

**The Center for Strategic Research and
Development of Georgia**

Financial Statement
for the Year Ended December 31, 2018
and
Independent Auditors' Report

The Center for Strategic Research and Development of Georgia
Financial Statements for the Year Ended December 31, 2018

CONTENT

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	3
INDEPENDENT AUDITORS' REPORT	4
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018	
Statement of Financial Position	6
Statement of Activities	7
Statement of Changes in Net Assets	8
Statement of Functional Expenses	9
Statement of Cash Flows	10
Notes to Financial Statements	11 – 20

The Center for Strategic Research and Development of Georgia
Financial Statements for the Year Ended December 31, 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The management of the Center for Strategic Research and Development of Georgia (the Organization) is responsible for the preparation of the financial statements.

This responsibility includes:

- preparation of financial statements in accordance with the financial statement standard for non-entrepreneurial (non-profit) legal entities (order №9 approved by the head of the Service for Accounting, Reporting and Auditing Supervision);
- selection of suitable accounting policies and their consistent application;
- making judgments and estimates which are reasonable and prudent.

Management is also responsible for:

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

The present financial statement for the year ended December 31, 2018 is approved by the management and signed on its behalf:



Eka Urushadze

Executive Director

The Center for Strategic Research and Development of Georgia



Dodo Gokadze

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 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, 2018 and the statements of activities, functional expenses and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Organization as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the financial statement standard for non-entrepreneurial (non-profit) legal entities (order №-9 approved by the head of the Service for Accounting, Reporting and Auditing Supervision).

Basis for our Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Financial Standard for non-entrepreneurial (non-profit) legal entities approved under the order (June 26, 2018) of the head of the Service for Accounting, Reporting and Auditing Supervision Subdivision of the Ministry of Finance of Georgia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)

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

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

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

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

Mikheil Abaiadze / Certified Auditor / Partner

Audit firm registration number: SARAS-F-320544

Auditor's registration number: SARAS-A-865011

December 26, 2019

Tbilisi, Georgia




The Center for Strategic Research and Development of Georgia
Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

STATEMENT OF FINANCIAL POSITION

	Notes	31-Dec-18	31-Dec-17
Assets			
Current assets			
Cash and cash equivalents	3	316,751	894,531
Advances		18,889	10,358
Grants receivable	4	4,818,672	7,119,806
Tax assets	5	79,258	42,982
Grants paid in advance	6	176,126	113,636
Total current assets		5,409,696	8,181,313
Long-term assets			
Fixed assets	7	394,911	328,742
Total long-term assets		394,911	328,742
Total assets		5,804,607	8,510,055
Liabilities and net assets			
Current liabilities			
Short-term loan	8	108,950	-
Accounts Payable		4,034	1,632
Payable grant amount		-	5,810
Deferred grant income	9	5,369,109	8,213,515
Total liabilities		5,482,093	8,220,957
Unrestricted net assets		117,716	55,975
Temporarily Restricted Net assets		204,798	233,123
Total net assets		322,514	289,098
Total liabilities and net assets		5,804,607	8,510,055

The financial statements including the notes were approved and signed on December 26, 2019 by:



Eka Urushadze

Executive Director

The Center for Strategic Research and
Development of Georgia



Dodo Gokadze

Financial Manager

The Center for Strategic Research and
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The Center for Strategic Research and Development of Georgia
Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

