

The Center for Strategic Research and Development of Georgia

**The Special Purpose Financial Statements
for the Years Ended 31 December, 2017 and 2016
and
Independent Auditors' Report**

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The management of the Center for Strategic Research and Development of Georgia (referred to as "the Organization") is responsible for the preparation of the special purpose financial statements.

This responsibility includes:

- preparation of special purpose financial statements in accordance with fundamentals of Financial Reporting;
- selection of suitable accounting policies and their consistent application;
- making judgments and estimates which are reasonable and prudent.

Management is also responsible for:

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


The present special purpose financial statement for the years ended December 31, 2017 and December 31, 2016 are approved by the management and signed on its behalf:



Eka Urushadze

Executive Director

The Center for Strategic Research and Development of Georgia



Natia Kavtaradze

Financial Manager

The Center for Strategic Research and Development of Georgia

INDEPENDENT AUDITORS' REPORT

The Center for Strategic Research and Development of Georgia
Delisi 1st Lane 5a
Tbilisi, Georgia

Opinion

We have audited the special purpose financial statements of The Center for Strategic Research and Development of Georgia (the Organization), which comprise the statements of financial position, as at December 31, 2017 and at December 31, 2016, and the statements of activities, functional expenses and cash flows for the years then ended and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects the financial position of the Organization as at December 31, 2017 and at December 31, 2016, and of its financial performance and its cash flows for the years then ended in accordance with the basis of accounting policies described in note 2 to the special purpose financial statements.

Basis for our Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with the basis of accounting policies described in note 2 to the special purpose financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' Responsibility for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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.

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INDEPENDENT AUDITORS' REPORT (Continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Misha Abaiadze / Certified Auditor / Partner

November 08, 2018
Tbilisi, Georgia



The Center For Strategic Research and Development of Georgia
Special Purpose Financial Statements for the Years Ended 31 December 2017 and 2016
 Amounts are expressed in GEL

STATEMENT OF FINANCIAL POSITION

	Notes	31-Dec-2017	31-Dec-2016
Assets			
Current assets			
Cash and cash equivalents	3	894,531	373,051
Advances		10,216	5,680
Grants receivable	4	7,119,806	1,773,201
Tax assets	5	43,462	25,864
Accounts receivables		142	-
Grants paid in advance	6	113,636	145,808
Total current assets		8,181,793	2,323,604
Long-term assets			
Fixed assets	7	328,742	236,948
Total long-term assets		328,742	236,948
Total assets		8,510,535	2,560,552
Liabilities and net assets			
Current liabilities			
Accounts payable		1,632	790
Tax liabilities	8	480	441
Payable grant amount		5,810	-
Deferred grant income	9; 11	8,213,515	2,286,852
Total liabilities		8,221,437	2,288,083
Net assets		289,098	272,469
Total liabilities and net assets		8,510,535	2,560,552

The special purpose financial statements including the notes were approved and signed on November 08, 2018 by:


Eka Urushadze

Executive Director

The Center for Strategic Research and
 Development of Georgia


Natia Kavtaradze

Financial Manager

The Center for Strategic Research and
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STATEMENT OF ACTIVITIES

