

SOCIAL JUSTICE CENTER

INDEPENDENT AUDITORS' REPORT

2020

SOCIAL JUSTICE CENTER

The Financial Statements
for the Year Ended 31 December, 2020
and
Independent Auditors' Report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The management of the Social Justice 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, 2020 is approved by the management and signed on its behalf:



Tamta Mikeladze

Director

Social Justice Center



Medea Zhghenti

Financial Manager

Social Justice Center

INDEPENDENT AUDITORS' REPORT

Social Justice Center
I. Abashidze St. #12 a
Tbilisi, Georgia

Opinion

We have audited the financial statements of Social Justice Center (the Organization), which comprise the statement of financial position, as at December 31, 2020, 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, 2020, 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

August 03, 2021

Tbilisi, Georgia



SOCIAL JUSTICE CENTER
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31-Dec-2020	31-Dec-2019
Current assets			
Cash and bank	3	369,858	787,331
Grants receivable	4	1,190,400	1,322,557
Tax assets		6,031	4,872
Inventory		19,239	17,567
Total current assets		1,585,528	2,132,326
Fixed assets	5	38,407	37,838
Intangible assets		10,515	13,144
Total non current assets		48,922	50,982
TOTAL ASSETS		1,634,450	2,183,308
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		1,165	8,189
Payable to donor		1,843	17,402
Deferred grant income	6; 7	1,518,803	2,094,373
Total current liabilities		1,521,811	2,119,963
Unrestricted net assets		190,776	98,635
Temporarily Restricted net assets		(78,137)	(35,291)
Net assets		112,639	63,345
TOTAL LIABILITIES AND NET ASSETS		1,634,450	2,183,308

The financial statements including the notes were approved and signed on July 30, 2021 by:



Tamta Mikeladze

Director

Social Justice Center



Medea Zhghenti

Financial Manager

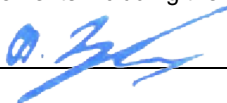
Social Justice Center

SOCIAL JUSTICE CENTER
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020


STATEMENT OF ACTIVITIES

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Year 2020	Year 2019
Changes in Temporarily Restricted net assets:				
Revenues				
OSF- OR2018-45437	-	358,251	358,251	342,176
RFSU-4401-040301-1801	-	313,200	313,200	299,255
EU- ENI/2018/395-919	-	218,957	218,957	475,296
SWISS	-	200,752	200,752	32,463
OSGF20961	-	193,894	193,894	5,644
OSGF20905	-	109,013	109,013	67,024
BOELL CC:12421005	-	105,891	105,891	75,999
DUTCH - AVT16BZ120646B	-	67,183	67,183	-
IDFI - 202000701-02	-	24,351	24,351	-
PROLoG1696	-	69,832	69,832	-
OSGF21064	-	62,609	62,609	-
GYLA	-	48,590	48,590	8,874
OSGF21056	-	46,852	46,852	-
PROLoG1736	-	45,435	45,435	-
UNDP - 00095571	-	29,692	29,692	-
OSGF - LDD/33/20-21140	-	27,027	27,027	-
CTC_Platf_020_002	-	15,014	15,014	-
NDI	-	14,488	14,488	12,684
BOELL CC:12425017	-	12,971	12,971	-
IPHR OR2020-74791	-	1,876	1,876	-
DUTCH-AVT16/BZ/120646B	-	-	-	246,504
OSGF-MED/13/18-20839	-	-	-	194,660
OSF- OR2018-41038	-	-	-	147,317
OSGF-NINT/07/18-20827	-	-	-	64,490
USAID (Prolog)	-	-	-	54,402
EPD/SUB-EMC/2018-01	-	-	-	53,814
OSGF-EINT/07/18-20830	-	-	-	46,922
USAID (ACCESS)	-	-	-	42,427
PHR Sub-Grants	-	-	-	38,832
OSGF-HR/02/18- 20771	-	-	-	32,785
EIDHR	-	-	-	23,388
Income from donations	92,141	-	92,141	86,536
Total revenues	92,141	1,965,878	2,058,019	2,351,493
Expenses				
Administrative and Operational Expenses	-	(1,944,564)	(1,944,564)	(2,354,462)
Net result from foreign exchange difference	-	(64,160)	(64,160)	15,162
Total expenses	-	(2,008,724)	(2,008,724)	(2,339,297)
Increase / (Decrease) in net assets	92,141	(42,846)	49,295	12,195
Net assets at the beginning of the year	98,635	(35,291)	63,344	51,150
Net assets at the end of the year	190,776	(78,137)	112,639	63,345
Temporarily Restricted Net assets	-	(78,137)	(78,137)	(35,291)
Unrestricted Net assets	190,776	-	190,776	98,636
Total net assets	190,776	(78,137)	112,639	63,345