STATEMENT OF ACTIVITIES

	Notes	Unrestricted net assets	Temporarily restricted net assets	Year 2018	Year 2017
Changes in net assets:					
European Union (EU)		-	(1,357,656)	(1,357,656)	(1,068,026)
Bread for the World (BFW)		-	(708,084)	(708,084)	(579,336)
Konrad-Adenauer-Stiftung (KAS – BMZ funds)		-	(455,759)	(455,759)	(119,726)
United Nations Development Programme (UNDP)		-	(287,220)	(287,220)	(331,696)
Arbeiter-Samariter-Bund Georgia (ASB-EU funds)		-	(171,581)	(171,581)	(236,454)
ELKANA (World bank funds)		-	(37,904)	(37,904)	(40,146)
Bundeszentrale für Politische Bildung (BPB)		-	(29,743)	(29,743)	(22,557)
People in Needs (PIN)		-	(22,960)	(22,960)	(50,970)
UNOP		-	(9,710)	(9,710)	-
NESsT EUROPE Nonprofit Ltd (Visegrad Fund)		-	(6,874)	(6,874)	-
Foundation Tree of Life		-	(3,619)	(3,619)	(2,000)
Fridrich Ebert Stiftung (EBERT)		-	-	-	(32,014)
Open Society - Georgia Foundation (OSGF)		-	-	-	(4,372)
BMW Foundation (BMW)		-	-	-	(3,515)
United States Agency for International Development (USAID)		-	-	-	(75,195)
Income from economic activities		(7,531)	-	(7,531)	(36,237)
Income from donations		(52,345)	-	(52,345)	(18,380)
Interest income		(1,865)	-	(1,865)	(1,358)
Other non-operating income		-	(312,701)	(312,701)	(740,508)
Total revenue		(61,741)	(3,403,811)	(3,465,552)	(3,362,490)
Expenses					
Grants issued	10	-	630,933	630,933	566,619
Administrative and operational expenses		-	2,543,181	2,543,181	2,096,249
Other non-operating expenses		-	258,022	258,022	682,994
Total expenses		-	3,432,135	3,432,135	3,345,862
(Increase)/ Decrease in net assets		(61,741)	28,325	(33,416)	(16,628)
Net assets at the beginning of the year		(55,975)	(233,123)	(289,098)	(272,470)
Net assets at the end of the year		(117,716)	(204,798)	(322,514)	(289,098)
Temporarily restricted net assets		-	(204,798)	(204,798)	(233,123)
Unrestricted net assets		(117,716)	-	(117,716)	(55,975)
Total net assets		(117,716)	(204,798)	(322,514)	(289,098)

The financial statements including the notes were approved and signed on December 26, 2019 by:


Eka Urushadze

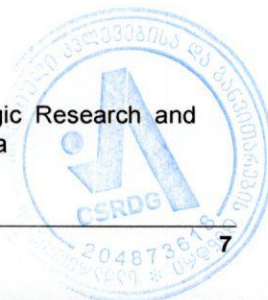
Executive Director

The Center for Strategic Research and
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Dodo Gokadze

Financial Manager

The Center for Strategic Research and
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The Center for Strategic Research and Development of Georgia
Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

STATEMENT OF CHANGES IN NET ASSETS


	Unrestricted net assets	Temporarily restricted net assets	Total net assets
Balance as at 31-Dec-2016	(386,997)	114,528	(272,469)
Grants and donations	(55,977)	(3,306,513)	(3,362,490)
Financing of expenses	-	3,345,863	3,345,863
Balance as at 31-Dec-2017	(442,974)	153,878	(289,096)
Grants and donations	(61,741)	(3,403,811)	(3,465,552)
Financing of expenses	-	3,432,135	3,432,135
Balance as at 31-Dec-2018	(504,715)	182,201	(322,514)

The financial statements including the notes were approved and signed on December 26, 2019 by:


Eka Urushadze

Executive Director

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Dodo Gokadze

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**The Center for Strategic Research and Development of Georgia
Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari**

