Policy Toward the Social and political Integration of Muslims and the Prevention of Radicalization in Georgia". The period of the grant is from January 01, 2017 to June 30, 2018. Total amount of the grant is 97,978 USD. **(OSF-OR2016-29336)**.

On April 30, 2018 the "European Union (EU)" and EMC signed the grant contract for the project "Facilitating Implementation of Reforms in the Judiciary (FAIR)". The period of the grant is from May 01, 2018 to May 01, 2020. The amount of the project represents 267,780.82 EUR. **(EU- ENI/2018/395-919)**.

On January 30, 2018 "European Partnership for Democracy ASBL" and EMC signed the grant contract for the project "Strengthening Mediation Mechanism - INSPIRED + Georgia". The period of the grant is from February 01, 2018 to March 31, 2019. The amount of the project represents 55,000 EUR. **(EPD/SUB-EMC/2018-01)**.

On April 2 2018 "Open Society - Georgia Foundation" and EMC signed the grant contract for the project "Advocating for Systemic Reforms of the Law Enforcement Agencies". The period of the grant is from April 2, 2018 to April 2, 2019. The total amount of the grant is 47,509 USD. **(OSGF-HR/02/18- 20771)**.

On September 3 2016, the grant agreement was signed between the "Open Society Institute" and EMC for the implementation of the project "Open Society Institute". The period of the grant is from February 01, 2016 to February 28, 2018. Total amount of the grant is 160,000 USD. **(OSF- OR2015-24387)**.

On June 15, 2017 the grant Agreement was signed between " Open Society - Georgia Foundation " and EMC for implementation the project, Monitoring Human Rights Action Plan for 2016-2017 with Respect to Women, Children, and People with Disabilities", with the total grant amount of 48,401.25 USD. The period of the grant is from June 15, 2017 to August 15, 2018. **(OSGF-HR/06/17-20602)**.

NOTE 1: BACKGROUND (Continued)

On February 15, 2018 the grant agreement was signed between the "Heinrich-Böll-Stiftung e. V. South Caucasus Regional Office" and EMC for the implementation of the project "Mining Industries and related social-ecological aspects". Duration of the project is from February 15, 2018 to December 25, 2018. The total amount of the grant is 41,660 GEL (13,900 EUR). **(BOELL-12421003).**

On September 22, 2017 the grant Agreement was signed between "Open Society - Georgia Foundation " and EMC for implementation the project, Supporting the Equality of the Vulnerable Groups in the Labor and Employment Field", with the total grant amount of 16,226.5 USD. The period of the grant is from September 22, 2017 to June 22, 2018. **(OSGF-EINT/09/17-20645).**

On June 01, 2017 the grant Agreement was signed between "USAID PROLoG " and EMC for implementation the project "Reforming the Criminal Investigation for Creating fair and Effective Criminal Justice System", with the total grant amount of 31,450 USD. The period of the grant is from June 01, 2017 to March 31, 2018. **(EWMI-G1402).**

On October 15, 2018 "Open Society Policy Center" and EMC signed the grant contract for the project "Promoting and Enabling Legal Capacity in Georgia". The period of the grant is from October 10, 2018 to October 10, 2020. The total amount of the grant is 279,459 USD. **(OSF- OR2018-45437).**

On November 12, 2018 "Open Society - Georgia Foundation" and EMC signed the grant contract for the project "Supporting systemic reforms within law enforcement agencies". The period of the grant is from November 12, 2018 to November 12, 2019. The total amount of the grant is 87,000 USD. **(OSGF-MED/13/18-20839).**

On August 21, 2018 partnership agreement was signed between The State of the Netherlands and EMC for the implementation of the project "Supporting Protection of the Rights of Non-dominant religious Groups through Research". Duration of the project is from September 01, 2018 to April 01, 2020. The amount of EMC's grant is 342,900 GEL. **(DUTCH-AVT16/BZ/120646B).**

On July 4, 2017 the grant Agreement was signed between "Open Society Georgia" and EMC for implementation the project "Supporting the Right to Adequate Housing Through Actualizing Problematics of Homeless People and Changing the State Policy", with the total grant amount of 24,961 USD. The period of the grant is from July 04, 2017 to November 04, 2018. **(OSGF-LDD/17/17-20558).**

