

The Institute for Development of Freedom of
Information IDFI

Financial Statements

Together with the Auditor's Report

Year ended 31, December 2015

INSTITUTE FOR DEVELOPMENT OF FREEDOM OF INFORMATION
FINANCIAL STATEMENTS
For the year ended 31 December 2015

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INDEPENDENT AUDITOR'S REPORT

To the founders of The Institute for Development of Freedom of Information

Report on the Financial Statements

We have audited the accompanying financial statements of the **Institute for Development of Freedom of Information** (hereinafter - the 'Organization'), which comprise the balance sheet as at 31 December 2015, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with international Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of **Institute for Development of Freedom of Information** as at December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO LLC

28 October 2016

Tbilisi, Georgia



INSTITUTE FOR DEVELOPMENT OF FREEDOM OF INFORMATION
STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2015

(In GEL)

	Note	31.12.2015	31.12.2014	01.01.2014
Assets				
Non-current assets				
Fixed assets	7	27,682	25,919	15,264
Intangible assets	8	8,938	11,486	-
Total non-current assets		36,620	37,405	15,264
Current assets				
Inventory		8,188	835	1,037
Grant and other receivables	9	553,557	261,798	332,712
Tax asset		3,439	8,083	-
Cash and cash equivalents	10	319,365	371,034	69,825
Total current assets		884,549	641,750	403,574
Total assets		921,169	679,155	418,838
Equity and liabilities				
Owner's equity				
Net assets		103,421	101,852	38,155
Total equity		103,421	101,852	38,155
Current liabilities				
Deferred grant revenue	11	812,054	576,425	369,986
Other payables		668	878	8,737
Taxes payable		5,026	-	1,960
Total current liabilities		817,748	577,303	380,683
Total equity and liabilities		921,169	679,155	418,838

The financial statements for the year ended 31 December 2015 were approved on behalf of the management on 01 November 2016 by:

Executive Director



Giorgi Kidlashvili



Notes on pages 8-23 are the integral part of these financial statements.

INSTITUTE FOR DEVELOPMENT OF FREEDOM OF INFORMATION
STATEMENT OF OPERATIONS

For the year ended 31 December 2015

(In GEL)

	Note	2015	2014
Revenue from Grants	5	941,876	586,716
Other Operational Income		2,440	30,839
Amortization and Depreciation		(11,543)	(6,984)
Salary		(548,101)	(380,898)
Other Operational Expenses	6	(376,065)	(160,225)
Operating result		8,607	69,448
Foreign exchange gain (loss), net		(7,038)	(1,258)
Result before taxation		1,569	68,190
Income tax expense		-	(4,493)
Changes in net assets		1,569	63,697
Net assets at Beginning of Year		101,852	38,155
Net assets at End of Year		103,421	101,852

Notes on pages 8-23 are the integral part of these financial statements.

INSTITUTE FOR DEVELOPMENT OF FREEDOM OF INFORMATION
STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

(In GEL)

	Note	2015	2014
Cash flows from operating activities			
Income before taxation		1,569	68,190
Adjustments to:			
Depreciation and amortization		11,543	6,984
Revenue from Grants		(941,876)	(586,716)
Other operational income		(2,440)	(30,839)
Foreign exchange loss		7,038	1,258
Cash outflow from operating activities before changes in operating assets and liabilities		(924,166)	(541,123)
Movements in working capital			
Decrease/(increase) in inventory		(7,353)	202
Increase in Grant and other receivables		880,300	901,284
Increase in trade and other payables		(210)	(20,602)
Decrease/(increase) in current tax asset		4,644	(8,083)
Increase/(decrease) in current tax payable		5,026	(1,960)
Cash inflow (outflow) from operating activities		(41,759)	329,718
Income tax paid		-	(4,493)
Net cash inflow (outflow) from operating activities		(41,759)	325,225
Cash flows from investing activities			
Purchase of Fixed assets, intangible assets		(10,757)	(16,382)
Net cash outflow from investing activities		(10,757)	(16,382)
Cash flows from financial activities			
Net cash inflow from financing activities		-	-
Net increase/ (decrease) in cash and cash equivalents		(52,516)	308,843
Effect of changes in foreign exchange rate on cash and cash equivalents		847	(7,634)
Cash and cash equivalents at the beginning of the year	10	371,034	69,825
Cash and cash equivalents at the end of the year	10	319,365	371,034

Notes on pages 8-23 are the integral part of these financial statements.