	Notes	Year 2017	Year 2016
Changes in unrestricted net assets:			
Revenues			
European Union (EU)		(1,068,026)	(575,910)
Bread for the World (BFW)		(579,336)	(611,171)
United Nations Development Programme (UNDP)		(331,696)	(343,131)
Arbeiter-Samariter-Bund Georgia (ASB-EU funds)		(236,454)	(97,111)
Konrad-Adenauer-Stiftung (KAS – BMZ funds)		(119,726)	-
United States Agency for International Development (USAID)		(75,195)	(77,410)
People in Need (PIN)		(50,970)	(82,577)
ELKANA (World bank funds)		(40,146)	-
Fridrich Ebert Stiftung (EBERT)		(32,014)	(17,688)
Bundeszentrale für Politische Bildung (BPB)		(22,557)	(12,446)
Open Society - Georgia Foundation (OSGF)		(4,372)	(15,714)
BMW Foundation (BMW)		(3,515)	(543)
Foundation Tree of Life		(2,000)	-
Georgian Art & Culture Center (GACC)		-	(63,140)
Pontis Foundation (Pontis)		-	(52,192)
Eurasia Partnership Foundation (EPF)		-	(42,208)
Community Development Journal (CDJ)		-	(7,470)
Associations of Local Democracy Agencies (ALDA)		-	(5,205)
President's Fund		-	(424)
Income from economic activities		(36,237)	(43,191)
Income from donations		(18,380)	(7,382)
Interest income		(1,358)	(7,897)
Other non-operating income		(740,508)	(239,280)
Total revenue		(3,362,490)	(2,302,090)
Expenses			
Grants issued	10	566,619	489,801
Administrative and operational expenses		2,096,249	1,594,441
Other non-operating expenses		682,994	273,905
Total expenses		3,345,862	2,358,147
(Increase)/ Decrease in net assets		(16,628)	56,057
Net assets at the beginning of the year		(272,470)	(328,526)
Net assets at the end of the year		(289,098)	(272,469)
Unrestricted net assets		(289,098)	(272,469)
Total net assets		(289,098)	(272,469)

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STATEMENT OF CHANGES IN NET ASSETS

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Balance as at 31-Dec-2015	(328,526)	-	-	(328,526)
Grants and donations	(2,302,090)	-	-	(2,302,090)
Financing of expenses	2,358,147	-	-	2,358,147
Balance as at 31-Dec-2016	(272,469)	-	-	(272,469)
Grants and donations	(3,362,490)	-	-	(3,362,490)
Financing of expenses	3,345,862	-	-	3,345,862
Balance as at 31-Dec-2017	(289,098)	-	-	(289,098)

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**The Center For Strategic Research and Development of Georgia
Special Purpose Financial Statements for the Years Ended 31 December 2017 and 2016
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STATEMENT OF FUNCTIONAL EXPENSES

Description	European Union (EU)	BFW	UNDP	ASB-EU funds	KAS (BMZ)	USAID	PIN	ELKANA (World bank funds)	EBERT	BPB	OSGF	BMW	Tree of Life	Economic Activities	Own Funds	Total 2017	Total 2016
Salaries	397,915	398,512	60,020	105,246	44,442	42,509	20,952	-	-	-	-	-	-	-	8,072	1,077,668	791,344
Grants	298,180	79,179	188,260	-	-	-	-	-	-	-	-	-	-	-	1,000	566,619	489,801
Meetings and conferences	94,512	22,396	35,965	66,197	9,986	6,694	4,244	-	8,911	384	2,545	-	-	6,698	2,505	261,037	221,392
Professional fees and contracts	65,183	11,039	14,173	37,397	52,103	5,878	19,571	5,000	10,772	9,798	125	3,515	-	9,406	5,323	249,283	233,495
Travel	19,839	17,350	6,607	6,267	89	2,522	1,041	597	-	1,860	-	-	-	2,555	10,810	69,537	57,577
Depreciation and amortization	30,454	44	2,390	2,360	-	2,276	445	-	-	-	-	-	-	-	12,398	50,367	13,416
Rent	24,553	7,906	-	400	-	-	200	-	-	100	-	-	-	600	-	33,759	8,286
Office costs (communication, utility)	10,928	1,735	4,130	3,071	15	2,021	602	-	-	-	-	-	-	-	-	22,502	18,188
Insurance expenses	3,851	1,410	-	119	-	200	-	-	-	-	-	-	-	-	-	19,330	15,906
Laboratory service and expertise	6,167	9,496	-	14	-	-	-	-	-	-	-	-	-	-	617	16,294	43,048
Bank fees	1,574	759	162	164	316	116	61	41	-	2	1	-	-	40	295	3,531	3,610
Computer services and supplies	1,670	-	-	99	-	125	85	-	-	-	-	-	-	-	-	1,979	7,504
Other expenses	113,200	29,510	19,989	15,120	12,775	12,854	3,769	34,508	12,331	10,413	1,702	-	2,000	1,039	21,752	290,962	180,676
Total Expenses	1,068,026	579,336	331,696	236,454	119,726	75,195	50,970	40,146	32,014	22,557	4,372	3,515	2,000	20,338	76,524	2,662,868	2,084,242