The financial statements including the notes were approved and signed on July 30, 2021 by:


Tamta Mikeladze

Director
Social Justice Center


Medea Zhghenti


Financial Manager
Social Justice Center


SOCIAL JUSTICE CENTER
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CHANGES IN NET ASSETS

	Unrestricted net assets	Temporarily restricted net assets	Total net assets
Balance as at 31-Dec-2018	12,100	39,050	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	98,635	(35,290)	63,345
Grants	-	1,965,878	1,965,878
Donations	92,141	-	92,141
Financing of expenses	-	(2,008,725)	(2,008,725)
Balance as at 31-Dec-2020	190,776	(78,137)	112,639

The financial statements including the notes were approved and signed on July 30, 2021 by:


Tamta Mikeladze
 Director
 Social Justice Center


Medea Zhghenti
 Financial Manager
 Social Justice Center

SOCIAL JUSTICE CENTER
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF FUNCTIONAL EXPENSES

Description	OSF_45 437	RFSU_4 401	SWISS	OSGF_2 0961	EU_395_ 919	OSGF_2 0905	BOELL 1242101	DUTCH _AVT16	PROLo G -1696	OSGF_2 1064	Gyla	OSGF_2 1056	PROLo G -1736	UNDP	OSGF_2 1140	IDFI	NDI	BOELL (sm.gr)	CTC	IPHR	Own funds	Total Expenses 2020	Total Expenses 2019
Payroll	185,549	101,584	122,515	101,129	44,938	58,188	29,821	25,642	46,696	35,850	20,336	32,260	35,478	20,710	22,844	23,339	6,091	1,410	9,830	1,628	80,023	1,005,861	966,739
Services Rendered and Goods																							
Purchased	67,942	111,823	35,188	8,880	20,823	15,368	50,585	14,220	1,525	5,262	8,886	2,001	191	2,797	-	-	4,266	8,567	-	-	652	358,976	368,070
Office Rent	12,487	19,000	12,044	4,654	11,373	5,224	6,000	5,500	5,679	371	-	1,954	3,459	-	3,472	-	100	-	-	-	-	91,317	67,767
Communication and utility	13,419	18,880	3,228	4,909	6,511	2,398	1,662	626	2,157	1,618	-	4,046	837	1,812	-	-	204	99	-	-	2,985	65,391	39,551
Research cost	-	-	-	48,091	-	4,082	-	-	-	-	8,929	-	-	-	-	-	-	-	-	-	-	61,102	-
Conference and training	3,508	2,995	7,543	2,833	16,152	370	1,726	4,121	50	-	-	-	-	-	-	-	70	-	-	-	-	39,368	129,286
Translation	-	2,410	2,887	4,891	-	3,392	2,463	7,759	1,230	-	7,649	-	1,147	-	-	-	352	2,486	-	-	-	36,666	14,576
Transportation	1,465	4,402	2,670	562	4,841	6,075	1,812	700	1,244	1,404	-	549	326	213	-	-	260	-	-	160	1,454	28,137	84,648
Pension	4,975	4,231	3,235	2,337	1,257	1,653	1,326	940	1,027	787	864	723	755	464	460	425	259	236	197	33	1,673	27,857	25,771
Insurance Expense	1,357	8,296	4,710	1,625	214	962	1,117	482	1,383	510	107	1,568	936	-	148	161	-	-	-	-	2,327	25,903	12,375
Publication expenses	900	12,610	-	-	5,994	-	3,780	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,284	43,606
Hotel and Business Trips	-	2,881	4,893	591	-	8,124	-	3,192	1,966	463	-	310	-	47	-	-	14	-	-	41	81	22,603	59,805
Depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,310	13,310	12,863
Office Expenses	147	2,500	125	909	1,107	189	-	-	-	-	-	-	-	-	12	-	-	-	-	-	640	5,629	7,453
Stationary	1,638	300	312	376	804	-	-	-	-	-	129	45	-	1,775	-	-	-	-	-	-	-	5,379	9,831
Bank Fees	148	252	290	131	85	175	975	93	123	60	24	36	61	15	19	23	17	25	11	5	206	2,774	3,401
Other Expenses	52,322	22,508	1,785	788	9,447	2,654	313	1,038	504	15,292	1,237	150	-	-	36	-	3,257	-	-	-	19,676	131,007	508,720
Total	345,857	314,671	201,424	182,706	123,228	108,853	101,580	64,312	63,585	61,616	48,161	43,642	43,192	27,832	26,991	23,947	14,892	12,822	10,037	1,866	123,027	1,944,564	2,354,462