On August 28, 2018 "Open Society Policy Center" and EMC signed the grant contract for the project "Social Justice in Times of Crisis". The period of the grant is from September 1, 2018 to August 31, 2019. The total amount of the grant is 68,933 USD. **(OSF- OR2018-41038).**

On May 24, 2017 the sub-grant Agreement was signed between "Transparency International Georgia" and EMC for implementation the project "Advocating the Creation of Modern Model of the Security Sector", with the total grant amount of 17,290 USD. The period of the grant is from May 24, 2017 to February 28, 2018. **(TI Sub-Grants).**

On November 8, 2018 "Open Society - Georgia Foundation" and EMC signed the grant contract for the project "Support critical knowledge and participation of local activists in Kvemo Kartli and Pankisi". The period of the grant is from November 8, 2018 to August 8, 2019. The total amount of the grant is 25,000 USD. **(OSGF-NINT/07/18-20827).**

On October 18, 2018 the grant agreement was signed between PHR and EMC for the project "Promoting an equal environment by using an anti-discrimination mechanism". The period of the project is from October 17, 2018 to October 17, 2019. The total amount of the grant is 15,000 USD. **(PHR Sub-Grants).**

On July 25 2016, the grant agreement was signed between the "USAID " and EMC for the implementation of the project "Increasing Access to Justice for Programs Overseas". The Period of the project is January 01, 2016 to July 31, 2017. The total amount of the grant is 92,819 USD. **(EWMI-PROLoG-G1247).**

On March 1, 2015 HSB (Heinrich Böll Stiftung) awarded EMC the grant for the project, "Solidarity Network for LGBT in Armenia and Georgia". The period of the project is from March 01, 2015 to October 31, 2017. The total amount of the grant represents 58,506 EUR. **(HBS-EIDHR-2014-348-110).**

On January 16, 2017 the grant agreement was signed between Heinrich-Böll-Stiftung e.V. South Caucasus Regional office (HBF) and EMC for the implementation of the project, Social Protests: Experience and Perspectives" The period of the grant is from January 16, 2017 to November 30, 2017. Total amount of the grant is 56,164 GEL. **(HBF-BMZ-12282044).**

NOTE 2: ACCOUNTING POLICIES**a. Basis of accounting**

These financial statements have been prepared in accordance with Financial Standard for Non-entrepreneurial (non-profit) Legal Entities approved under the order (June 26, 2018) of the head of the Service for Accounting, Reporting and Auditing Supervision Subdivision of the Ministry of Finance of Georgia.

Based on the Organization's accounting policy, financial statements have been prepared and presented using the historical cost principle and accrual basis of accounting.

According to the historical cost principle, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Under accrual basis, the effects of transactions and other events are recognized when they occur (and not as cash or cash equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the period to which they relate.

b. Use of estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

c. Reporting currency of the Organization's financial statements

The Georgian Lari (GEL) is the reporting and functional currency. Although some grants are awarded in EUR, SEK or USD and some financial reports sent to donors are prepared in EUR and USD, the books and records are maintained in GEL as well. Significant volume of operations, i.e. payments of salaries, operating expenses are made in Georgian Lari (GEL).

d. Foreign currency translation

Transactions denominated in foreign currency are recorded at the exchange rate ruling on the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the statement of activities using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are translated into Georgian Lari at the official exchange rate of the NBG (National Bank of Georgia) at the balance sheet date. As at December 31, 2018 the principal rate of exchange used for translating foreign currency balances was:

	December 31, 2018	December 31, 2017
GEL / 1 USD	2.6766	2.5922
GEL / 1 EUR	3.0701	3.1044
GEL / 10 SEK	2.9929	3.1571

e. Grant: revenue and deferred grant

The organization recognizes deferred grant upon signing the agreement with donor. When the relevant expenses of the program are incurred and recognized, the corresponding amount is removed from deferred grant and recognized as revenue.

f. Cash and cash equivalents

Cash and cash equivalents are comprised of cash in bank.

g. Taxes

EMC, as non-governmental, non-commercial organization, pays the following taxes:

- Income tax (20%). Mentioned tax will be paid from the whole salary and from the benefits that are handled to the employees according to the Georgian tax legislation. These taxes are given in financial statements – project incomes and project expenditures as the part of salary and benefits connected to it.