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STATEMENT OF CASH FLOWS

	Year 2017	Year 2016
Cash flows from operating activities		
Cash received from grants	3,141,491	1,869,035
Cash received from economic activities	49,077	50,990
Cash received from donations	17,700	7,382
Cash paid to personnel	(202,140)	(180,680)
Cash paid to sub-contractors	(558,534)	(623,501)
Cash paid for services rendered and goods purchased	(304,171)	(273,772)
Taxes paid	(285,910)	(224,201)
Cash paid for salaries of employees	(850,833)	(626,225)
Cash paid for office expenses	(9,836)	(6,571)
Cash paid for business trips	(47,297)	(35,755)
Communication expenses	(10,299)	(8,195)
Bank expenses	(3,530)	(3,590)
Other expenses	(373,305)	(243,387)
Net cash provided by operating activities	562,413	(298,470)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(98,116)	(54,190)
Net cash used in investing activities	(98,116)	(54,190)
Cash flows from financing activities		
Interest revenue received	1,358	7,897
Net cash flows from financing activities	1,358	7,897
Net increase in cash and cash equivalents	465,655	(344,763)
Gain/Loss from conversion	(49,862)	(37,729)
Gain/Loss from exchange rate changes	105,687	25,514
Cash and cash equivalents at the beginnig of the year	373,051	730,029
Cash and cash equivalents at the end of the year	894,531	373,051


Eka Urushadze
 Executive Director
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Natia Kavtaradze
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1: BACKGROUND

"The Center for Strategic Research and Development of Georgia" (CSRDG) is independent, non-political, non-commercial, non-governmental, organization that was founded in July, 1995. The center effectively works and plays significant role in development of the priority fields in the country such as civil society development, economics and social policy, environment protection, decentralization, customers' rights protection and corporate social responsibility and social enterprise development.

Throughout years, the center established the image of strong research and expert institution, reliable partner and practical, development oriented organization.

Center of Strategic Research and Development of Georgia supports building the civil society in the country. For this purpose CSRDG empower local populations to be included in decision making processes and protecting their rights as well as with supporting civic initiatives and implementing practice oriented research.

The mission of CSRDG is to contribute in building civil society in Georgia, by promoting dialogue between the civil society and government of Georgia.

To fulfil its mission, the Centre has three long-term strategic objectives in relation to the country's population, Government and private sector:

- CSRDG actively works with the public for awareness raising, promoting the involvement of stakeholders in decision-making processes, and helping the public to protect their interests.
- In relation to the Government, CSRDG's objective is to promote effective designing and implementation of structural reforms by the Government, with the active participation of the population.
- In relation to the private sector, CSRDG promotes the active involvement of the business in achieving sustainable development objectives by introducing the concept and practice of responsible business and developing multi-sector partnerships.

The Three Years Program (2014-2016) has three sub-Program components: Empowering Civil Society Organizations, the Promotion of Good Governance, and influencing the Policy making.

Program on empowering society organizations aims to support empowering and developing local CSOs (including grassroots-level community-based organizations) in order to assure their sustainable operations and enable them to better identify and represent the real needs of their target groups. While the second direction envisages strengthening specific CSOs working with various vulnerable groups and assisting them in establishing the work integration social enterprises in order to enable them more efficiently address social and economic problems of their target vulnerable groups.

The CSRDG approach towards community development is based on promotion of participatory process that considers active participation and collaboration of all stakeholders in local development processes. Another focus of the CSRDG activities under this component is capacity strengthening of Community Centers, for ensuring more active involvement of young leaders in the community development processes, that also proved to be an effective way contributing to the sustainability of participatory process.

As to the promotion of social entrepreneurship, in 2014-2016 based on the experience accumulated and lessons learned, as well considering the existing environment and political processes taking place in the country, CSRDG will focus its efforts on targeted promotion of Work Integration Social Enterprises, which are an effective instrument for employment and social and economic integration of various vulnerable groups.