INSTITUTE FOR DEVELOPMENT OF FREEDOM OF INFORMATION
STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2015

(In GEL)

	Changes in net assets	Total
Balance at 01 January 2014	38,155	38,155
Changes in net assets	63,697	63,697
Balance at 31 December 2014	101,852	101,852
Changes in net assets	1,569	1,569
Balance at 31 December 2015	103,421	103,421

Notes on pages 8-23 are the integral part of these financial statements.

Notes to Financial Statements

For the year ended 31 December 2015

(In GEL)

1. General information

Institute for Development of Freedom of Information (IDFI) is a Georgian non-entrepreneurial, non-commercial 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.

Levan Avalishvili - Chairman of the Board

Giorgi Kldiashvili - Director

Address of the association: №3, 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**Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) and are in accordance with IFRS as issued by the IASB.

The Organization, registered in Georgia, maintains accounting records in accordance with IFRS. These financial statements were prepared based on accounting records of the Organization. The Organization keeps its books and records in Georgian lari and the financial statements are also prepared in GEL.

These financial statements have been prepared under the historical cost convention as modified by the initial recognition of financial instruments based on fair value.

The management and shareholders have the intention to further develop of the Organization in Georgia. The management believes that the going concern assumption is appropriate for the Organization.

The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires Organization management to exercise judgment in the most appropriate application in applying the Organization's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

The reporting period for the Organization is the calendar year from January 1 to December 31.

First time adoption of IFRS

These are the organisation's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The organisation's IFRS accounting policies presented in Note 2 have been applied in the preparation of financial statements for the year ended 31 December 2015, the comparative information and the opening statement of financial position at the date of transition which is 1 January 2014. The Organisation has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these first IFRS financial statements.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the most appropriate application in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

Basis of measurement

These financial statements have been prepared under the historical cost basis.

Adoption of new IFRSs

None of the new standards, interpretations and amendments, effective for the first time from 1 January 2015 or issued but not effective for the financial year beginning 1 January have had a material effect on the financial statements.

Notes to Financial Statements

For the year ended 31 December 2015

(In GEL)

2. Basis of preparation (Continued)**Changes in accounting policies***a) New standards, interpretations and amendments effective from 1 January 2015*

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2015. None of the amendments to Standards that are effective from that date had a significant effect on the Organisation's financial statements.

b) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Organisation's future financial statements:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers. In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 15, the transition can involve one or more than one date of initial application for different requirements.

IFRS 9 Financial Instruments. IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business

2. Basis of preparation (Continued)

model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The effects of IFRS 15 Revenues from Contracts with Customers and IFRS 9 Financial Instruments are still being assessed, as these new standards may have a significant effect on the Organisation's future financial statements.

Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which The Institute operates ('the functional currency'). Financial statements are presented in Georgian Lari (GEL), which is The Institute's functional and presentation currency.

Monetary assets and liabilities are translated into The Organisation's functional currency at the official exchange rate of the National Bank of Georgia.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Institute's functional currency at year-end official exchange rates are recognised in the statement of comprehensive income. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

	USD / GEL	EUR / GEL
Exchange rate as at 31 December 2015	2.3949	2.6169
Exchange rate as at 31 December 2014	1.8636	2.2636
Exchange rate as at 1 January 2014	1.7363	2.3891

2. Basis of preparation (Continued)***Revenues***

Donors' contributions represent the Institute's main source of income although member and voluntary contributions are permissible by the charter.

Most donor contributions are in the form of grant or cooperative agreements. The management of IDFI considers such grant agreements as contributions and they are recognized as soon as the promise is made.

All contributions, including pledges, are recognized as revenue upon receipt and are considered to be unrestricted unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions received are measured at fair value.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions.

Expenses

The Organization incurs expenses in the course of its normal operations, as well as other expenses not related to the main activity of the Organization.

Expenses are recognized in the income statement if there arises any decrease of future economic profit related to the decrease of an asset or increase of a liability that can be reliably assessed.

Expenses are recognized in the income statement on the basis of direct comparison of expenses incurred and income on certain items.

If economic profit is expected to arise during several reporting periods and association with income can be traced only as a whole or indirectly, expenses in the income statement are recognized based on the method of rational distribution.

Expenses are recognized in the income statement immediately, if the expenses do not result in future economic profit any more, or if future economic profit do not meet or stop to meet the requirements of recognition as an asset in the balance sheet.

