Grant Thornton

# Financial Statements and Independent Auditor's Report

## The Institute for Development of Freedom of Information (IDFI)

December 31, 2016

# Contents

Grant Thornton

# Independent auditor's report


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To the Founders of the Institute for Development of Freedom of Information (IDFI)

*Opinion*

We have audited the accompanying financial statements of the Institute for Development of Freedom of Information (IDFI), (the "Organization"), which comprise the statement of financial position as of December 31, 2016, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Organization as of December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together 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 those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other matter*

The comparative financial statements of the Organization as of and for the year ended December 31, 2015 were audited by another auditor, whose report dated October 28, 2016 expressed an unmodified audit opinion on those financial statements. As described in note 14, these financial statements were restated by the management of the Organization. We have also audited these restatements.

*Responsibility of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

*Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

Ketevan Ghambashidze,
Registered Auditor,
Director,
Grant Thornton LLC
August 31, 2017

# Statement of financial position

| In Georgian Lari | Note | As of December 31, 2016 | As of December 31, 2015 (restated) | As of January 1, 2015 (restated) |
|---|---|---|---|---|
| Assets | | | | |
| *Non-current assets* | | | | |
| Property and equipment | 4 | 33,108 | 27,682 | 25,919 |
| Intangible assets | | 7,215 | 8,938 | 11,486 |
| | | 40,323 | 36,620 | 37,405 |
| *Current assets* | | | | |
| Inventories | | 2,164 | 4,068 | - |
| Grants receivable | 5 | 1,273,264 | 549,866 | 261,798 |
| Advances paid | | 25,510 | 8,457 | - |
| Tax asset | | - | - | 8,083 |
| Cash and cash equivalents | 6 | 522,179 | 320,303 | 371,034 |
| | | 1,823,117 | 882,694 | 640,915 |
| Total assets | | 1,863,440 | 919,314 | 678,320 |
| Liabilities and funds | | | | |
| *Funds* | | | | |
| Net assets | | 131,586 | 99,957 | 98,388 |
| | | 131,586 | 99,957 | 98,388 |
| *Current liabilities* | | | | |
| Deferred Grant Revenue | 7 | 1,702,250 | 817,102 | 578,193 |
| Trade and other payables | | 3,398 | 668 | 1,739 |
| Advances received | | 3,900 | - | - |
| Salaries payable | | 20,716 | - | - |
| Taxes payable | | 1,590 | 1,587 | - |
| Total current liabilities | | 1,731,854 | 819,357 | 579,932 |
| TOTAL EQUITY AND LIABILITIES | | 1,863,440 | 919,314 | 678,320 |

The financial statements were approved on August 30, 2017 by:

Giorgi Kldiashvili
Executive Director

Ketevan Esvanjia
Financial Manager

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 27.

# Statement of comprehensive income

In Georgian lari

| | Note | Year ended December 31, 2016 | Year ended December 31, 2015 (restated) |
|---|---|---|---|
| Revenue from grants | 8 | 961,925 | 936,321 |
| Other operating income | | 10,500 | 2,440 |
| Depreciation and amortisation | | (8,169) | (11,543) |
| Salaries | | (563,901) | (548,101) |
| Other operating expenses | 9 | (396,892) | (370,510) |
| Operating result | | 3,463 | 8,607 |
| | | | |
| Foreign exchange gains/(losses), net | | 28,167 | (7,038) |
| Result before income tax | | 31,629 | 1,569 |
| | | | |
| Income tax expense | | - | - |
| Change in net assets | | 31,629 | 1,569 |
| | | | |
| Net assets at the beginning of the year | | 99,957 | 98,388 |
| | | | |
| Net assets at the end of the year | | 131,586 | 99,957 |

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 27.

# Statement of changes in reserves

| In Georgian lari | Accumulated result | Total |
|---|---|---|
| Balance at 31 December 2014 | 98,388 | 98,388 |
| Changes in net assets 2015 | 1,569 | 1,569 |
| Balance at 31 December 2015 | 99,957 | 99,957 |
| Changes in net assets 2016 | 31,629 | 31,629 |
| Balance at 31 December 2016 | 131,586 | 131,586 |

The statement of changes in reserves is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 27.