NOTE 1: BACKGROUND (continued)

Program on Promoting Good Governance implies supporting the institutional development of self-government entities by constructive monitoring. The main strategic approaches envisaged for implementation of sub program are following: Monitoring accountability and transparency of Local Governments; Monitoring budget procedures and programs of target LGs; Involving local CSOs into the Budget Monitoring Process; Capacity building of local governments and providing recommendations in order to facilitate eradication of the problems revealed through monitoring.

The activities under this subprogram is implemented by CSRDG in collaboration with its target regional NGOs and local CBOs of the target villages. Involvement of local civil society organizations (NGOs and CBOs) in program activities have several positive outcomes: apart from increasing efficiency of the program, it also facilitates establishment of communication between local CSOs and local LGs and development of positive cases of cross-sector partnerships for addressing local problems, contributing to the sustainability of results produced by the program.

Program on Policy dialogue on national level - Program aims to support the development of political dialogue in the direction of following fields: Decentralization; Challenges and opportunities for development of Work Integration Social Enterprises; Development opportunities for establishment of friendly environment for supporting local initiatives and community groups; Consumer Rights; Waste Management. Advocacy campaigns for policy issues (actual problems) forms the basis of CSRDG approach. It collects set of activities like: Conducting desk research and analysis of the most burning issues related to the different sectors by CSRDG experts as well as invited consultants; Based on the results of desk research and analysis, advocating policy issues, through elaboration of recommendation for key stakeholder, lobbying produced recommendations and also monitoring of implementation/institutionalization of the provided recommendations; Initiating public discussions through consultations, seminars and communication campaigns among interested parties and specific groups of the population;

To achieve the Program's goals, the organization has developed various activity implementation strategies:

- Advocacy campaigns on priority issues of the State policy;
 - Informing decision-makers on problems/issues relevant to the public;
 - Assistance to increase the effectiveness of the activities by stimulating coalition and network forms of working;
 - Monitoring of the implementation of Government Programs and reforms;
 - Monitoring the activities of the target municipalities and promoting increased accountability;
 - Community/rural development;
 - Provision of technical assistance (consultations and training) to non-governmental organizations at the national and local level;
 - Promotion of civil society development by creating a favourable environment;
- Popularization of business's social responsibility and participation in creating a favourable State policy for its development.

NOTE 1: BACKGROUND (continued)

- On February 01, 2016 The European Union awarded a grant with the amount of 600,000 EUR for the project „Social enterprise-innovative approach for economic and social changes". The total budget of the grant was 697,201 EUR. Duration of the project is 36 months from February 01, 2016 to January 31, 2019. (EU)
- On January 13, 2017 CSRDG signed the grant agreement with KAS (EU) for the project „Georgian Civil Society Sustainability Initiative" with the amount of 1,087,393 EUR. The grant duration is from January 16, 2017 to October 01, 2020. (KAS EU funds)
- On October 21, 2014 the grant agreement was signed between EU and CSRDG for the project „Raising Awareness of local actors on the implications of the Association Agreement for Georgian Consumers." The period of grant is from December 01, 2014 to May 31, 2018. Total amount of grant is 260,609 EUR. (EU)
- On July 3, 2017 the grant agreement was signed between CSRDG and CENN for the implementation of the project „Optimising the Potential of Local Assets for Rural Development of Keda Municipality". The grant period is from July 03, 2017 to February 28, 2021. Total amount is 112,600 EUR. (CENN-EU funds)
- On February 28, 2017 the grant agreement was signed between CSRDG and BFW for the project "Promotion of civil society involvement, local co-determination and political influence , continuation Core Program 2017-2020." Total amount is 1,232,400 EUR. Duration of grant is from January 01, 2017 to June 30, 2020. (BFW)
- On December 28, 2013, Bread for the World (BFW) and CSRDG established an agreement for the implementation of a 3-year project - "Empowering of Civic Society (2014-2016)". The project implementation period is from January 01, 2014 to December 31, 2016. The project has 3 main objectives: empowering of civic society, transparent budgeting of municipal organizations and political dialogue on a national level. The total budgeted costs of the project amount to EUR 1,045,000 (This involves: contribution of CSRDG - project partner EUR 10,000; contribution of other donors EUR 375,000 and contribution to the donor EUR 660,000, which amounts to the 63.26% of the total budgeted expenses). (BFW)
- On November 17, 2016 CSRDG signed the grant agreement with UNDP for the project "Empowering women for change" (extension of CSRDG program) with the amount of 101,058 USD. (UNDP)
- On October 01, 2017 the grant agreement was signed between CSRDG and UN-GEF for the implementation of the project "Household waste reuse and recycling practices - viable alternatives to open waste burning and associated unintentional PoPs releases." The total amount of grant is 30,000 USD. The duration is from October 01, 2017 to September 30, 2019. (UN-GEF)
- On December 18, 2015 the grant agreement was signed between UNDP and CSRDG for the provision of grant with the amount of 130,000 USD for the project „Enhance Gender Equality in Georgia". The grant period is from December 16, 2015 to September 20, 2016. (UNDP)
- On January 23, 2015 UNDP awarded a grant with the amount of 49,920 USD for the implementation of the project „Incorporation of community-level waste management issues in local development agenda on the example of Kakheti region". Period of the project is 23 January, 2015 to 28 February, 2016. (UNDP-EU funds)