The financial statements including the notes were approved and signed on July 30, 2021 by:

Tamta Mikeladze

Director

Social Justice Center

Medea Zhghenti

Financial Manager

Social Justice Center

SOCIAL JUSTICE CENTER
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CASH FLOWS

	Year 2020	Year 2019
Cash flows from operating activities		
Cash received from grants	1,416,530	1,896,949
Cash received from donations	92,141	85,535
Advances to sub-contractors	(49,981)	(258,924)
Cash paid for salaries of employees	(864,439)	(744,286)
Cash paid for services rendered and goods purchased	(318,408)	(322,652)
Taxes paid	(296,489)	(290,687)
Cash paid for Presentation, conferences and trainings	(27,116)	(106,885)
Cash paid for rent expenses	(71,501)	(54,395)
Cash paid for office expenses	(110,073)	(104,313)
Cash paid for transportation	(20,422)	(58,810)
Cash paid for books and publication	(26,565)	(54,427)
Cash paid for business trips	(32,009)	(55,563)
Cash paid for pension	(55,909)	(53,027)
Cash paid for honorarium	(1,990)	(28,765)
Bank expenses	(2,772)	(3,400)
Other expenses	(63,400)	(49,545)
Net cash provided by operating activities	(432,403)	(203,195)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(11,326)	(23,024)
Net cash used in investing activities	(11,326)	(23,024)
Net increase in cash and cash equivalents	(443,730)	(226,219)
Gain/(Loss) from exchange rate changes	26,255	(16,074)
Cash and cash equivalents at the beginning of the year	787,333	1,029,624
Cash and cash equivalents at the end of the year	369,858	787,331

The financial statements including the notes were approved and signed on July 30, 2021 by:


Tamta Mikeladze

Director

Social Justice Center


Medea Zhghenti

Financial Manager

Social Justice Center

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BACKGROUND

Social Justice Center (former „Human Rights Education and Monitoring Center“, the Organization changed its brand name to „Social Justice Center“ from January 01, 2021) (the „Organization“) 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 Social Justice Center has a possibility to use this sort of resource.

Since its establishment on 28 November 2012, Social Justice Center 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, Social Justice Center uses research, monitoring, advocacy and raising awareness.

Social Justice Center work encompasses four main directions implemented by:

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

Social Justice Center 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 Social Justice Center team by consensus.

In addition, one of the prioritized directions of Social Justice Center'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, Social Justice Center 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 Social Justice Center's declared goals.

On October 15, 2018 "Open Society Policy Center" and Social Justice Center 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 January 1, 2018 "Swedish Association of Sexuality Education (RFSU)" awarded Social Justice Center 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. Based on the amendment signed on March 26, 2020 the budget was increased by an additional 430,000 SEK. **(RFSU-4401-040301-1801)**.

On April 30, 2018 the "European Union (EU)" and Social Justice Center 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 September 20, 2019 grant agreement was signed between "Swiss Federal Department of Foreign Affairs (FDFA)" and Social Justice Center 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. **(SWISS)**.

On November 22, 2019 the grant agreement was signed between "Open Society - Georgia Foundation" and SOCIAL JUSTICE CENTER 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-20961)**.

