

HUMAN RIGHTS EDUCATION AND MONITORING CENTER (EMC)

INDEPENDENT AUDITOR'S REPORT

2019

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

The Financial Statements
for the Year Ended 31 December, 2019
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.

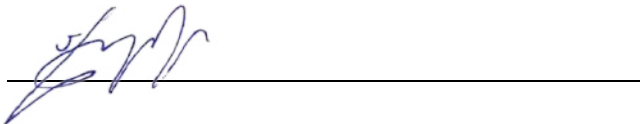
The present financial statement for the year ended December 31, 2019 is approved by the management and signed on its behalf:



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, 2019, 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, 2019, 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

October 12, 2020


Tbilisi, Georgia



STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31-Dec-2019	31-Dec-2018
Current assets			
Cash and bank	3	787,331	1,029,624
Grants receivable	4	1,322,557	2,117,599
Other assets	5	-	168,927
Inventory		17,567	5,870
Total current assets		2,127,455	3,322,020
Fixed assets			
Fixed assets	6	37,838	31,019
Intangible assets		13,144	13,144
Total non current assets		50,982	44,163
TOTAL ASSETS		2,178,437	3,366,183
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		3,317	8,189
Payable to donor		17,401	40,103
Deferred grant income	7; 8	2,094,373	3,266,741
Total current liabilities		2,115,091	3,315,033
Unrestricted net assets		98,635	10,000
Temporarily Restricted Net assets		(35,290)	41,150
Net assets		63,345	51,150
TOTAL LIABILITIES AND NET ASSETS		2,178,437	3,366,183


The financial statements including the notes were approved and signed on October 12, 2020 by:



Tamta Mikeladze

Director

Human Rights Education and Monitoring Center



Medea Zhghenti

Financial Manager

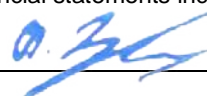
Human Rights Education and Monitoring Center

Human Rights Education and Monitoring Center (EMC)
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF ACTIVITIES

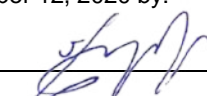
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Year 2019	Year 2018
Changes in net assets:				
Revenues				
OSF- OR2018-45437	-	342,176	342,176	32,771
EU- ENI/2018/395-919	-	475,296	475,296	108,780
RFSU-4401-040301-1801	-	299,255	299,255	174,961
DUTCH-AVT16/BZ/120646B	-	246,504	246,504	30,724
OSGF-MED/13/18-20839	-	194,660	194,660	31,196
OSF- OR2018-41038	-	147,317	147,317	23,598
BOELL CC:12421005	-	75,999	75,999	-
OSGF20905	-	67,024	67,024	-
OSGF-NINT/07/18-20827	-	64,490	64,490	3,421
USAID (Prolog)	-	54,402	54,402	-
EPD/SUB-EMC/2018-01	-	53,814	53,814	103,345
OSGF-EINT/07/18-20830	-	46,922	46,922	-
USAID (ACCESS)	-	42,427	42,427	-
PHR Sub-Grants	-	38,832	38,832	212
OSGF-HR/02/18- 20771	-	32,785	32,785	84,647
SWISS	-	32,463	32,463	-
EIDHR	-	23,388	23,388	-
NDI	-	12,684	12,684	-
GYLA	-	8,874	8,874	-
OSGF20961	-	5,644	5,644	-
EWMI-G1426	-	-	-	176,120
OSF-OR2016-29336	-	-	-	108,780
OSF- OR2015-24387	-	-	-	74,177
OSGF-HR/06/17- 20602	-	-	-	68,701
BOELL-12421003	-	-	-	40,395
OSGF-EINT/09/17-20645	-	-	-	36,694
EWMI-G1402	-	-	-	36,091
OSGF-LDD/17/17-20558	-	-	-	30,129
TI-Sub-Grants	-	-	-	6,555
Income from donations	86,536	-	86,536	10,000
Total Revenue	86,536	2,264,956	2,351,493	1,181,299
Expenses				
Administrative Expenses	-	(2,354,462)	(2,354,462)	(1,193,768)
Net result from foreign exchange difference	-	15,162	15,162	19,947
Total Expenses	-	(2,339,297)	(2,339,297)	(1,173,821)
(Increase) / Decrease in net assets	86,536	(74,341)	12,195	7,478
Net assets at the beginning of the year	12,100	39,050	51,150	43,672
Net assets at the end of the year	98,635	(35,291)	63,345	51,150
Temporarily Restricted Net assets	-	(35,291)	(35,291)	39,050
Unrestricted Net assets	98,636	-	98,636	12,100
Total Net Assets	98,636	(35,291)	63,345	51,150