NOTE 1: BACKGROUND (continued)

- On January 31, 2017 grant agreement was signed between ASB/SE and CSRDG for the project „GE01702-Qualification for Re-integration - a way back into society." The period for the project implementation is from January 01, 2017 to February 01, 2020. Total budget of the grant is 245,530 EUR. (ASB-EU funds)
- On November 01, 2015 the grant agreement was signed between ASB and CSRDG for the implementation of the project „ Strengthen capacity of CSOs in Georgia and Ukraine to contribute to the policy dialogue on Social Service Delivery". The period of the project is from March 01, 2015 to March 01, 2018. Total amount of grant is 133,985 EUR. (ASB-EU funds)
- On January 13, 2017 CSRDG signed the grant agreement with KAS(BMZ) for the project "Georgian Civil Society Sustainability Initiative" with the amount of 473,549 EUR. (KAS -BMZ funds).
- On April 21, 2016 the Cooperative Agreement No.Aid-114-A-16-00006 was Signed between U.S. Agency for International Development (USAID) and CSRDG for the project „Citizens for Open and Effective Local Governance". The grant period is from April 21,2016 to April 20, 2018. Total amount of the grant is 153,995 USD. (USAID)
- On March 9, 2016 the partnership agreement was signed between People In Need (PIN) and CSRDG for the implementation of the project „Enchancing the participation of regional CSOs in policy dialogue on social inclusion in Georgia". The period of agreement is from March 01, 2016 to May 14, 2018. Total amount of the grant is 75,625 EUR. (PIN)
- On June 12, 2017 the agreement about the project "Capacity Building of Poor Communities and Micro-Entrepreneurs Involved in the Tourism Sector of Georgia" was signed between CSRDG and ELKANA with the amount of 95,875 GEL. (ELKANA-World Bank funds)
- On November 3, 2017 the grant agreement was signed between EBERT and CSRDG for the project „Forum "CSR and Labour Issues" and Masterclass "How to Be a Responsible Employer"" with the amount of 15,000 GEL. The duration of grant is from November 21, 2017 to December 06, 2017. (EBERT)
- On July 24, 2017 CSRDG signed the grant agreement with BPB for the project „Civic engagement in one shoot" with the total grant amount 5,990 EUR. The period of the grant is from July 24, 2017 to November 30, 2017. (BPB)
- On July 24, 2017 the grant agreement was signed between BPB and CSRDG for the implementation of the project "Critical Thinking in the Digital World" with the amount of 7,690 EUR. The grant period is from July 24, 2017 to November 30, 2017. (BPB)
- On July 19, 2016 the partnership agreement was signed between The Federal Agency for Civic Education and CSRDG for the implementation of the project „Promote Eco-conscious Citizenry among Youth for Waste-free Georgia". The period of agreement is from July 20,2016 to November 30, 2016. Total amount of the grant is 5,000 EUR.
- On August 02, 2016 Open Society Georgia Foundation awarded a grant # LL/10/16-20335 to CSRDG for the implementation of the project - "Elections and Public Finance Management". The overall amount of the grant is 9,598 USD. The grant period is from August 02, 2016 to December 02, 2016. (OSGF)