STATEMENT OF FUNCTIONAL EXPENSES

Description	European Union (EU)	BFW	KAS (BMZ)	UNDP	ASB-EU funds	ELKANA (World bank funds)	BPB	PIN	UNOP	NESST	Tree of Life	Economic Activities	Own Funds	Total Expenses 2018	Total Expenses 2017
Salaries	403,803	70,906	-	135,243	16,141	-	-	-	-	-	-	-	4,840	630,933	566,619
Grants	487,077	505,533	79,418	62,124	87,022	-	784	5,034	-	1,952	-	826	23,002	1,252,773	1,077,668
Professional fees and contracts	100,075	25,137	208,979	19,777	9,102	3,000	5,214	5,781	9,695	-	250	1,835	9,744	398,589	249,283
Meetings and conferences	142,121	25,613	84,657	25,889	27,480	-	3,507	5,576	-	3,138	1,858	1,726	806	322,371	261,037
Travel	-	1,714	-	31	-	-	-	-	-	-	-	-	-	1,744	16,294
Depreciation and amortization	43,363	17,367	9,928	16,646	5,445	323	2,673	811	-	143	-	249	16,585	113,532	69,537
Rent	536	233	-	1,381	922	-	-	74	-	-	-	-	-	3,146	1,979
Office costs (communication, utility)	12,750	1,186	195	4,000	3,390	-	150	1,790	-	-	-	-	11	23,472	22,502
Insurance expenses	39,071	-	-	249	7,382	-	-	360	-	-	-	-	79	47,141	50,367
Bank fees	4,259	1,384	-	-	1,865	-	-	-	-	-	-	-	15,650	23,158	19,330
Computer services and supplies	33,237	11,358	1,500	-	400	-	-	-	-	-	-	-	-	46,495	33,759
Laboratory service and expertise	1,223	508	839	189	438	26	152	18	15	3	2	1	398	3,812	3,531
Other expenses	90,141	47,145	70,243	21,691	11,994	34,555	17,263	3,516	-	1,638	1,509	-	7,253	306,948	290,962
Total	1,357,656	708,084	455,759	287,220	171,581	37,904	29,743	22,960	9,710	6,874	3,619	4,637	78,387	3,174,114	2,662,868

The financial statements including the notes were approved and signed on December 26, 2019 by:

Eka Urushadze

Executive Director

The Center for Strategic Research and Development of Georgia

Dodo Dokadze

Financial Manager

The Center for Strategic Research and Development of Georgia

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Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

STATEMENT OF CASH FLOWS

	Year 2018	Year 2017
Cash flows from operating activities		
Cash received from grants	2,638,392	3,141,491
Cash received from economic activities	8,685	49,077
Cash received from donations	52,345	17,700
Cash paid for salaries of employees	(1,030,868)	(845,389)
Cash paid to sub-grantors	(717,089)	(558,534)
Taxes paid	(361,645)	(285,910)
Cash paid for business trips and hotels	(303,258)	(126,466)
Cash paid for professional fees and contracts	(307,299)	(211,981)
Cash paid for services rendered and goods purchased	(144,185)	(304,171)
Cash paid for meetings and conferences expenses	(54,999)	(32,867)
Cash paid for rent	(36,613)	(26,846)
Cash paid for insurance	(35,395)	(28,251)
Cash paid for consulting services	(34,551)	(22,033)
Cash paid for office expenses	(18,041)	(11,728)
Communication expenses	(9,270)	(10,299)
Bank expenses	(3,808)	(3,530)
Other expenses	(205,836)	(177,846)
Net cash provided by operating activities	(563,435)	562,413
Cash flows from investing activities		
Acquisition of property, plant and equipment	(109,385)	(98,116)
Interest revenue received	1,865	1,359
Net cash used in investing activities	(107,520)	(96,756)
Cash flows from financing activities		
Loan received	321,960	-
Loan paid	(213,598)	-
Interest paid	(2,858)	-
Net cash flows from financing activities	105,504	-
Net increase in cash and cash equivalents	(565,451)	465,655
Gain/Loss from conversion	(37,912)	(49,862)
Gain/Loss from exchange rate changes	25,584	105,686
Cash and cash equivalents at the beginning of the year	894,531	373,050
Cash and cash equivalents at the end of the year	316,751	894,531

The financial statements including the notes were approved and signed on December 26, 2019 by:


Eka Urushadze

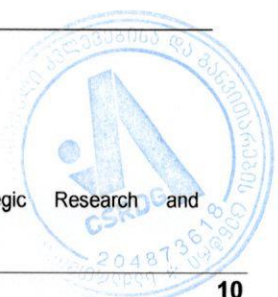
Executive Director

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Dodo Gokadze

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The Center for Strategic Research and Development of Georgia
Notes to Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

NOTE 1: BACKGROUND

"The Center for Strategic Research and Development of Georgia" (CSR DG) is an independent, non-political, non-commercial, non-governmental, organization that was founded in July, 1995. People, who founded the organization, were willing to take part in the transitional process of Georgia. Organization contributes to develop civil society by upgrading their consciousness, giving opportunity to the people of Georgia to take an active part in decision making process, defending their interests, and supporting civil initiatives. CSR DG tries to support these groups of society and individuals who assist in carrying out an effective social, political, and economic reforms and help to develop sustained institute of Human rights. The main fields of activities include:

- Civic development;
- Economy and social policy;
- Environment protection;
- Government Decentralizations;
- Consumer's rights;
- Corporate Social Responsibility;
- Social Entrepreneurship

CSR DG mission is to promote good governance, stable and inclusive economic development, and the formation of an active civil society for the welfare of Georgian society. By promoting democratic values and intersectoral cooperation, Center contributes to the sustainable development of the country. Organization has three main strategic directions that serve to accomplish the mission:

1. Developing Civil Sector;
 2. Promoting Open Governance;
 3. Promoting Economic and Social Change;
1. Developing Civil Sector - this is one of the first strategic directions in the organization, which aims to ensure that civil society is properly protecting the interests of its own target groups and constantly improving provision of relevant services on both local and central levels. This strategic direction is represented by two main programs - Community Development and Development of Civil Society Organizations (CSO).
- Community Development (village and community levels) program aims to improve institutional, advocacy and fundraising skills in the community so that community members are able to make active and important contribution to the local development.
 - CSO Development program aims to strengthen institutional capabilities of local and central CSOs thus enabling them to provide better services to their respective constituencies.
2. Promoting Open Governance direction aims to support the cooperation between the government and civil sector in order to establish the open, needs-based governance in the country. This strategic direction is represented by two main programs - the Good Governance Program and Promoting the European Integration Program.
- Good Governance Program-introducing transparency, accountability and sustainable development principles into the governance process.
 - Promoting the European Integration Program - increasing the capacity of CSOs in better identification, monitoring and advocacy of social, economic and cultural rights of the population.
3. Promoting Economic and Social Change - strategic aim of this direction is to increase the social responsibility of civil sector, business and citizens of Georgia. The organization has three programs running under this direction; these are Consumer Rights Protection, Corporate Social Responsibility (CSR) Development and Social Entrepreneurship Programs.

NOTE 1: BACKGROUND (*continued*)

- Corporate Social Responsibility (CSR) - CSR concept and practice contribute to the social and environmental welfare in all sectors. For business companies it is important to understand Responsibility they have towards society and to play active role in sustainable development of the country.
- Social Entrepreneurship (SE) - is the effective way for economic inclusion of vulnerable and socially unprotected groups in environmental and social problem-solving processes. With help of SE it is possible to tackle social problems that aren't in the focus of business company's interest, and for solution of which there are no sufficient resources in government.
- Consumer Rights Protection - works efficiently only when appropriate state policy mechanisms are in place. Business is more responsible towards consumers, while citizens as consumers are more actively protecting their own rights.

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 July 3, 2017 the grant agreement was signed between CSRDG and CENN for the implementation of the project, Optimizing 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 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 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 2017).

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 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 10, 2018 CSRDG signed the grant agreement with UNDP for the project "Empowering women for change" (extension of CSRDG program) with the amount of 87,000 USD. The period of the grant is from December 01, 2018, to October 31, 2019. (UNDP).

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).

The Center for Strategic Research and Development of Georgia
Notes to Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

NOTE 1: BACKGROUND (*continued*)

- 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 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 October 01, 2018, CSRDG signed the grant agreement with BPB for the project "Organizational Development of Civic Education Organizations" with the total grant amount 5,000 EUR. The period of the grant is from September 27, 2018, to December 03, 2018. (BPB).
- On October 01, 2018, CSRDG signed the grant agreement with BPB for the project "History of Hence Video Materials"" with the total grant amount 4,966 EUR. The period of the grant is from October 01, 2018, to November 25, 2018. (BPB).
- On March 9, 2016 the partnership agreement was signed between People In Need (PIN) and CSRDG for the implementation of the project „Enhancing 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 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)
- On September 24, 2018, The NESsT Europe Public benefit Nonprofit Private Limited-liability Company awarded a grant with the amount of 9,450 EUR for the project, "Social Enterprise Academy". The grant duration is from September 24, 2018, to July 12, 2019. (NESsT Visegrad Fund).
- On November 05, 2018 the Grant Agreement N FG_074 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 4,000 GEL. (Foundation Tree of Life).