The financial statements including the notes were approved and signed on October 12, 2020 by:



Tamta Mikeladze

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-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
Grants	-	2,264,956	2,264,956
Donations	86,535	-	86,535
Financing of expenses	-	(2,339,296)	(2,339,296)
Balance as at 31-Dec-2019	106,217	(42,872)	63,345

The financial statements including the notes were approved and signed on October 12, 2020 by:



Tamta Mikeladze

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 2019**

STATEMENT OF FUNCTIONAL EXPENSES

Description	Own funds	NDI	ACCESS	OSGF_2 0830_19	RFSU_4 401	PROLo G_1426	OSGF_4 1038	OSGF_2 0827	BOELL_ 12421	SWISS	DUTCH _AVT16	EIDHR- 2019	IPD_918	EU_395 _919	PHR_S UBG	OSGF_2 0905	OSGF_2 0771	OSGF_2 0839_19	OSGF_2 0961	Gyla	OSF_45 437	Total Expenses 2019	Total Expenses 2018
Payroll	83,972	5,740	19,860	16,220	106,470	16,945	28,607	20,044	30,038	25,591	115,783	-	15,737	113,725	36,002	43,623	15,631	84,820	4,652	8,478	174,800	966,739	606,836
Pension	1,965	160	557	431	3,436	635	1,716	927	958	548	3,370	-	545	2,400	725	999	277	2,374	93	172	3,482	25,771	-
Insurance Expense	317	-	168	-	7,246	150	-	42	1,440	400	534	-	120	84	380	-	390	532	-	-	572	12,375	11,020
Services Rendered and Goods Purchased	2,209	2,926	1,934	10,935	62,149	14,561	82,222	24,996	23,798	-	47,591	-	11,413	20,954	180	5,944	681	52,631	-	-	2,948	368,070	210,473
Conference and training	200	150	1,593	-	48,363	5,790	4,821	2,346	744	92	25,742	-	9,562	253	-	470	10,951	17,187	-	87	934	129,285	61,660
Office Rent	-	-	-	-	13,522	1,007	-	-	6,000	600	8,428	-	-	10,958	-	5,713	982	9,663	-	-	10,893	67,766	66,070
Translation	-	-	-	-	-	3,730	-	-	-	-	1,428	-	1,558	2,785	-	-	637	2,840	-	-	1,599	14,576	69,474
Publication expenses	-	-	-	3,891	3,855	6,065	11,220	-	-	-	-	-	4,395	8,370	-	-	-	5,810	-	-	-	43,606	25,493
Transportation	839	357	3,884	1,679	7,682	1,011	17,473	10,024	7,237	2,663	14,765	-	3,292	3,762	530	3,003	1,214	2,777	-	128	2,329	84,648	30,910
Hotel and Business Trips	-	-	3,559	14,349	1,351	2,740	5,294	2,420	1,553	657	19,831	-	-	4,994	605	563	1,192	697	-	-	-	59,805	17,560
Communication and utility	200	-	-	-	10,307	530	2,051	-	2,307	934	614	-	4,075	5,530	-	2,892	1,429	3,826	441	-	4,416	39,551	34,518
Depreciation and amortisation	12,863	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,863	9,137
Stationary	-	-	-	-	2,021	155	-	1,239	-	733	428	-	45	2,707	-	384	-	583	442	-	1,095	9,831	9,730
Office Expenses	-	-	-	-	1,525	-	70	-	-	-	749	-	252	1,137	-	439	-	1,505	11	-	1,764	7,453	-
Bank Fees	105	15	29	42	251	41	669	140	242	29	447	284	36	306	34	105	45	444	6	9	121	3,401	3,043
Other Expenses	15,104	1,579	240	-	22,581	1,043	3,722	323	-	97	7,693	22,181	606	297,331	-	1,788	540	2,113	-	-	131,777	508,719	37,845
	117,775	10,927	31,824	47,547	290,759	54,402	157,866	62,501	74,318	32,343	247,404	22,465	51,636	475,296	38,455	65,923	33,969	187,801	5,644	8,874	336,731	2,354,459	1,193,768