The Center For Strategic Research and Development of Georgia

Notes to Special Purpose Financial Statements for the Years Ended 31 December 2017 and 2016

Amounts are expressed in GEL

NOTE 1: BACKGROUND (continued)

On October 1, 2015 the grant agreement was signed between CSRDG and BMW Foundation with the amount of 4,000 USD. According to the agreement, BMW Foundation CSRDG agree on organizing the Pro Bono Launch in Georgia 2015. (BMW)

On October 21, 2017 the Grant Agreement N FG_057 was signed between the fund Tree of Life (TL) and CSRDG. The aim of the grant is to finance activities that support social entrepreneurship, to arrange the second B2B exhibition. Total amount of the grant is 2,000 GEL. (Foundation Tree of Life)

On March 01, 2014 the grant agreement # GE1 was signed between Georgian Arts and Culture Center (GACC) and CSRDG under the action – Crafts platform in Action - Enhancing Sector's Economic Capacity for Georgia. GACC shall pay 148,672 EUR from the grant received from European Commission, while CSRDG undertakes to co-finance the implementation of the Action with EUR 18,418. (GACC)

On September 01, 2015 the partnership agreement was signed between CSRDG and Pontis Foundation for the project „Enhancing Sustainability and Engagement of Civil Society in Eap and V4 Region through CSR Agenda “.Duration of the project is from September 01, 2015 to February 02, 2017. The Total amount of the grant is 21,100 EUR. (Pontis)

On October 29, 2013 Eurasia Partnership Foundation (EPF) awarded the grant # DCI-NSAPVD/2013/286-259. The project funded was - "Transparent convergence to EU policies in sanitary issues"; the case in Georgia and Moldova. The period of agreement is from November 01, 2013 to September 30, 2016. The total amount of grant is EUR 125,380. (EPF)

On September 25, 2016 the Community Development Journal (CDJ) awarded a grant to CSRDG with the amount of 2,250 GBP in order to cover expenses under a Community Leaders Forum conference on 20th and 21th October 2016. (CDJ)

On April 29, 2016 the grant agreement was signed between Association of Local Democracy Agencies (ALDA) and CSRDG for the provision of grant with the amount of 2,000 EUR for the project „Update on Public Administration and Local Governments Reforms in Eap “. The grant period is from May 01, 2016 to November 30, 2016. (ALDA)

On June 19, 2015 the project „New Opportunities of Craft Heritage in Mountainous Regions" was financed from President's Fund with the amount of 38,956 GEL. The total cost of the project is 51,406 GEL, the duration of the grant is 6 months. (President's Fund)

On June 06, 2017 the grant agreement was signed between UNOP and CSRDG for the project "Support to establishment and empowerment of national ICCAs in Georgia" with the amount of 50,000 USD. Grant period is from November 13, 2017 to November 12, 2019. (UNOP)

NOTE 2: ACCOUNTING POLICIES

a. Basis of accounting

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

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

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

b. Use of estimates

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

c. Reporting currency of the Organization's financial statements

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

d. Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currency are translated into Georgian Lari at the official exchange rate of the NBG (National Bank of Georgia) at the balance sheet date. As at December 31, 2017 and at December 31, 2016 the principal rate of exchange used for translating foreign currency balances was:

	December 31, 2017	December 31, 2016
GEL / 1 USD	2.5922	2.6468
GEL / 1 EUR	3.1044	2.7940
GEL / 1 GBP	3.5005	3.2579

e. Grant revenue and deferred grant

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

f. Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and cash in bank.