NOTE 2: ACCOUNTING POLICIES (Continued)**Reverse Charge VAT (18%)** - Mentioned tax will be paid on:

- a service delivered by a non-resident natural person or by a non-resident enterprise to a tax agent on the territory of Georgia;
- transfer of a collateral (goods) by a person to the possession of a creditor under a contractual obligation performance security measure (guarantee);
- delivery of services and/or supply of goods/products (project documents, technical documents, production flow charts, software, etc.) to a tax agent outside the territory of Georgia by the Internet or any other electronic communication means, if it does not cross the customs border of Georgia by means of a federated schema or other information carrier;
- foreign goods purchased from a person in a customs warehouse, in the case provided by Article 162(7) of Tax Code of Georgia, which are placed under an import customs procedure.

Pension scheme - On 21 June, 2018 Georgia established a new law about pension fund, which came into force from 1 January, 2019. Aggregated pension scheme takes into account 6% payment. In particular, employee will transfer 2% of his/her taxable salaries to individual pension account, employer will also transfer additional 2%, whereas from public finance will be transferred another 2%, the organization will transfer 2% as employer and these payments are not presented in the financial statement for the year ended 31 December, 2018.

h. Fixed Assets and intangibles assets

Fixed assets and intangible assets are stated at cost less depreciation or amortization. Depreciation and amortization are calculated on the Declining Balance Depreciation Method over the following estimated useful lives:

Asset Group	Useful life
Computers and techniques	2 - 5 years
Other fixed assets	2 - 5 years
Intangibles	2 - 5 years

When assets are retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities. The cost of maintenance and repair is charged to the statement of activities as incurred.

i. Net asset classification

The net assets are reported in two self-balancing funds as follows:

Unrestricted net assets – include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the organization.

Temporarily restricted net assets – include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organization. When restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Change in Net Assets as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed or other legal restrictions requiring that the principle be maintained permanently by the organization. Generally, the donors permit the organization to use all or part of the income earned for either general or donor-specified purposes.

j. Revenue

Unrestricted and temporarily restricted contributions and grants are recorded as revenue when the agreement is signed with donor. Restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Restricted contributions and grants received in excess of expenses incurred are shown as restricted net assets in the accompanying financial statements.

NOTE 3: CASH AND BANK**Cash in bank by currency**

	31-Dec-2018	31-Dec-2017
Georgian Lari (GEL)	504,056	80,357
US Dollars (USD)	295,655	134,747
EURO (EUR)	229,913	41,950
Total cash and bank	1,029,624	257,054

NOTE 4: GRANTS RECEIVABLE

	31-Dec-2018	31-Dec-2017
RFSU-4401-040301-1801	805,457	-
OSF- OR2018-45437	561,000	-
EU- ENI/2018/395-919	423,755	-
DUTCH-AVT16/BZ/120646B	114,300	-
OSGF-MED/13/18-20839	68,908	-
EWMI-G1426	48,483	240,940
EPD/SUB-EMC/2018-01	30,701	-
PHR Sub-Grants	29,218	-
OSGF-NINT/07/18-20827	22,591	-
OSGF-EINT/07/18-20830	9,944	-
EWMI-G1402	2,447	36,237
OSGF-EINT/09/17-20645	471	10,588
BOELL-12421003	168	-
TI Sub-Grants	156	-
OSF-OR2016-29336	-	84,660
OSGF-HR/06/17- 20602	-	66,691
OSGF-LDD/17/17- 20558	-	36,164
Total grants receivable	2,117,599	475,279

NOTE 5: OTHER ASSETS

Other assets generally represent funds issued to "Institute for Development of Freedom of Information" (IDFI) and "Caucasus Research Resource Centers" (CRRC) for implementation of the program "Support to the implementation of the judicial reform", which was financed by the "European Union". According to the grant agreement, three contracted parties are represented by: EMC, "Institute for Development of Freedom of Information" (IDFI) and "Caucasus Research Resource Centers" (CRRC) and EMC represents the project coordinator.