The financial statements including the notes were approved and signed on October 12, 2020 by:

Tamta Mikeladze

Director

Human Rights Education and Monitoring Center

Medea Zhghenti


Financial Manager

Human Rights Education and Monitoring Center

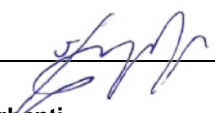
STATEMENT OF CASH FLOWS

	Year 2019	Year 2018
Cash flows from operating activities		
Cash received from grants	1,896,949	2,203,699
Cash received from donations	85,535	10,000
Advances to sub-contractors	(258,924)	(168,266)
Cash paid for salaries of employees	(744,286)	(502,370)
Cash paid for honorarium	(28,765)	(2,381)
Taxes paid	(290,687)	(182,848)
Cash paid for services rendered and goods purchased	(322,652)	(272,004)
Cash paid for Presentation, conferences and trainings	(106,885)	(62,938)
Cash paid for office expenses	(104,313)	(46,134)
Cash paid for rent expenses	(54,395)	(52,856)
Cash paid for books and publication	(54,427)	(26,179)
Cash paid for business trips	(55,563)	(16,731)
Cash paid for transportation	(58,810)	(29,838)
Bank expenses	(3,400)	(3,457)
Cash paid for pension	(53,027)	-
Other expenses	(49,545)	(38,805)
Net cash provided by operating activities	(203,195)	808,892
Cash flows from investing activities		
Acquisition of property, plant and equipment	(23,024)	(18,238)
Net cash used in investing activities	(23,024)	(18,238)
Net increase in cash and cash equivalents	(226,219)	790,654
Gain/(Loss) from exchange rate changes	(16,074)	(18,084)
Cash and cash equivalents at the beginning of the year	1,029,624	257,054
Cash and cash equivalents at the end of the year	787,331	1,029,624

The financial statements including the notes were approved and signed on October 12, 2020 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 Politics and Solidarity Platform;
- Equality Policy Program;
- Judiciary 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 an average of 31 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 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 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 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)**.

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. **(G-1426-17-211-3024-20)**.

On January 1, 2018 "Swedish Association of Sexuality Education (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 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 April 21, 2019. The amount of the project represents 55,000 EUR. **(EPD/SUB-EMC/2018-01)**.

NOTE 1: BACKGROUND (Continued)

On September 22, 2017 the grant Agreement was signed between "Open Society - Georgia Foundation " and EMC for implementation of 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 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 02, 2018 to April 02, 2019. The total amount of the grant is 47,509 USD. **(OSGF-HR/02/18- 20771).**

On June 01, 2017 the grant Agreement was signed between "USAID PROLoG " and EMC for implementation of 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. **(G-1402-17-211-3024-20).**

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 01, 2018 to October 01, 2020. The total amount of the grant is 279,459 USD. **(OSPC- 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 August 28, 2018 "Open Society Foundations" and EMC signed the grant contract for the project "Social Justice in Times of Crisis". The period of the grant is from September 01, 2018 to August 31, 2019. The total amount of the grant is 68,933 USD. **(OSF- OR2018-41038).**