NOTE 2: ACCOUNTING POLICIES (Continued)

g. Taxes

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

- Income tax (20%). Mentioned tax will be paid from the whole salary and from the benefits that are handled to the employees according to the Georgian tax legislation. These taxes are given in financial statements – project incomes and project expenditures as the part of salary and benefits connected to it.
- Value added tax (VAT) (since 30 June 2005 VAT is 18%). The organization pays VAT, when it buys goods or service from supplier, which is registered as VAT tax payers. The organization is registered as VAT payer.

h. Fixed assets

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

Group	Useful life
Buildings	30 years
Office equipment	5-10 years
Vehicles	5-10 years

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

i. Net asset classification

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

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

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

j. Revenue

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

k. Sub-grants issued

Sub-grants issued are recorded on the statement of financial position as advance upon transfer of funds to sub-grantees by the Organization.

Upon receipt of appropriate sufficient evidence of work performed and expenditures incurred by sub-grantees, the issued sub-grants are recorded as sub-grants closed in proportion of work performed and documentation received in the statement of activities.

NOTE 3: CASH AND CASH EQUIVALENTS

	Year 2017	Year 2016
Cash on hand (GEL)	942	118
Cash in bank (GEL)	578,583	48,967
Cash in bank (other currency)	315,006	323,966
Total cash and cash equivalents	894,531	373,051

NOTE 4: GRANTS RECEIVABLE

	Year 2017	Year 2016
European Union (EU)	3,390,351	1,122,878
Bread for the World (BFW)	1,538,727	12,182
Konrad-Adenauer-Stiftung (KAS -BMZ funds)	1,330,388	-
Arbeiter-Samariter-Bund Georgia (ASB-EU funds)	654,728	109,637
People in Need (PIN)	75,936	116,767
UNOP	64,805	-
United Nations Development Programme (UNDP)	38,883	223,434
ELKANA (World Bank funds)	23,971	-
Bundeszentrale für politische Bildung (BPB)	2,017	1,624
United States Agency for International Development (USAID)	-	136,623
Eurasia Partnership Foundation (EPF)	-	34,075
Pontis Foundation (PONTIS)	-	11,791
Associations of Local Democracy Agencies (ALDA)	-	2,794
BMW foundation (BMW)	-	1,396
Total grants receivable	7,119,806	1,773,201

NOTE 5: TAX ASSETS

	Year 2017	Year 2016
Value added tax (VAT)	30,147	12,550
Profit tax	13,315	13,314
Total tax assets	43,462	25,864

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NOTE 6: GRANTS PAID IN ADVANCE

	Year 2017	Year 2016
Education Development and Employment Center (EDEC)	54,484	25,499
Inter-Ethnic Unity of Kvemo Kartli	8,240	-
Ai Kubi	8,100	-
CRI "Bright Future"	7,170	-
The National Center for Democratic Development	6,764	-
Human Rights Advocacy and Democracy Fund	6,218	-
Young Researchers And Analytics Union	5,984	-
Society „Biliki“	5,030	-
Mediator`s Association of Guria	4,000	-
Skra Assosiation "Betlemi"	3,500	-
Youth Centre for Civil development	1,260	-
Neogileb Club	1,005	-
Grants to individuals	800	9,281
Youth Organisation Changes For Equal Rights	781	-
Humanity in Action	300	-
Civil Development Association of Georgia	-	54,215
Association Atinati	-	44,994
Arbeiter-Samariter-Bund Georgia (ASB)	-	7,629
Community development centre "AISI"	-	1,190
Community Based Organisation Naphareuli	-	1,180
Community Based Organization "Hereti"	-	840
Community Development Center "Kiskisa"	-	545
House of Initiatives	-	435
Total grants paid in advance	113,636	145,808

NOTE 7: FIXED ASSETS (NET)

	Buildings	Office Equipment	Vehicles	Total
Carrying amount at 01 January 2016	130,147	14,099	23,611	167,857
Additions	-	42,458	30,975	73,433
Depreciation charge	(1,007)	(2,117)	(10,292)	(13,415)
Other	(5,674)	-	14,747	9,073
Carrying amount at 31 December 2016	123,466	54,440	59,041	236,948
Additions	-	85,555	62,400	147,955
Disposal	-	-	(5,793)	(5,793)
Depreciation charge	(4,116)	(29,267)	(16,985)	(50,368)
Carrying amount at 31 December 2017	119,350	110,729	98,663	328,742