On May 28, 2019 the grant agreement was signed between Social Justice Center and Open Society Georgia Foundation about the project "Supporting social rights in Georgia through research and advocacy". The duration of the grant is from May 28, 2019 to February 28, 2020. Total amount of the grant is 60,000 USD. On February 21, 2020 the project duration was modified until April 30, 2020 and on April 30, 2020 the grant agreement's duration was once again modified until August 31, 2020 with the unchanged budget. **(LDD/05/19-20905)**.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1: BACKGROUND (continued)

On January 03,2020 the grant agreement was signed between Social Justice Center and Heinrich-Böll-Stiftung South Caucasus Regional Office for the implementation of the project "Mining industries and related social-ecological aspects". The duration of the grant is from January 3,2020 to December 25,2020. Total amount of the grant is 34,000 EUR.(12421011)

On August 21, 2018 partnership agreement was signed between The State of the Netherlands and Social Justice Center 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 Social Justice Center's grant is 342,900 GEL. (DUTCH-AVT16/BZ/120646B).

On July 1,2020 grant agreement was signed between Social Justice Center and Institute for Development of Freedom of Information about the project" Supporting the Functioning of the State Inspector Service. Period of the grant is from June 24,2020 to May 30,2021. Total amount of the grant is 18,000 USD.(IDFI)

On April 01,2020 grant agreement was signed between Social Justice Center and East West Management Institute for the implementation of the project " Improving Human Rights Conditions for Marginalized Groups through Strategic Litigation ". The period of the grant is from April 01,2020 to June 30,2021. Total amount of the grant is 38,163.82 USD. (PROLoG 1696)

On May 25,2020 grant agreement was signed between Social Justice Center and Open Society Georgia Foundation about the project "Strengthening and Supporting Community Life and Teachers in Kvemo Kartli as Agents of Social Change". The period of the grant is from May 25,2020 to May 31,2021. Total amount of the grant is 35,000 USD.(NINT/04/20/-21064)

On September 25, 2019 the grant agreement was signed between "Georgian Young Lawyers Association" and Social Justice Center 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 May 15,2020 the grant agreement was signed between Social Justice Center and Open Society Georgia Foundation about the project " Labor rights during a pandemic". The period of this grant is from May 15,2020 to November 11, 2020. Total amount of the grant is 15,000 USD.(LDD/08/20-21056)

On May 25,2020 grant agreement was signed between Social Justice Center and East West Management Institute for the implementation of the project "Improving access to Justice". The period of the grant is from May 25,2020 to June 24,2021. Total amount of the grant is 30,210.31 USD.(G-1736-20-211-3024-20)

On June 1,2020 grant agreement was signed between Social Justice Center and UNDP about the project "Self-employment and COVID-19". The period of the grant is from June 1,2020 to August 31,2020. Total amount of the grant is 10,000 USD.(UNDP-00095571)

On November 13,2020 grant agreement was signed between Social Justice Center and Open Society Georgia Foundation about the project " Improving the rights of employees in the formal and informal sectors". Period of the grant is from November 13,2020 to November 13,2021. Total amount of the grant is 69,949.61 USD.(LDD/33/20-21140)

On March 16,2020 grant agreement was signed between Social Justice Center and Consultation and Training Center for the implementation of the project "Availability of opioid replacement therapy in the Georgian penitentiary system". The period of the grant is from March 16,2020 to October 15,2020. The total amount of the grant is 40,984.53 GEL. On October 6,2020 the grant agreement was modified and the duration of the project was increased till April 30,2021. (CTC_Plattf_020_002)

On October 10 ,2019 grant agreement was signed between National Democratic Institute for International Affairs (NDI) and Social Justice Center 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).

On September 21,2020 the grant agreement was signed between Social Justice Center and Heinrich-Böll-Stiftung South Caucasus Regional Office for the implementation of the project "Supporting peaceful conflict transformation through strengthening human rights discourse concerning the conflicts in Georgia". The duration of the grant is from September 21,2020 to December 05,2020. Total amount of the grant is 3,800 EUR. (BOELL CC:12425017)

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1: BACKGROUND (continued)

On November 12, 2018 "Open Society - Georgia Foundation" and Social Justice Center 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 28, 2018 "Open Society Foundations" and Social Justice Center 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 Social Justice Center 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 August 01, 2017 the grant Agreement was signed between "USAID PROLoG" and Social Justice Center 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 30, 2018 "European Partnership for Democracy ASBL" and Social Justice Center 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)**.