	31-Dec-2018	31-Dec-2017
"Institute for Development of Freedom of Information" (IDFI)	86,475	-
"Caucasus Research Resource Centers" (CRRC Georgia)	81,791	-
Total other assets:	168,266	-

NOTE 6: FIXED ASSETS

Year 2018

	Computers and Techniques	Other fixed assets	Total
Gross Book Value			
Balance at 31 December 2017	41,476	7,370	48,846
Additions	15,325	8,159	23,484
Balance at 31 December 2018	56,801	15,529	72,330
Accumulated Depreciation			
Balance at 31 December 2017	27,554	4,619	32,173
Charge for the year	6,312	2,825	9,137
Balance at 31 December 2018	33,866	7,444	41,311
Net Book Value			
Balance at 31 December 2017	13,922	2,751	16,673
Balance at 31 December 2018	22,934	8,085	31,019

Year 2017

	Computers and Techniques	Other fixed assets	Total
Gross Book Value			
Balance at 31 December 2016	40,832	4,555	45,387
Additions	644	2,815	3,459
Balance at 31 December 2017	41,476	7,370	48,846
Accumulated Depreciation			
Balance at 31 December 2016	15,851	3,209	19,060
Charge for the year	11,703	1,410	13,113
Balance at 31 December 2017	27,554	4,619	32,173
Net Book Value			
Balance at 31 December 2016	24,981	1,346	26,327
Balance at 31 December 2017	13,922	2,751	16,673

NOTE 7: DEFERRED GRANT INCOME

	31-Dec-2018	31-Dec-2017
RFSU-4401-040301-1801	894,891	-
OSF- OR2018-45437	714,727	-
EU- ENI/2018/395-919	706,974	-
DUTCH-AVT16/BZ/120646B	314,582	-
OSGF-MED/13/18-20839	169,427	-
OSF- OR2018-41038	160,125	-
OSGF-NINT/07/18-20827	63,489	-
EWMI-G1426	60,701	-
OSGF-EINT/07/18-20830	53,531	-
EPD/SUB-EMC/2018-01	47,477	-
PHR Sub-Grants	40,045	-
OSGF-HR/02/18- 20771	36,779	-
OSGF-LDD/17/17- 20558	3,993	36,969
EWMI-FROLoG-1247	-	10,113
TI Sub-Grants	-	36,258
OSGF-EINT/09/17-20645	-	38,357
OSF-OF/2016-29336	-	245,058
OSF- OR2015-24387	-	121,506
OSGF-HR/06/17- 20602	-	97,070
EWMI-G1402	-	83,767
Total deferred grant income	3,266,741	669,098

NOTE 8: MOVEMENT IN DEFERRED GRANTS

	31-Dec-2018	31-Dec-2017
Opening balance of deferred grants	669,097	750,082
Add: Grant contracts signed in the period	3,768,943	827,479
Less: Deferred grants transferred to the period incomes	(1,171,299)	(908,464)
Closing balance of deferred grants	3,266,741	669,097

NOTE 9: COMMITMENTS AND CONTINGENT LIABILITIES**Legal proceeding**

As of 31 December 2018, the Organization was not engaged in legal proceedings.

Tax legislation

The Georgian commercial and tax legislation contains provisions which sometimes imply more than one treatment for transactions. Moreover, the tax authorities may take arbitrary judgments as to business activities and transactions, including the arbitrary classification of the activities of the Organization when the regulatory basis for this decision is deemed insufficient. Thus, although management believes that it has adequately provided for tax liabilities in the financial statements, its judgment of the Organization activities and transaction may not coincide with the interpretation of the tax authorities.

Operating environment

Over recent years, Georgia has undergone substantial political and economic change. As an emerging market Georgia does not possess a well-developed commercial infrastructure that generally exists in more mature business markets. Laws and regulations affecting businesses operating within the country are subject to rapid change. In addition, continued economic stability is dependent to a large extent on the effectiveness of fiscal measures taken by the government, decisions of international lending organizations, and other actions beyond the Organization's control.

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