Financial Instruments

Initial recognition. Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets. The Organisation determines the classification of its financial assets upon initial recognition.

(a) Fair value through profit or loss

This category comprises only in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Organisation does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

(b) Held to maturity investments

Non derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Organisation has positive intention and ability to hold them upon maturity. The Organisation does not have any assets as being classified held to maturity.

(c) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Notes to Financial Statements

For the year ended 31 December 2015

(In GEL)

2. Basis of preparation (Continued)**(d) Available-for-sale**

Non-derivative financial assets not included in the above categories are classified as available for sale and comprise principally the Organisation's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities as well as corporate bonds. They are carried at fair value with

changes in fair value generally recognized in other comprehensive income and accumulated in the available-for-sale reserve; Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in profit or loss.

2. Summary of significant accounting policies (Cont.)

Purchases and sales of available for sale financial assets are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the available-for-sale reserve. On sale, the cumulative gain or loss recognized in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. **Cost** is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method.

Accrued interest income and accrued interest expense, are not presented separately and are included in the carrying values of related balance sheet items.

Derecognition of financial assets

The Organisation derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Organisation has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, non-restricted cash on current accounts in banks, and non-restricted cash on bank deposits with original maturity of less than 3 months.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Notes to Financial Statements

For the year ended 31 December 2015

(In GEL)

2. Basis of preparation (Continued)*Property, plant and equipment*

An item of property, plant and equipment that qualifies for recognition as an asset are measured at its cost.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit unless such interest is recognized in the carrying amount of the item.

After recognition as an asset, an item of property, plant and equipment are carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is accrued by equal parts during the term of property, plant and equipment useful life not including the expected residual value.

Organization has measured the useful lives of Property, plant and equipment by categories. Useful Lives for all furniture and equipment is determined as 5 Years.

Impairment of assets

The Organization's financial statements reflect the effect of the requirements of IAS 36 "Impairment of assets" in force for the reporting periods starting from January 1, 2005 and after this date. The above standard stipulates that the cost of fixed assets and intangibles should be revised when indications of possible impairment of the asset cost exist.

According to the requirements of IAS 36 the asset cost should be calculated as the higher of the net selling price or profitability of the asset use. The net selling price is the amount obtainable from the sale of an asset to non-related parties in an arm's length transaction less direct sales expenses. Profit from an asset use is the current value of expected cash flows from an asset use during its useful life and its disposal.

The above standard stipulates that during determination of an asset use profitability the Organization should apply expected cash flows which should reflect current state of an asset and present qualitative estimation made by the management regarding the totality of economic conditions existed during remaining useful life of an asset. Expected cash flows should be discounted at the rate that reflects current market assessments of the value of money in time and risks associated with the asset.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged on a straight-line basis over their estimated 6-7 year useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using (First-in First-out) FIFO method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Notes to Financial Statements

For the year ended 31 December 2015

(In GEL)

2. Basis of preparation (Continued)**Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Organisation operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rate (and laws) that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity where there is an intention to settle the balances on a net basis.

3. Critical accounting estimates and judgments

The Organization makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Useful lives of property, plant and equipment.** Property, plant and equipment are amortized or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.
- **Income taxes.** During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Organization recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Organization's belief that its tax return positions are supportable, the Organization believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. As a result Organization minimizes the risks related to this fact. The Organization believes that its accruals for tax liabilities are adequate for open audit year based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Notes to Financial Statements

For the year ended 31 December 2015

(In GEL)

4. Financial Instruments - Risk Management

The Organization is exposed to risks that arise from its use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk.

This note describes the Organization's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Organization, from which financial instrument risk arises, are as follows:

- Grants and other receivables
- Cash and cash equivalents
- Other payables

A summary of the financial instruments held by category is provided below:

Financial assets

	2015	2014	01.01.2014
Grants and Other Receivables	553,557	261,798	332,712
Cash and cash equivalents	319,365	371,034	69,825
Total	872,922	632,832	402,537

Financial Liabilities

	2015	2014	01.01.2014
Other payables	668	878	8,737
Total	668	878	8,737

General objectives, policies and processes

The Institute does not have significant risks associated with its financial instruments. Top management maintains control to the risks. It is possible to get more accurate information about the Institute risk management approach below.

Credit risk

Credit risk is the risk of financial loss to the Institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As the Organization's main activity is managing grants, credit risk is not relevant for this type of organization.