# Statement of cash flows

| In Georgian Lari | Note | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|---|
| Cash from operating activities | | | |
| Grants received (net of returned amounts) | | 1,151,432 | 878,101 |
| Donations received | | 10,500 | 2,440 |
| Other cash Income | | 3,900 | - |
| Salaries and honoraria paid | | (493,039) | (463,574) |
| Income tax paid | | (115,386) | (99,948) |
| Office rent | | (22,935) | (29,511) |
| Rent of conference facilities | | (69,902) | (55,740) |
| Business trips | | (74,591) | (91,800) |
| Office running expenses | | (34,335) | (33,475) |
| Translation expenses | | (11,513) | (14,953) |
| Scholarship payment | | (6,400) | (14,822) |
| Advertisement expenses | | (1,797) | (18,264) |
| Bank charges | | (1,588) | (1,451) |
| Printing expenses | | (10,592) | (17,564) |
| Stationery | | (8,435) | (10,825) |
| Web-site development for program beneficiaries | | (32,826) | (3,245) |
| Consultant travel expenses | | (16,674) | (14,833) |
| Profit tax paid | | - | (2,827) |
| Property tax paid | | - | (494) |
| Other cash payments | | (59,305) | (38,452) |
| *Net cash from operating activities* | | *206,514* | *(31,237)* |
| Cash flows from investing activities | | | |
| Purchase of equipment | | (12,731) | (21,453) |
| *Net cash used in investing* | | *(12,731)* | *(21,453)* |
| Foreign exchange differences | | 8,093 | 1,959 |
| NET INCREASE / (DECREASE) in CASH | | 201,876 | (50,731) |
| Opening Balance | | 320,303 | 371,034 |
| Closing Balance | | 522,179 | 320,303 |

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 27.

# Notes to the financial statements

## 1 Nature of operations and general information

Institute for Development of Freedom of Information (IDFI) is a Georgian non-entrepreneurial, noncommercial legal entity committed to enhancing openness of the government and promoting an informed civil society through ensuring access to public information. IDFI was founded in 2009 by two academicians, Levan Avalishvili and Giorgi Kldiashvili.

Giorgi Kldiashvili – Executive Director

Levan Avalishvili – Deputy Executive Director

Address of the association: N3, Griboedovi str. , Tbilisi, 0108, Georgia.

Mission of IDFI is to promote openness and transparency of the government, establish an informed society and support development of democratic values through ensuring access to public information..

## 2 Basis of preparation

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Currently, IFRS do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRS do not give guidance on how to treat transactions specific to the not for profit sector, accounting policies have been based on the general principles of IFRS, as detailed in the International Accounting Standards Board ("IASB") *Framework for Preparation and Presentation Financial Statements.*

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

### 2.3 Functional and presentation currency

The national currency of Georgia is the Georgian lari, which is the Organization's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Organization.

These financial statements are presented in Georgian lari, since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Georgian lari has been rounded to the nearest full amount.

## 2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions may be modified as appropriate in the year in which circumstances change.

## 2.5 Adoption of new and revised standards

In the current year the Organization has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its activities and effective for annual reporting periods beginning on January 1, 2016.

**New and revised standards and interpretations that are effective for annual periods beginning on or after January 1, 2016**

Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Application of these amendments did not have an effect on the Organization's financial statements, as revenue-based method has not been used for depreciating property and equipment of the Organization.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Organization.**

IFRS 9 *Financial Instruments* (2014)

The IASB released IFRS 9 *Financial Instruments* (2014), representing the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Organization's management have yet to assess the impact of this new standard on the Organization's financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. The Organization's management have not yet assessed the impact of IFRS 15 on these financial statements.

IFRS 16 *Leases*

IFRS 16 presents new requirements and amendments to the accounting of leases. IFRS 16 will require lessees to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability.

IFRS 16 also:

- changes the definition of a lease;
- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- provides exemptions for short-term leases and leases of low value assets;
- changes the accounting for sale and leaseback arrangements;
- largely retains IAS 17's approach to lessor accounting;
- introduces new disclosure requirements.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted provided IFRS 15 *Revenue from Contracts with Customers* is also applied. The Organization's management have not yet assessed the impact of IFRS 16 on these financial statements.