On September 22, 2017 the grant Agreement was signed between "Open Society - Georgia Foundation " and Social Justice Center 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 October 18, 2018 the grant agreement was signed between "Partnership for Human Rights (PHR)" and Social Justice Center 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 April 2, 2018 "Open Society - Georgia Foundation" and Social Justice Center 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 February 07, 2019 the grant agreement was signed between "United Nations Office for Project Services (UNOSP)" and Social Justice Center 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 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, 2020 the principal rate of exchange used for translating foreign currency balances was:

	December 31, 2020	December 31, 2019
GEL / 1 USD	3.2766	2.8766
GEL / 1 EUR	4.0233	3.2095
GEL / 10 SEK	4.0068	3.0700

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

Social Justice Center, 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)

g. Taxes

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.

SOCIAL JUSTICE CENTER
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 3: CASH AND BANK

Cash in bank by currency

	31-Dec-2020	31-Dec-2019
Georgian Lari (GEL)	246,480	458,799
US Dollars (USD)	122,763	177,108
EURO (EUR)	614	151,424
Total cash and bank	369,858	787,331

NOTE 4: GRANTS RECEIVABLE

	31-Dec-2020	31-Dec-2019
RFSU-4401-040301-1801	579,894	564,916
EPD_918	354,699	7,840
OSGF_21140	107,079	-
OSGF_21064	42,506	-
PROLOG - 1736	42,035	-
USAID (PROLOG)	40,874	-
AVT16/BZ120646B	17,300	17,300
CTC_PLATF_020_002	6,014	-
GEORGIAN YOUNG LAWYERS' ASSOCIATION	-	22,649
BOELL-12421003	-	168
DEP. F. AUSW. ANGELEGENHEITEN EDA	-	286,903
OSF- OR2018-45437	-	152,180
EU- ENI/2018/395-919	-	130,343
OSGF 20961	-	93,418
OSGF20905	-	39,137
NATIONAL DEMOCRATIC INSTITUTE	-	8,087
PHR_SUBGRANT	-	(385)
Total grants receivable	1,190,400	1,322,557

NOTE 5: FIXED ASSETS

Year 2020

	Computers and Techniques	Other fixed assets	Total
Gross Book Value			
Balance at 31 December 2019	70,196	21,816	92,012
Additions	2,050	9,200	11,250
Balance at 31 December 2020	72,246	31,016	103,262
Accumulated Depreciation			
Balance at 31 December 2019	35,942	18,232	54,174
Charge for the year	910	9,771	10,681
Balance at 31 December 2020	36,852	28,003	64,855
Net Book Value			
Balance at 31 December 2019	34,254	3,583	37,838
Balance at 31 December 2020	35,394	3,013	38,407

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NOTE 5: FIXED ASSETS (continued)

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

NOTE 6: DEFERRED GRANT INCOME

	31-Dec-2020	31-Dec-2019
RFSU-4401-040301-1801	558,351	639,231
SWISS	290,899	442,935
OSGF21140	202,334	-
OSF- OR2018-45437	111,886	367,599
OSGF20961	98,045	202,823
PROLoG1696	48,861	-
PROLoG1736	51,307	-
OSGF21064	49,477	-
IPHR	47,280	-
IDFI	34,392	-
CTC	25,971	-
OSGF20905	-	100,943
GYLA	-	48,661
NDI	-	16,032
BOELL	-	77
DUTCH-AVT16/BZ/120646B	-	64,773
EU- ENI/2018/395-919	-	212,893
Total deferred grant income	1,518,803	2,094,373

NOTE 7: MOVEMENT IN DEFERRED GRANTS

	31-Dec-2020	31-Dec-2019
Opening balance of deferred grants	2,094,373	3,266,741
Add: Grant contracts signed in the period	1,456,650	1,086,806
Less: Deferred grants transferred to the period incomes	(2,032,220)	(2,259,174)
Closing balance of deferred grants	1,518,803	2,094,373

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES

Legal proceeding

As of 31 December 2020, 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 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 9: EVENTS AFTER THE REPORTING DATE

Significant events, which might be presented in these financial statements from the reporting date to the date of authorization relate to economic difficulties, that might arise from the spread of new coronavirus (COVID-19). However, 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. Also, an additional argument for low level of risk assessment is the fact that the economic difficulties caused by COVID-19 was successfully addressed in 2020 by the Organization.

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