In recent period there was no one case of when the Institute's own property was pledged, neither there were any similar cases noted.

Cash and cash equivalents also give a rise to credit risk since banks may fail to fulfill their obligations towards the Institute. Furthermore, the fair value of cash and cash equivalents are exposed to credit risk at the reporting date as well. However, since the Organization undertakes to assess the quality and creditworthiness of the banks, the risk of a bank defaulting on its obligations to the Institute and the fair value impairment remains immaterial in the Organization's view.

Notes to Financial Statements

For the year ended 31 December 2015

(In GEL)

4. Financial Instruments - Risk Management (Continued)

Liquidity risk

Liquidity risk arises from the Organization's management of working capital. It is the risk that the Institute will encounter difficulty in meeting its current financial obligations as they fall due and this may affect adversely the Institute's on-going operations and performance. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

At the reporting period the Institute has significant amounts due to its accounts liabilities, however, its financial assets are significant as well.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

As at 31 December 2015	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Assets				
Grants and other receivables	149,417	404,140	-	553,557
Cash and cash equivalents	319,365	-	-	319,365
	<u>468,782</u>	<u>404,140</u>	<u>-</u>	<u>872,922</u>
Liabilities				
Other payables	668	-	-	668
	<u>668</u>	<u>-</u>	<u>-</u>	<u>668</u>
Net liquidity gap	468,114	404,140	-	
Cumulative liquidity gap	<u>468,114</u>	<u>872,254</u>	<u>872,254</u>	

As at 31 December 2014	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Assets				
Grants and other receivables	140,779	121,019	-	261,798
Cash and cash equivalents	371,034	-	-	371,034
	<u>511,813</u>	<u>121,019</u>	<u>-</u>	<u>630,203</u>
Liabilities				
Other payables	878	-	-	878
	<u>878</u>	<u>-</u>	<u>-</u>	<u>878</u>
Net liquidity gap	510,935	121,019	-	
Cumulative liquidity gap	<u>510,935</u>	<u>631,954</u>	<u>631,954</u>	

As at 1 January 2014	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Assets				
Grants and other receivables	63,719	268,993	-	332,712
Cash and cash equivalents	69,825	-	-	69,825
	<u>133,544</u>	<u>268,993</u>	<u>-</u>	<u>402,537</u>
Liabilities				
Other payables	8,737	-	-	8,737
	<u>8,737</u>	<u>-</u>	<u>-</u>	<u>8,737</u>
Net liquidity gap	124,807	268,993	-	
Cumulative liquidity gap	<u>124,807</u>	<u>393,800</u>	<u>393,800</u>	

Notes to Financial Statements

For the year ended 31 December 2015

(In GEL)

4. Financial Instruments - Risk Management (Continued)

Currency risk

The Institute performs its main operations in Georgia, subsequently, its main operations are performed in Georgian Lari. However, the Institute receives financing from donors in other currencies as well. The transactions of the Institute are highly effected by currency translation, though most of the translation effect is compensated by donor organizations.

The Institute's management considers the currency risk is not significant for the Institute at this time and is unlikely to change it in the nearest future.

As at 31 December 2015 the Institute's financial assets and financial liabilities were denominated in the following currencies:

	GEL	USD	EUR	Total
	2015	2015	2015	2015
Financial assets				
Grants receivables	16,084	476,133	61,340	553,557
Cash and cash equivalents	213,261	62,682	43,422	319,365
	229,345	538,815	104,762	872,922
Financial liabilities				
Other payables	668	-	-	668
Total financial liabilities	668	-	-	668
Open balance sheet position	228,677	538,815	104,762	872,254

As at 31 December 2014 the Organization's financial assets and financial liabilities were denominated in the following currencies:

	GEL	USD	EUR	Total
	2014	2014	2014	2014
Financial assets				
Grants receivables	4,527	192,679	64,592	261,798
Cash and cash equivalents	257,414	51,613	62,007	371,034
	261,941	244,292	126,600	632,832
Financial liabilities				
Other payables	878	-	-	878
Total financial liabilities	878	-	-	878
Open balance sheet position	261,063	244,292	126,600	632,832

As at 1 January 2014 the Organization's financial assets and financial liabilities were denominated in the following currencies:

	GEL	USD	EUR	Total
	01.01.2014	01.01.2014	01.01.2014	01.01.2014
Financial assets				
Grants receivable	36,408	286,748	9,556	332,712
Cash and cash equivalents	44,019	9,274	16,532	69,825
	80,427	296,022	26,088	402,537
Financial liabilities				
Accounts payable	8,737	-	-	8,737
Total financial liabilities	8,737	-	-	8,737
Open balance sheet position	71,690	296,022	26,088	393,800

Notes to Financial Statements

For the year ended 31 December 2015

(In GEL)

4. Financial Instruments - Risk Management (Continued)***Currency risk sensitivity***

The following table details the Organisation's sensitivity to a 30% in 2015 and 2014 increase and decrease in the USD against the GEL and in the EUR against the GEL. 30% is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a change in foreign currency rates.

Impact on net profit and equity based on asset values as at 31 December 2015, 2014 and 2013:

	USD impact 2015		EURO impact 2015	
	GEL/USD 30%	GEL/USD 30%	GEL/EURO 30%	GEL/EURO 30%
Profit/(loss)	161,645	(161,645)	31,429	(31,429)
	USD impact 2014		EURO impact 2014	
	GEL/USD 30%	GEL/USD 30%	GEL/EURO 30%	GEL/EURO 30%
Profit/(loss)	73,288	(73,288)	37,980	(37,980)
	USD impact 01.01.2014		EURO impact 01.01.2014	
	GEL/USD 30%	GEL/USD 30%	GEL/EURO 30%	GEL/EURO 30%
Profit/(loss)	88,807	(88,807)	7,826	(7,826)

Interest rate risk

The interest rate risk is the risk (with variable value) related to the interest-bearing assets and liabilities because of the variable rate. The Institute does not have any interest bearing asset so changes in market rate will not affect its operations.

Capital disclosures

The Institute's definition of the capital is Retained reserves and Temporary restricted revenues. The Management views its role as that of corporate supervisors responsible for preservation and growth of the capital for increasing and fulfilling its core activities.

Notes to Financial Statements

For the year ended 31 December 2015

(In GEL)

5. Grant revenue

Temporary restricted revenue as for 31 December 2015, 2014 and 1 January 2014 can be presented as follows:

Donor	Start date	Finish date	Project	2015	2014
United Nations Development Programme (UNDP)	12/9/2014	5/16/2016	Supporting Parliament of Georgia Involvement in Open Government Partnership Initiative	284,468	4,207
Federal Foreign Office of Germany	10/10/2014	2/10/2016	Strategic Plan Georgia 2020 - Strengthening Public Involvement (ZigB)	248,211	67,074
Open Society Georgia Foundation	10/8/2013	12/15/2015	Public Information Database - www.opendata.ge	147,165	127,969
Open Society Georgia Foundation	4/17/2013	3/19/2016	Supporting and Monitoring of the Transition to Digital Terrestrial Broadcasting in Georgia	82,182	83,289
Tetra Tech ARD, implementer of the USAID Good Governance Initiative in Georgia Project.	8/17/2015	1/18/2016	Open Data: Source for Changes and Innovations	38,630	-
MagtiCom LTD	4/1/2015	12/1/2015	Family Support Policy - EU Member States and Georgia	35,000	-
Open Society Georgia Foundation	10/9/2014	2/9/2015	Concept for the New Web-Page of Tbilisi City Hall	23,832	21,106
Open Society Georgia Foundation	10/16/2015	9/16/2016	Improvement of Electronic Transparency in the Municipalities of Kakheti and Promotion of Public Engagement in the Work of Local Self-Governments	19,264	-
Stichting free press unlimited	7/1/2013	11/30/2015	Promoting Internet freedom in South Caucasus	17,517	34,111
Open Society Institute Budapest Foundation (OSI)	9/1/2015	8/31/2017	Organizational Development Grant - IDFI	16,479	-
U.S. Embassy in Georgia	8/1/2014	3/30/2015	Enhancing E-Skills of Controlling Government among Young People	13,066	20,916
Deloitte Consulting LLP on behalf of the United States Agency for International Development ("USAID")	9/1/2015	9/1/2018	Public-Private Dialogue (PPD) Quality Tracking in Georgia	12,399	-
Embassy of the Kingdom of the Netherlands	11/10/2014	12/10/2014	Internet Freedom as Human Right in Georgia	3,663	11,938
"East-West Management Institute" (EWMI)	12/10/2013	7/31/2014	State-owned enterprises (SOE) and their efficiency in Georgia - Focus: Agriculture Sector	-	62,883
USAID Good Governance in Georgia Program (G-3)	5/1/2013	12/1/2013	Improving Freedom of Information Act (FOIA) Process and Increasing Public Awareness of FOIA	-	36,838
USAID Good Governance in Georgia Program (G-3)	9/25/2014	10/20/2014	Improving the Practice of Compliance with the Proactive Disclosure of Public Information Obligation by State Authorities of Georgia	-	31,675
USAID Good Governance in Georgia Program (G-3)	8/8/2014	10/31/2014	Facilitate Open Government Partnership Initiative	-	75,100
Open Society Institute - Support Foundation in Tajikistan	1/7/2014	1/31/2014	Sharing the Georgian Experience with Tajik Specialists, Involved in the Process of Monitoring the Implementation of Anti-corruption Strategy.	-	9,610
Total				941,876	586,716