### 2.6 Restatement and reclassifications of financial statements

The financial statements including the comparative information for prior periods are presented as if the correction had been made in the period in which such a necessity arose. Therefore, the amount of the correction that relates to each period presented is included in the financial statements of that period. The amount of the correction in the comparative financial statements of prior periods is made in the earliest period presented (refer to note 14).

## 3 Significant accounting policies

### 3.1 Foreign currencies

*Foreign currency transactions*

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the National Bank of Georgia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the National Bank of Georgia prevailing on the reporting date, which is 2.6468 Georgian laris for 1 US dollar, 2.7940 Georgian laris for 1 Euro (December 31, 2015: 2.3949 for 1 US dollar, 2.6169 for 1 Euro). Non-monetary items that are measured in foreign currency in terms of historic cost (translated using the exchange rates at the transaction date) are not retranslated.

Exchange differences arising on the settlement and retranslation of monetary items, are included in the result for the period.

### 3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the result for the period.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in result for the period as incurred.

Expenditure related to the improvement of leasehold properties are recognized as an item of property and equipment and are presented separately. Leasehold improvement is depreciated over the useful life of the asset or over the term of the relevant agreement, whichever is shorter.

Depreciation is charged to annual result on a diminishing balance basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The annual depreciation rates of all property and equipment is estimated as 5 years.

### 3.3 Financial instruments

*Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognized when the Organization becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs.

*Classification and subsequent measurement of financial assets*

For the purpose of subsequent measurement financial assets other than hedging instruments are divided into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments.

Financial assets are assigned to different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognized in the result or directly in other comprehensive income. Refer to note 13.2 for a summary of the Organization's financial assets by category.

Generally, the Organization recognizes all financial assets using settlement date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expenses relating to financial assets that are recognized in the result are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

*i. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables as well as cash and bank balances.

*Trade and other receivables*

Current accounts receivable are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Organization will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default and delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The balance of the allowance is adjusted by recording a charge or income to the result of the reporting period. Any amount written-off with respect to customer account balances is charged against the existing allowance for doubtful accounts. All accounts receivable for which collection is not considered probable are written-off.

*Cash and bank balances*

The Organization's cash and bank balances comprise cash in hand and bank accounts.

*Classification and subsequent measurement of financial liabilities*

The Organization's financial liabilities include accounts payable. A summary of the Organization's financial liabilities by category is given in note 13.2.

*i. Trade and other payables*

Payables are stated at fair value and subsequently stated at amortized cost.

### 3.4 Impairment

*Impairment of property and equipment*

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

### 3.5 Grants

Grants are not recognized until there is reasonable assurance that the Organization will comply with the conditions attaching to them and the grants will be received.

Grants received unconditionally from the donors as a financial support or as a compensation for expenses and losses already incurred, are recognized in the result for the period in which they become receivable.

Grants whose primary condition is that the Organization should purchase, construct or otherwise acquire non-current assets are recognized as grants related to assets in the statement of financial position and transferred to annual result on a systematic and rational basis over the useful lives of the related assets.

Other conditional grants are recognized in the statement of financial position as deferred income when the contract with donor is signed to the extent that there is reasonable assurance that the Organization will comply with the conditions attaching to the grant contract and the grants will be received. Deferred income is transferred to the statement of comprehensive income in line with the realization of the grant commitments, over the periods necessary to match them with the cost for which they are intended to compensate, on a systematic basis.

### 3.6 Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Assets and services received by the Organization as a grant, as well as expenses related to them are not taxable items for income tax purposes.

### 3.7 Income recognition

The income of the Organization arises from the use of grants received and other sources.

*Income from grants*

Policy for recognition of income from grants is disclosed in note 3.5.

*Income from rendering of services*

Revenue from rendered services is earned from research and training contracts performed by the Organization. Revenue is measured as the fair value of the consideration received or receivable and is recognized when:

- the amount of revenue may be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Organization;
- the stage of completion of the transaction at the reporting date may be reliably measured; and
- the costs incurred for the transaction and the costs to complete the transaction may be reliably measured.