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NOTE 8: TAXES LIABILITIES

	<u>Year 2017</u>	<u>Year 2016</u>
Income tax payable	304	265
Property tax payable	176	176
Total tax liabilities	<u>480</u>	<u>441</u>

NOTE 9: DEFFERED GRANT INCOME

Deferred grant income	<u>Year 2017</u>	<u>Year 2016</u>
European Union (EU)	4,125,547	1,466,845
Bread for the World (BFW)	1,734,677	-
KAS (BMZ funds)	1,337,765	-
Arbeiter-Samariter-Bund Georgia (ASB-EU funds)	686,258	175,203
UNOP	129,600	-
People in Need (PIN)	76,481	121,322
United Nations Development Programme (UNDP)	71,947	363,947
ELKANA (World Bank funds)	49,518	-
Fridrich Ebert Stiftung (FES)	1,722	1,722
United States Agency for International Development (USAID)	-	147,717
Open Society - Georgia Foundation (OSGF)	-	6,488
BMW Foundation (BMW)	-	3,608
Total deferred grant income	<u>8,213,515</u>	<u>2,286,852</u>

NOTE 10: GRANTS ISSUED

In 2016 and 2017 CSRDG Issued Grants to organizations under project „Social enterprise-innovative approach for economic and social changes" funded by the European Union (EU). The grant agreement between CSRDG and SE/EU was signed on February 01, 2016.

In 2016 and 2017 CSRDG issued grants to organizations under the project „Raising Awareness of local actors on the implications of the Association Agreement for Georgian Consumers" funded by EU Agreement was signed between EU and CSRDG on On October 21, 2014.

In 2017 CSRDG issued Micro grants to different individuals and organizations the project - " Empowering women for change" funded by United Nations development program (UNDP). Agreement between CSRDG and UNDP was signed on November 17, 2016.

In 2016 CSRDG issued grants to individuals and organizations under the project „Enhance Gender Equality in Georgia" funded by UNDP (UNDP V). Agreement was signed between UNDP and CSRDG on December 18, 2015.

In 2017 CSRDG issued grants to individuals and organizations under the action – Promotion of civil society involvement, local co-determination and political influence , continuation Core Program 2017-2020 funded by Bread For the World (BFW). Agreement between CSRDG and BFW was signed on February 28, 2017.

In 2016 CSRDG issued Micro grants to different individuals and organizations under the 3-year project - "Empowering of Civic Society (2014-2016)" funded by Bread for the World (BWF). Agreement between CSRDG and BFW was signed on December 28, 2013.

In 2017 CSRDG Issued grant to „Social Enterprise Alliance Georgia". The project was financed by CSRDG's own funds.

In 2016 CSRDG issued grants to individuals under the action – Crafts platform in Action - Enhancing Sector's Economic Capacity for Georgia funded by Georgian Arts and Culture Center (GACC). Agreement between CSRDG and GACC was signed on On March 01, 2014.

The grant amounts are given below indicating donor funds:

Donor funds used for grants issued:	Year 2017	Year 2016
European Union (EU)	298,180	206,863
United Nations Development Programme (UNDP)	188,260	154,393
Bread For the World (BFW)	79,179	123,030
Own Funds	1,000	-
Georgian Art & Culture Center (GACC)	-	5,515
Total grants issued	566,619	489,801

NOTE 11: MOVEMENT IN DEFERRED GRANTS

	<u>Year 2017</u>	<u>Year 2016</u>
Opening balance of deferred grants	2,286,852	1,577,567
Add: Grant contracts signed in the period	8,492,667	2,713,624
Less: Deferred grants transferred to the period incomes	(2,566,004)	(2,004,339)
Closing balance of deferred grants	<u>8,213,515</u>	<u>2,286,852</u>

NOTE 12: COMMITMENTS AND CONTINGENT LIABILITIES

Legal proceeding

As of 31 December 2017, the Organization was not engaged in legal proceedings.

Tax legislation

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

Operating environment

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

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