NOTE 2: ACCOUNTING POLICIES

a. Basis of accounting

These financial statements have been prepared in accordance with the financial statement standard for non-entrepreneurial (non-profit) legal entities (order №-9 approved by the head of the Service for Accounting, Reporting and Auditing Supervision).

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

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

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

b. Use of estimates

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

c. Reporting currency of the Organization's financial statements

The Georgian Lari (GEL) is the reporting and functional currency. Although some grants are awarded in EUR 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, 2018 and at December 31, 2017 the principal rate of exchange used for translating foreign currency balances was:

	December 31, 2018	December 31, 2017
GEL / 1 USD	2.6766	2.5922
GEL / 1 EUR	3.0701	3.1044
GEL / 1 GBP	3.3955	3.5005

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.

The Center for Strategic Research and Development of Georgia
Notes to Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

NOTE 2: ACCOUNTING POLICIES (Continued)

f. Cash and cash equivalents

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

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.

Pension scheme - On 21 June, 2018 Georgia established a new law about pension fund, which came into force from 1 January, 2019. Aggregated pension scheme takes into account 6% payment. In particular, employee will transfer 2% of his/her taxable salaries to individual pension account, employer will also transfer additional 2%, whereas from public finance will be transferred another 2%, the organization will transfer 2% as employer and these payments are not presented in the financial statement for the year ended 31 December, 2018.

h. Fixed assets

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 three 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 – represents a portion of an organization's net assets created by asset contributions and other sources that the organization has identified as donor restrictions that expire over time and may not otherwise be executed or canceled by the organization;

Permanently restricted net assets - represents a portion of net assets of the organization created by asset contributions and other sources, the use of which has been determined by the organization with donor restrictions that do not expire over time, and may not otherwise be fulfilled or canceled by the organization;

The Center for Strategic Research and Development of Georgia
Notes to Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

NOTE 2: ACCOUNTING POLICIES (Continued)

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. Grants paid in advance

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.

l. Short-term loans

Loans are carried at amortized cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Organization has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing costs are recognized as an expense in the profit and loss in the period when they are incurred.

NOTE 3: CASH AND CASH EQUIVALENTS

	31-Dec-2018	31-Dec-2017
Cash on hand (GEL)	120	942
Cash in bank (GEL)	94,328	578,583
Cash in bank (other currency)	222,303	315,006
Total cash and cash equivalents	316,751	894,531

NOTE 4: GRANTS RECEIVABLE

	31-Dec-2018	31-Dec-2017
European Union (EU)	2,502,619	3,390,351
Bread for the World (BFW)	853,746	1,538,727
Konrad-Adenauer-Stiftung (KAS -BMZ funds)	779,256	1,330,388
Arbeiter-Samariter-Bund Georgia (ASB-EU funds)	363,784	654,728
United Nations Development Programme (UNDP)	228,001	38,883
People in Need (PIN)	24,352	75,936
UNOP	66,914	64,805
ELKANA (World Bank funds)	-	23,971
Bundeszentrale für politische Bildung (BPB)	-	2,017
Total grants receivable	4,818,672	7,119,806

The Center for Strategic Research and Development of Georgia
Notes to Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

NOTE 5: TAX ASSETS

	31-Dec-2018	31-Dec-2017
Value added tax (VAT)	13,009	13,315
Profit tax	66,250	29,667
Total tax assets	79,258	42,982