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 08, 2018 to October 10, 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 "Partnership for Human Rights (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 November 09, 2018 the Grant agreement was signed between the "Open Society - Georgia Foundation" and EMC for the implementation of the project "Strengthening of Queer politics through development of the activists' discussion space". The period of the project from November 09, 2018 to June 30, 2019. The total amount of the grant is 19,999.78 USD. **(OSGF-EINT/07/18-20830).**

On January 21, 2019 the grant agreement was signed between the "Heinrich-Boll-Stiftung e. V. South Caucasus Regional Office" and EMC for the implementation of the project "Mining Industries and related social-ecological aspects". The period of the project is from January 03, 2019 to December 25, 2019. The total amount of the grant is 29,250 EUR. **(BOELL-12421005).**

On September 20, 2019 grant agreement was signed between "Swiss Federal Department of Foreign Affairs (FDFA)" and EMC for the implementation of the project "Multi-track approach to combat structural and systemic unfairness faced by the minority groups in Kakheti, Samtskhe-Javakheti and Kvemo Kartli". The period of the project is from October 01, 2019 to September 30, 2021. The overall budget of the project is 184,191.80 EUR, but FDFA finances up to 146,060 EUR. **(FDFA- 81061987).**

On November 22, 2019 the grant agreement was signed between "Open Society - Georgia Foundation" and EMC signed for the implementation of the project "Development of fair and human criminal law". The period of the project is from November 22, 2019 to November 22, 2020. The total amount of the grant is 70,000 USD. **(OSGF-MED/14/19-20961).**

On February 07, 2019 the grant agreement was signed between "United Nations Office for Project Services (UNOSP)" and EMC for the implementation of the project "Legal assistance, communication and subsistence costs". The period of the project is from February 07, 2019 to June 30, 2019. The total amount of the grant is 7,820 EUR. **(EIDHR/2019/11-2).**

NOTE 1: BACKGROUND (Continued)

On May 28, 2019 grant agreement was signed between “Open Society – Georgia Foundation” and EMC for the implementation of the project “Supporting of social rights in Georgia through research and legal support”. The period of the grant is from May 28, 2019 to February 28, 2020. The total amount of the grant is 60,000 USD. **(OSGF-LDD/05/19-20905).**

On September 25, 2019 the grant agreement was signed between “Georgian Young Lawyers Association” and EMC for the implementation of the project “Improvement of State’s general education policy through equality and transparency”. The period of the project is from August 02, 2019 to August 02, 2020. The total amount of the grant is 19,376 USD. **(GYLA- EINT/06/19-20926).**

On January 22, 2019 the grant agreement was signed between “East-West Management Institute (EWMI)” and EMC for the implementation of the project “Increasing Civil Engagement on Environmental Issues”. The period of the project is from January 15, 2019 to September 15, 2019. The total amount of the grant is 15,000 USD. **(G-1592-18-210-3023-20).**

On October 10, 2019 grant agreement was signed between National Democratic Institute for International Affairs (NDI) and EMC for the implementation of the project "Supporting of elections and political processes in Georgia". The period of the project is from October 10, 2019 to March 31, 2020. The total amount of the grant is 26,958 GEL. **(NDI - 72011419LA00001).**

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, 2019 the principal rate of exchange used for translating foreign currency balances was:

	December 31, 2019	December 31, 2018
GEL / 1 USD	2.8766	2.6766
GEL / 1 EUR	3.2095	3.0701
GEL / 10 SEK	3.0700	2.9929

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

	<u>31-Dec-2019</u>	<u>31-Dec-2018</u>
Georgian Lari (GEL)	458,799	504,056
US Dollars (USD)	177,108	295,655
EURO (EUR)	151,424	229,913
Total cash and bank	787,331	1,029,624