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For the year ended 31 December 2015

(In GEL)

6. Other Operational expenses

Other Operational expenses for 2015 and 2014 can be presented as follows:

	2015	2014
Representative expenses	(96,648)	(17,292)
Business Trip	(60,102)	(4,738)
Consulting and other professional fees	(55,902)	(31,889)
Office expenses	(35,064)	(34,390)
Rent expenses	(33,612)	(16,737)
Scholarship expenses	(18,527)	(5,394)
Transportation and posting expenses	(16,880)	(10,865)
Conference expenses	(14,878)	(13,167)
Advertisement Expenses	(14,546)	(12,240)
communication and utility Expenses	(10,338)	(6,252)
Fuel expenses	(8,319)	(5,696)
Award expenses	(6,825)	-
Other expenses	(4,424)	(1,565)
Total	(376,065)	(160,225)

7. Property, plant and equipment

Property, plant and equipment as at 31 December 2015, 2014 and 1 January 2014 can be presented as follows:

Historical cost	Technical equipment	Furniture	Other	Total
Historical cost 01.01.2014	16,996	2,715	1,979	21,690
Additions	12,167	3,217	998	16,382
Historical cost 31.12.2014	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
Accumulated depreciation at 01.01.2014	(5,251)	(904)	(271)	(6,426)
Depreciation	(4,557)	(699)	(471)	(5,727)
Accumulated depreciation at 31.12.2014	(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)
Net book value				
Net book value 01.01.2014	11,745	1,811	1,708	15,264
Net book value 31.12.2014	19,355	4,329	2,235	25,919
Net book value 31.12.2015	22,126	3,486	2,070	27,682

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For the year ended 31 December 2015

(In GEL)

8. Intangible assets

Intangible assets as at 31 December 2015, 2014 and 1 January 2014 can be presented as follows:

Organization Purchased Web-Page During the 2014 year. Historical costs of intangible assets as at 31 December 2015, 2014 was GEL 12,743. Accumulated depreciation of Web-Page as at 31 December 2015 and 2014 was GEL 3,805 and GEL 1,257, respectively. Net Book Value of the assets was as at 31 December 2015 and 2014 was GEL 8,938 and GEL 11,486, respectively.

9. Grant and other receivables

Grants receivable as at 31 December 2015, 2014 and 1 January 2014 can be presented as follows:

By Projects and donors

Donor	Start date	Finish date	Project	31 December 2015	31 December 2014	1 January 2014
Deloitte Consulting LLP on behalf of the United States Agency for International Development ("USAID")	9/1/2015	9/1/2018	Public-Private Dialogue (PPD) Quality Tracking in Georgia	210,991	-	-
Open Society Institute Budapest Foundation (OSI)	9/1/2015	8/31/2017	Organizational Development Grant - IDFI	193,149	-	-
Federal Foreign Office of Germany	10/10/2014	10/20/2016	Strategic Plan Georgia 2020 - Strengthening Public Involvement (ZigB)	58,859	65,670	-
Open Society Georgia Foundation	10/16/2015	9/16/2016	Improvement of Electronic Transparency in the Municipalities of Kakheti and Promotion of Public Engagement in the Work of Local Self-Governments	53,825	-	-
United Nations Development Programme (UNDP)	12/9/2014	5/16/2016	Supporting Parliament of Georgia Involvement in Open Government Partnership Initiative	12,778	55,349	-
Tetra Tech ARD, implementer of the USAID Good Governance Initiative in Georgia Project.	8/17/2015	1/18/2016	Open Data: Source for Changes and Innovations	11,317	-	-
Open Society Georgia Foundation	4/17/2013	3/19/2016	Supporting and Monitoring of the Transition to Digital Terrestrial Broadcasting in Georgia	5,388	-	-
Stichting free press unlimited	7/1/2013	11/30/2015	Promoting Internet freedom in South Caucasus	3,559	-	9,556
Open Society Georgia Foundation	10/8/2013	12/15/2015	Public Information Database - www.opendata.ge	-	116,196	223,029
"East-West Management Institute" (EWMI)	12/10/2013	7/31/2014	State-owned enterprises (SOE) and their efficiency in Georgia - Focus: Agriculture Sector	-	-	63,719
USAID Good Governance in Georgia Program (G-3)	5/1/2013	12/1/2013	Improving Freedom of Information Act (FOIA) Process and Increasing Public Awareness of FOIA	-	-	36,408
Open Society Georgia Foundation	10/9/2014	2/9/2015	Concept for the New Web-Page of Tbilisi City Hall	-	21,133	-
Total				549,866	258,348	332,712