NOTE 6: GRANTS PAID IN ADVANCE

	31-Dec-18	31-Dec-17
Education Development and Employment Center (EDEC)	22,430	54,484
Grants to individuals	19,664	800
Tsnuli	16,904	-
The Association of the Chiaturians Union	15,050	-
Multinational Georgia	14,980	-
Women for the future of the country	14,037	-
Charitable Foundation Caritas Georgia	11,830	-
Democratic development union of Georgia	8,798	-
Kvemo Kartli Media	8,597	-
Poter	6,300	-
Mediator's Association of Guria	3,999	4,000
Iris Group	3,925	-
Youth Organisation Union for disabled people in Khulo	3,615	-
Ai Kubi	3,600	8,100
Tetrtskaro Youth Center	3,573	-
Skra Assosiation "Betlemi"	3,500	3,500
Joyoli XXI	3,000	-
Education center Gumbati	2,708	-
Associaciation of Women Farmers	2,405	-
Community Foundation Kodori 2013	2,215	-
The voice of the blind	1,835	-
Education and development center Toliskuri	1,335	-
The National Center for Democratic Development	1,257	6,763
Caucasus Center for Journalists	351	-
Vardisubani	180	-
Bolnisi language house	24	-
Inter-Ethnic Unity of Kvemo Kartli	14	8,240
CRI "Bright Future"	-	7,170
Human Rights Advocacy and Democracy Fund	-	6,218
Young Researchers And Analytics Union	-	5,984
Society „Biliki“	-	5,030
Youth Centre for Civil development	-	1,260
Neogileb Club	-	1,005
Youth Organisation Changes For Equal Rights	-	782
Humanity in Action	-	300
Total grants paid in advance	176,126	113,636

The Center for Strategic Research and Development of Georgia
Notes to Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

NOTE 7: FIXED ASSETS (NET)

	Buildings	Office Equipment	Vehicles	Total
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
Additions	-	154,609	-	154,609
Disposal	-	(29,984)	(11,316)	(41,300)
Depreciation charge	(3,978)	(25,787)	(17,375)	(47,140)
Carrying amount at 31 December 2018	115,372	209,566	69,971	394,911

NOTE 8: SHORT-TERM LOAN

Credit line of the organization is denominated in EUR and bears an annual interest of 5.8%. As of December 31, 2018, total loan principal payable represents GEL 108,950 (December 31, 2017: 0 GEL) and organization does not have interest payable.

NOTE 9: DEFERRED GRANT INCOME

Deferred grant income	31-Dec-18	31-Dec-17
European Union (EU)	2,735,883	4,125,547
Bread for the World (BFW)	896,064	1,734,677
KAS (BMZ funds)	829,083	1,337,765
Arbeiter-Samariter-Bund Georgia (ASB-EU funds)	505,105	686,259
United Nations Development Programme (UNDP)	257,747	71,946
UNOP	123,365	129,600
People in Need (PIN)	-	76,481
NESsT EUROPE Nonprofit Ltd (Visegrad Fund)	21,599	-
ELKANA (World Bank funds)	-	49,518
Fridrich Ebert Stiftung (FES)	262	1,722
Total deferred grant income	5,369,109	8,213,515

The Center for Strategic Research and Development of Georgia
Notes to Financial Statements for the Year Ended December 31, 2018
Amounts expressed in Georgian Lari

NOTE 10: GRANTS ISSUED

In 2018 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 2018 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 2018 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 December 10, 2018.

In 2018 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 2018 CSRDG Issued grant to individuals under the project - Social enterprise-innovative approach for economic and social changes". The project was financed by CSRDG's own funds.

In 2018 CSRDG issued Micro grants to different individuals and organizations the project - Qualification for Re-integration - a way back into society" funded by Arbeiter-Samariter-Bund Georgia (ASB). Agreement between CSRDG and ASB was signed on January 31, 2017.

The grant amounts are given below indicating donor funds:

Donor funds used for grants issued:	2018	2017
European Union (EU)	403,803	298,180
United Nations Development Programme (UNDP)	135,243	188,260
Bread for the World (BFW)	70,906	79,179
Own Funds	4,840	1,000
Arbeiter-Samariter-Bund Georgia (ASB-EU funds)	16,141	-
Total grants issued	630,933	566,619

NOTE 11: MOVEMENT IN DEFERRED GRANTS

	2018	2017
Opening balance of deferred grants	8,213,515	2,286,852
Add: Grant contracts signed in the period	246,704	8,492,667
Less: Deferred grants transferred to the period incomes	(3,091,110)	(2,566,004)
Closing balance of deferred grants	5,369,109	8,213,515

NOTE 12: COMMITMENTS AND CONTINGENT LIABILITIES

Legal proceeding

As of 31 December 2018, 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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