NOTE 4: GRANTS RECEIVABLE

	<u>31-Dec-2019</u>	<u>31-Dec-2018</u>
RFSU-4401-040301-1801	564,916	805,457
DEP. F. AUSW. ANGELEGENHEITEN EDA	286,903	-
OSF- OR2018-45437	152,180	561,000
EU- ENI/2018/395-919	130,343	423,755
AVT16/BZ120646B	17,300	114,300
OSGF 20961	93,419	-
OSGF20905	39,137	-
Georgian Young Lawyers' Association	22,649	-
National Democratic Institute	8,087	-
EPD_918	7,840	30,701
PHR_SUBGRANT	(385)	29,218
BOELL-12421003	168	168
OSGF-MED/13/18-20839	-	68,908
EWMI-G1426	-	48,483
EWMI-G1402	-	2,447
OSGF-NINT/07/18-20827	-	22,591
OSGF-EINT/07/18-20830	-	9,944
OSGF-EINT/09/17-20645	-	471
TI Sub-Grants	-	156
OSF-OR2016-29336	-	-
Total grants receivable	1,322,557	2,117,599

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.

	<u>31-Dec-2019</u>	<u>31-Dec-2018</u>
"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 2019

	Computers and Techniques	Other fixed assets	Total
Gross Book Value			
Balance at 31 December 2018	56,801	15,529	72,330
Additions	13,395	6,286	19,681
Balance at 31 December 2019	70,196	21,816	92,011
Accumulated Depreciation			
Balance at 31 December 2018	33,866	7,444	41,311
Charge for the year	2,076	10,787	12,864
Balance at 31 December 2019	35,942	18,232	54,175
Net Book Value			
Balance at 31 December 2018	22,934	8,085	31,019
Balance at 31 December 2019	34,254	3,583	37,838

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

NOTE 7: DEFFERED GRANT INCOME

	31-Dec-2019	31-Dec-2018
RFSU-4401-040301-1801	639,231	894,891
SWISS	442,935	-
EU- ENI/2018/395-919	212,893	706,974
OSF- OR2018-45437	367,599	714,727
OSGF20961	202,823	-
OSGF20905	100,943	-
DUTCH-AVT16/BZ/120646B	64,773	314,582
GYLA	48,661	-
NDI	16,032	-
BOELL	77	-
PHR Sub-Grants	(1,591)	-
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
OSGF-HR/02/18- 20771	-	36,779
OSGF-LDD/17/17- 20558	-	3,993
OSGF-MED/13/18-20839	-	169,427
PHR Sub-Grants	-	40,045
Total deferred grant income	2,094,373	3,226,741

NOTE 8: MOVEMENT IN DEFERRED GRANTS

	31-Dec-2019	31-Dec-2018
Opening balance of deferred grants	3,266,741	669,097
Add: Grant contracts signed in the period	1,086,806	3,768,943
Less: Deferred grants transferred to the period incomes	(2,259,174)	(1,171,299)
Closing balance of deferred grants	2,094,373	3,266,741

NOTE 9: COMMITMENTS AND CONTINGENT LIABILITIES

Legal proceeding

As of 31 December 2019, 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.

NOTE 9: COMMITMENTS AND CONTINGENT LIABILITIES

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 effecting 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.

NOTE 10: EVENTS AFTER THE REPORTING DATE

At the beginning of 2020, the world encountered the danger of spreading the viral coronavirus ("COVID- 19"). On March 11, 2020, the World Health Organization announced a pandemic in relation to coronavirus. Due to the situation, the Government of Georgia has developed several measures, including declaring a state of emergency and a curfew for the period of March 22, 2020 - May 22, 2020. The Organization's management assesses that the risks posed by COVID-19 are not expected to have significant negative impact on the Organization's ability to continue as a going concern in the foreseeable future. The management can not make an accurate forecast about the possible effects of this event on Organization's activities. There have been no other events after the reporting period which require additional disclosures or adjustments to these statements of incomes and expenditures.

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