*Interest income*

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and a the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## 4 Property and equipment

In Georgian Lari

| | Technical equipment | Furniture | Other equipment | Total |
|---|---|---|---|---|
| Historical Cost 1.1.2015 | 29,163 | 5,932 | 2,977 | 38,072 |
| Additions | 9,820 | 414 | 523 | 10,757 |
| Historical Cost 31.12.2015 | 38,983 | 6,346 | 3,500 | 48,829 |
| Additions | 8,287 | 2,075 | 1,508 | 11,871 |
| Historical Cost 31.12.2016 | 47,270 | 8,421 | 5,008 | 60,700 |
| | | | | |
| Accumulated depreciation at 1.1.2015 | (9,808) | (1,603) | (742) | (12,153) |
| Depreciation | (7,049) | (1,257) | (688) | (8,994) |
| Accumulated depreciation at 31.12.2015 | (16,857) | (2,860) | (1,430) | (21,147) |
| Depreciation | (4,191) | (1,846) | (409) | (6,445) |
| Accumulated depreciation at 31.12.2016 | (21,048) | (4,706) | (1,839) | (27,592) |
| | | | | |
| Net book value | | | | |
| Net book value 1.1.2015 | 19,355 | 4,329 | 2,235 | 25,919 |
| Net book value 31.12.2015 | 22,126 | 3,486 | 2,070 | 27,682 |
| Net book value 31.12.2016 | 26,223 | 3,715 | 3,170 | 33,108 |

## 5 Grants receivable

| Donor | Start Date | Finish date | Project | 31-Dec 2016 | 31-Dec 2015 |
|---|---|---|---|---|---|
| Ministry of Foreign Affairs of the Republic of Estonia | 12/Dec/2016 | 30/Apr/2018 | New E-Governance Initiatives to meet OGP Commitments in Georgia | 192,383 | - |
| United Nations Development Programme (UNDP) | 1/Sep/2016 | 31/Aug/2018 | Strengthening the System of Parliamentary Democracy in Georgia | 540,874 | - |
| Open Society Georgia Foundation | 27/Jul/2016 | 30/Sep/2017 | For Open and Accountable Local Government - National Assessment of Transparency and Public Participation of Georgian Municipalities | 42,746 | - |
| United Nations Development Program (UNDP) – Governance Reform Fund (GRF) through SIDA – Swedish International Development Agency | 1/Dec/2016 | 1/Dec/2017 | Supporting the Implementation of Sustainable Development Goals in Georgia | 213,597 | - |
| Open Society Institute Budapest Foundation | 10/Jun/2016 | 12/Jul/2017 | Transparent Public Procurement Rating– Assessing Public Procurement Legislation and the Enforcement Process in the Eurasian Region | - | - |
| Tetra Tech ARD | 9/Mar/2016 | 28/Apr/2017 | Developing a Transparency and Integrity Framework for the Ministry of Regional Development and Infrastructure of Georgia | 42,047 | - |
| East-West Management Institute (EWMI) | 1/Jul/2016 | 31/Mar/2017 | Increasing Access to Judicial Decisions in Georgia | 22,132 | - |
| Deloitte Consulting LLP on behalf of the United State agency for International Development ("USAID") | 1/Sep/2015 | 1/Sep/2018 | Public-Private Dialogues (PPD) Quality Tracking in Georgia | 156,691 | 210,991 |
| Open Society Institute Budapest Foundation (OSI) | 1/Sep/2015 | 31/Aug/2017 | Organizational Development Grant-IDFI | 62,795 | 193,149 |
| United Nations Development Programm (UNDP) | 9/Dec/2014 | 16/May/2016 | Supporting Parliament of Georgia Involvement in open Government Partnership Initiative | - | 12,778 |
| Federal Foreign Office of Germany | 10/Oct/2014 | 20/Oct/2016 | Strategic Plant Georgia 2020-Strengthening Public Involvement (ZigB) | - | 58,859 |
| Open Society Georgia Foundation | 16/Oct/2015 | 16/Sep/2016 | Improvement of Electronic Transparency in the Municipalities of kakheti and Promotion of Public Engagement in the Work of Local Self-Governments | - | 53,825 |
| Tetra Tech ARD, implementer of the USAID Good Governance Initiative in Georgia Project. | 17/Aug/2015 | 18/Jan/2016 | Open Date: Source for Changes and Innovations | - | 11,317 |
| Open Society Georgia Foundation | 17/Apr/2013 | 19/Mar/2016 | Supporting and Monitoring of the Transition to Digital Terrestrial Broadcasting in Georgia | - | 5,388 |
| Stichting free press unlimited | 1/Jul/2013 | 30/Nov/2015 | Promoting Internet freedom in South Caucasus | - | 3,559 |
| **Total grant other receivable** | | | | **1,273,264** | **549,866** |