The organization had other receivables except the grant receivables as for 31 December 2015, 2014 and 1 January 2014 GEL 3,691, GEL 3,450 and 0 respectively.

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For the year ended 31 December 2015

(In GEL)

10. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2015, 2014 and 1 January 2014 can be presented as follows:

	31 December 2015	31 December 2014	1 January 2014
Cash on bank in GEL	213,260	257,414	44,018
Cash on bank in foreign currency	106,105	113,620	25,807
Total	319,365	371,034	69,825

11. Deferred Grant Revenue

Deferred Grant Revenue as at 31 December 2015, 2014 and 1 January 2014 can be presented as follows:

Donor	Start date	Finish date	Project	31 December 2015	31 December 2014	1 January 2014
Open Society Institute Budapest Foundation (OSI)	9/1/2015	8/31/2017	Organizational Development Grant - IDFI	251,828	-	-
Deloitte Consulting LLP on behalf of the United States Agency for International Development ("USAID")	9/1/2015	9/1/2018	Public-Private Dialogue (PPD) Quality Tracking in Georgia	207,917	-	-
Federal Foreign Office of Germany	10/10/2014	10/20/2016	Strategic Plan Georgia 2020 - Strengthening Public Involvement (ZigB)	112,185	120,146	-
United Nations Development Programme (UNDP)	12/9/2014	5/16/2016	Supporting Parliament of Georgia Involvement in Open Government Partnership Initiative	108,849	270,722	-
Open Society Georgia Foundation	10/16/2015	9/16/2016	Improvement of Electronic Transparency in the Municipalities of Kakheti and Promotion of Public Engagement in the Work of Local Self-Governments	88,234	-	-
Open Society Georgia Foundation	4/17/2013	3/19/2016	Supporting and Monitoring of the Transition to Digital Terrestrial Broadcasting in Georgia	25,087	32,844	9,537
Tetra Tech ARD, implementer of the USAID Good Governance Initiative in Georgia Project.	8/17/2015	1/18/2016	Open Data: Source for Changes and Innovations	17,954	-	-
Open Society Georgia Foundation	10/8/2013	12/15/2015	Public Information Database - www.opendata.ge	-	115,313	237,028
Stitching free press unlimited	7/1/2013	11/30/2015	Promoting Internet freedom in South Caucasus	-	-	23,457
Embassy of the Kingdom of the Netherlands	11/10/2014	12/10/2014	Internet Freedom as Human Right in Georgia	-	3,397	-
"East-West Management Institute" (EWMI)	12/10/2013	7/31/2014	State-owned enterprises (SOE) and their efficiency in Georgia - Focus: Agriculture Sector	-	-	63,126
USAID Good Governance in Georgia Program (G-3)	5/1/2013	12/1/2013	Improving Freedom of Information Act (FOIA) Process and Increasing Public Awareness of FOIA	-	-	36,838
Open Society Georgia Foundation	10/9/2014	2/9/2015	Concept for the New Web-Page of Tbilisi City Hall	-	21,080	-
U.S. Embassy in Georgia	8/1/2014	3/30/2015	Enhancing E-Skills of Controlling Government among Young People	-	12,923	-
Total				812,054	576,425	369,986

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For the year ended 31 December 2015

(In GEL)

12. Post balance sheet events

There were no events after reporting period that should be disclosed in the financial statements.

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