## 6 Cash and cash equivalents

| In Georgian Lari | 31-Dec 2016 | 31-Dec 2015 |
|---|---|---|
| Cash on bank in Georgian Lari | 257,532 | 213,260 |
| Cash on bank in foreign currency | 264,647 | 107,043 |
| Total cash and cash equivalents | 522,179 | 320,303 |

## 7 Deferred grant revenue

| Donor | Start Date | Finish date | Project | 31-Dec 2016 | 31-Dec 2015 |
|---|---|---|---|---|---|
| Ministry of Foreign Affairs of the Republic of Estonia | 12/Dec/2016 | 30/Apr/2018 | New E-Governance Initiatives to meet OGP Commitments in Georgia | 185,429 | - |
| United Nations Development Programme (UNDP) | 1/Sep/2016 | 31/Aug/2018 | Strengthening the System of Parliamentary Democracy in Georgia | 570,622 | - |
| Open Society Georgia Foundation | 27/Jul/2016 | 30/Sep/2017 | For Open and Accountable Local Government - National Assessment of Transparency and Public Participation of Georgian Municipalities | 63,618 | - |
| United Nations Development Program (UNDP) – Governance Reform Fund (GRF) through SIDA – Swedish International Development Agency | 1/Dec/2016 | 1/Dec/2017 | Supporting the Implementation of Sustainable Development Goals in Georgia | 359,449 | - |
| Open Society Institute Budapest Foundation | 10/Jun/2016 | 12/Jul/2017 | Transparent Public Procurement Rating– Assessing Public Procurement Legislation and the Enforcement Process in the Eurasian Region | 215,908 | - |
| Tetra Tech ARD | 9/Mar/2016 | 28/Apr/2017 | Developing a Transparency and Integrity Framework for the Ministry of Regional Development and Infrastructure of Georgia | 27,333 | - |
| East-West Management Institute (EWMI) | 1/Jul/2016 | 31/Mar/2017 | Increasing Access to Judicial Decisions in Georgia | 29,015 | - |
| Deloitte Consulting LLP on behalf of the United State agency for International Development ("USAID") | 01/09/2015 | 01/09/2018 | Public-Private Dialogues (PPD) Quality Tracking in Georgia | 143,881 | 207,917 |
| Open Society Institute Budapest Foundation (OSI) | 01/09/2015 | 31/08/2017 | Organizational Development Grant-IDFI | 106,995 | 251,828 |
| United Nations Development Programm (UNDP) | 09/12/2014 | 16/05/2016 | Supporting Parliament of Georgia Involvement in open Government Partnership Initiative | - | 109,981 |
| Federal Foreign Office of Germany | 10/10/2014 | 20/10/2016 | Strategic Plant Georgia 2020-Strengthening Public Involvement (ZigB) | - | 114,662 |
| Open Society Georgia Foundation | 17/04/2013 | 19/03/2016 | Supporting and Monitoring of the Transition to Digital Terrestrial Broadcasting in Georgia | - | 25,087 |
| Tetra Tech ARD, implementer of the USAID Good Governance Initiative in Georgia Project. | 17/08/2015 | 19/01/2016 | Open Date: Source for Changes and Innovations | - | 17,954 |
| Open Society Georgia Foundation | 16/10/2015 | 16/09/2016 | Improvement of Electronic Transparency in the Municipalities of kakheti and Promotion of Public Engagement in the Work of Local Self-Governments | - | 89,673 |
| **Total Deferred Grant Revenue** | | | | 1,702,253 | 817,102 |

## 8 Revenue from grants

| Donor | Start date | Finish date | Project description | 2016 | 2015 |
|---|---|---|---|---|---|
| Ministry of Foreign Affairs of the Republic of Estonia | 12/Dec/2016 | 30/Apr/2018 | New E-Governance Initiatives to meet OGP Commitments in Georgia | 6,978 | - |
| United Nations Development Programme (UNDP) | 1/Sep/2016 | 31/Aug/2018 | Strengthening the System of Parliamentary Democracy in Georgia | 100,184 | - |
| Open Society Georgia Foundation | 27/Jul/2016 | 30/Sep/2017 | For Open and Accountable Local Government - National Assessment of Transparency and Public Participation of Georgian Municipalities | 32,977 | - |
| United Nations Development Program (UNDP) – Governance Reform Fund (GRF) through SIDA – Swedish International Development Agency | 1/Dec/2016 | 1/Dec/2017 | Supporting the Implementation of Sustainable Development Goals in Georgia | 12,327 | - |
| Open Society Institute Budapest Foundation | 10/Jun/2016 | 12/Jul/2017 | Transparent Public Procurement Rating– Assessing Public Procurement Legislation and the Enforcement Process in the Eurasian Region | 122,726 | - |
| Tetra Tech ARD | 9/Mar/2016 | 28/Apr/2017 | Developing a Transparency and Integrity Framework for the Ministry of Regional Development and Infrastructure of Georgia | 102,043 | - |
| East-West Management Institute (EWMI) | 1/Jul/2016 | 31/Mar/2017 | Increasing Access to Judicial Decisions in Georgia | 63,242 | - |
| Deloitte Consulting LLP on behalf of the United State agency for International Development ("USAID") | 1/Sep/2015 | 1/Sep/2018 | Public-Private Dialogues (PPD) Quality Tracking in Georgia | 64,035 | 12,399 |
| Open Society Institute Budapest Foundation (OSI) | 1/Sep/2015 | 31/Aug/2017 | Organizational Development Grant-IDFI | 144,832 | 16,479 |
| United Nations Development Programm (UNDP) | 9/Dec/2014 | 16/May/2016 | Supporting Parliament of Georgia Involvement in open Government Partnership Initiative | 96,321 | 284,739 |
| Federal Foreign Office of Germany | 10/Oct/2014 | 10/Feb/2016 | Strategic Plant Georgia 2020-Strengthening Public Involvement (ZigB) | 98,392 | 243,824 |
| Open Society Georgia Foundation | 17/Apr/2013 | 19/Mar/2016 | Supporting and Monitoring of the Transition to Digital Terrestrial Broadcasting in Georgia | 20,740 | 82,182 |
| Tetra Tech ARD. implementer of the USAID Good Governance Initiative in Georgia Project. | 17/Aug/2013 | 18/Jan/2016 | Open Date: Source for Changes and Innovations | 13,556 | 38,630 |
| Open Society Georgia Foundation | 16/Oct/2015 | 16/Sep/2016 | Improvement of Electronic Transparency in the Municipalities of kakheti and Promotion of Public Engagement in the Work of Local Self-Governments | 81,856 | 17,825 |
| Stichting free press unlimited | 1/Jul/2013 | 30/Nov/2015 | Promoting Internet freedom in South Caucasus | 1,716 | 17,517 |
| Open Society Georgia Foundation | 8/Oct/2013 | 15/Dec/2015 | Public Information Database -www.opendata.ge | - | 147,165 |
| Magticom LTD | 1/Apr/2015 | 1/Dec/2015 | Family Support Policy-EU Member States and Georgia | - | 35,000 |
| Open Society Georgia Foundation | 9/Oct/2014 | 9/Feb/2015 | Concept for the New Web -Page of Tbilisi City Hall | - | 23,832 |
| U.S. Embassy in Georgia | 1/Aug/2014 | 30/Mar/2015 | Enhancin E-Skills of Controlling Government among Young People | - | 13,066 |
| Embassy of the Kingdom of the Netherlands | 10/Nov/2014 | 10/Dec/2014 | Internet Freedom as Human Right in Georgia | - | 3,663 |
| **Total grant revenue** | | | | **961,925** | **936,321** |

## 9 Other operating expenses

| In Georgian Lari | Year 2016 | Year 2015 |
|---|---|---|
| Representative expenses | 34,180 | 96,648 |
| Business trip | 50,361 | 60,102 |
| Consulting and other professional fees | 56,238 | 55,902 |
| Office expenses | 31,898 | 35,064 |
| Rent expenses | 28,833 | 28,057 |
| Scholarship expenses | 13,500 | 18,527 |
| Transportation and posting expenses | 4,335 | 16,880 |
| Conference expenses | 89,850 | 14,878 |
| Advertising expenses | 8,255 | 14,546 |
| Communication and utility expenses | 13,134 | 10,338 |
| Web page development and maintenance expenses | 44,550 | - |
| Fuel expenses | 575 | 8,319 |
| Award expenses | 2,949 | 6,825 |
| Other expenses | 18,234 | 4,424 |
| Total other operating expenses | 396,892 | 370,510 |

## 10 Financial instruments

### 10.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the note 3.3.

### 10.2 Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

*Financial assets*

| In Georgian lari | As of December 31, 2016 | As of December 31, 2015 (restated) |
|---|---|---|
| Grants receivable | 1,273,264 | 549,866 |
| Cash and bank balances | 522,179 | 320,303 |
| | 1.795,443 | 870.169 |

*Financial liabilities*

| In Georgian lari | As of December 31, 2016 | As of December 31, 2015 (restated) |
|---|---|---|
| Financial liabilities measured at amortized cost: | | |
| Trade and other payables | 3,398 | 668 |
| | 3,398 | 668 |

## 11 Financial risk management

The Organization is exposed to various risks in relation to financial instruments. The main types of risks are market risk and credit risk.

The Organization does not engage in the trading of financial assets for speculative purposes nor does it write options. Most significant risks to which the Organization is exposed are described below.

### Financial risk factors

### a) Market risk

The Organization is exposed to market risk through its use of financial instruments and specifically to currency risk.

*Foreign currency risk*

The Organization undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Exposures to exchange rate fluctuations arise from the Organization's cash and grants receivable which are denominated in US dollars and Euros.

Foreign currency denominated financial assets and liabilities which expose the Organization to currency risk are disclosed below. The amount shown are those report to key management translated in to Georgian laris at the closing rate:

| Item | | |
|---|---|---|
| As of December 31, 2016 | US dollar | Euro |
| *Financial assets* | | |
| Grants receivable | 1,074,527 | - |
| Cash and bank balances | 262,467 | 2,181 |
| | 1,336,994 | 2,181 |
| *Financial liabilities* | | |
| Trade and other payables | - | - |
| | - | - |
| Net position | 1,336,994 | 2,181 |

| Item | | |
|---|---|---|
| As of December 31, 2015 | US dollar | Euro |
| *Financial assets* | | |
| Grants receivable | 476,133 | 61,340 |
| Cash and bank balances | 62,682 | 43,422 |
| | 538,815 | 104,762 |
| *Financial liabilities* | | |
| Trade and other payables | - | - |
| | - | - |
| Net position | 538,815 | 104,762 |

The following table details the Organization's sensitivity to a 30% (2015: 30%) increase and decrease in Georgian lari against US dollar and Euro. The 30% (2015: 30%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 30% (2015: 30%) change in foreign currency rates.

Impact of possible change in exchange rates on net profit as at 31 December 2016 and 2015:

| | USD impact 2016 | | EURO impact 2016 | |
|---|---|---|---|---|
| | GEL/USD | GEL/USD | GEL/EURO | GEL/EURO |
| | 30% | -30% | 30% | 30% |
| Profit/ (loss) | 401,098 | (401,098) | 654 | (654) |

| | USD impact 2015 | | EURO impact 2015 | |
|---|---|---|---|---|
| | GEL/USD | GEL/USD | GEL/EURO | GEL/EURO |
| | 30% | -30% | 30% | 30% |
| Profit/ (loss) | 161,645 | (161,645) | 31,429 | (31,429) |

Exposures to foreign exchange rates vary during the year depending on the volume of donations in foreign currency. Nonetheless, the analysis above is considered to be representative of the Organization's exposure to currency risk.

**b) Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Organization. The effect of this risk for the Organization arises from different financial instruments, such as accounts receivable, especially the amounts expected from donors. Management believes that the credit risk on these amounts is low, since the practice with those donors shows that donors always transfer the agreed amounts. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

| In Georgian lari | As of December 31, 2016 | As of December 31, 2015 |
|---|---|---|
| Financial assets at carrying amounts | | |
| Grants receivable | 1,273,264 | 549,866 |
| Cash and bank balances | 522,179 | 320,303 |
| | 1,795,443 | 870,169 |

At the reporting date there was no significant concentration of credit risk in respect of grants receivable.

The credit risk for cash and cash equivalents is considered negligible, since the Organization hold its accounts at reputable banks with a Long-Term Issuer Default rating of "BB-/Stable" awarded by Fitch Ratings.

## 12 Contingencies

### 12.1 Business environment

Georgia continues to undergo economic reforms. As an emerging market, business and regulatory environment is in development and operations in Georgia may involve risks that are not typically observable in more mature free market economies. Possible slowdown in the world economy may also affect the economic situation of countries collaborating with Georgia, having possible effects on the Organization, such as difficulties in obtaining funds, difficulties in selling services, etc. In times of more severe market stress the situation of Georgian economy and of the Organization may be exposed to deterioration. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Organization may be affected. Therefore, the financial statements of the Organization do not include the effects of adjustments, if any, which might have been considered necessary, had the effects of the factors described above become observable and reliably measurable in Georgia.

Management of the Organization believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Organization.

### 12.2 Taxes

The taxation system in Georgia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

## 13 Related party transactions

The Organization's related parties include its Board Members and key management.

### 13.1 Transactions with key management

Reported salary expenses for the year 2016 of GEL 563,961 include salaries and other benefits of Key Management personnel in the amount of GEL 170,227 ( year 2015: GEL 182,626).

## 14 Restatement of comparative financial statements

During 2016 management of the Organization has determined that adjustments are necessary to certain items of the statement of financial position as of December 31, 2015 and some items of the statement of comprehensive income for the year ended December 31, 2015. The table below discloses such restatements:

Statement of financial position:

| In Georgian Lari | As of December 31, 2015 (As previously reported) | Adjustment | As of December 31, 2015 (As restated) | Reason for adjustments |
|---|---|---|---|---|
| Assets | | | | |
| *Non-current assets* | | | | |
| Property and equipment | 27,682 | - | 27,682 | |
| Intangible assets | 8,938 | - | 8,938 | |
| | 36,620 | - | 36,620 | |
| *Current assets* | | | | |
| Inventories | 8,188 | (4,120) | 4,068 | Reclassifications. Cut-off. |
| Grants receivable | 549,866 | - | 549,866 | |
| Advances paid | 3,691 | 4,766 | 8,457 | Cut-off error in rent expenses and minor reclassifications |
| Tax asset | 3,439 | (3,439) | - | Reclassified to taxes payable to show the net amount |
| Cash and cash equivalents | 319,365 | 938 | 320,303 | Classification error |
| | 884,549 | (1,855) | 882,694 | |
| Total assets | 921,169 | (1,855) | 919,314 | |
| Liabilities and funds | | | | |
| *Funds* | | | | |
| Net assets | 103,421 | (3,464) | 99,957 | Net effect of other changes |
| | 103,421 | (3,464) | 99,957 | |
| *Current liabilities* | | | | |
| Deferred Grant Revenue | 812,054 | 5,048 | 817,102 | Cut-off error in rent expenses |
| Trade and other payables | 668 | - | 668 | |
| Taxes payable | 5,026 | (3,439) | 1,587 | Reclassified from tax asset to show the net amount |
| Total current liabilities | 817,748 | 1,609 | 819,357 | |
| TOTAL EQUITY AND LIABILITIES | 921,169 | (1,855) | 919,314 | |

In the statement of comprehensive income for the year ended December 31, 2015 both, the *Grant Revenues* and *Other operating expenses* were reduced by GEL 5,555 whcih is the result of cut-off error in rent expenses. This splits as: GEL 1,768 previousely in error allocated to the year 2014 instead of year 2015 and GEL 7,323 which represent expenses of year 2016, but were previousely in error allocated to year 2015.

The Organization has also changed presentation of cash flow statement from "indirect" to "direct" method as the management believes such presentation is more informative and not less reliable than previouscly used presentation.

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