

NPLE „FIRST STEP GEORGIA”

**Financial Statements
For the year ended 31 December 2022
and the Independent Auditor's Report**

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INDEPENDENT AUDITOR'S REPORT

To the Management and the Board of Directors of FIRST STEP GEORGIA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Step Georgia (the Organization) which comprise the statement of financial position as at 31 December 2022, and the statement of activities and changes in net assets, statement of changes in accumulated funds and statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, and its activities and changes in net assets and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs)

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants, Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 these standalone financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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 withers 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.

Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatements, 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 decision of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the standalone 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditor's report is Zviad Akhvlediani.

Zviad Akhvlediani

Russell Bedford AAC LLC

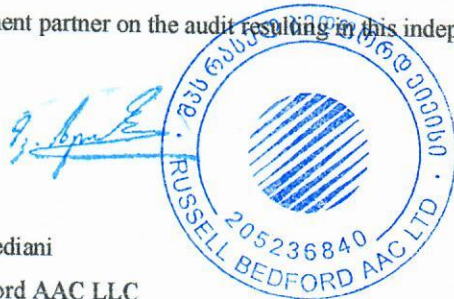
31 March 2023

Tbilisi, Georgia

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Zviad Akhvlediani

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31 March 2023

Tbilisi, Georgia

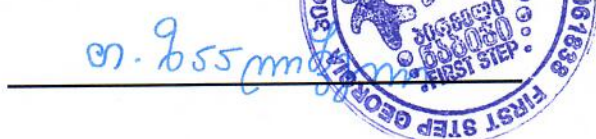
STATEMENT OF FINANCIAL POSITION

Prepared as at 31 December 2022

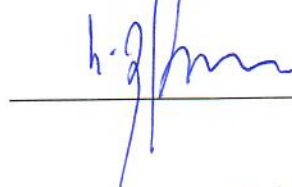
	Note	31-Dec-22	31-Dec-21
ASSETS			
Current assets			
Cash and cash equivalents	3	909,587	908,727
Receivables	4	313,979	392,443
Inventories		792	792
Prepaid Tax		-	1,281
Prepaid expenses		-	375
Total current assets		1,224,358	1,303,619
Non-current assets			
Fixed assets	5	662,129	718,146
Intangible assets		1,113	1,788
Total non-current assets		663,242	719,934
Total assets		1,887,600	2,023,553
ACCUMULATED FUNDS AND LIABILITIES			
Current liabilities			
Accounts payable	6	34,528	141,971
Taxes payables		3,852	10,670
Total current liabilities		38,380	152,641
Accumulated Funds			
Restricted funds		1,830,311	1,852,001
Unrestricted funds		18,909	18,911
Total accumulated funds		1,849,220	1,870,912
Total accumulated funds and liabilities		1,887,600	2,023,553

These financial statements were approved by management on 31 March 2023 and were signed on its behalf by:

Director:



Financial Manager:



The notes on pages 9-22 form an integral part of these financial statements. The Independent Auditor's Report is on pages 3-4

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**Prepared for the period ended 31 December 2022**

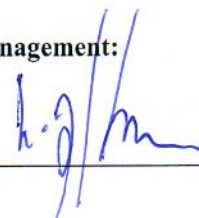
	Note	Restricted	Unrestricted	Total 2022	Restricted	Unrestricted	Total 2021
Revenue from Child Care Activities	7	-	3,086,916	3,086,916		2,628,995	2,628,995
Contribution from Donors		415,671	0	415,671	298,246		298,246
Income from donations		-	229,605	229,605		348,530	348,530
Total Incoming Resources		415,671	3,316,521	3,732,192	298,246	2,977,525	3,275,771
Program expenses	8	-	(2,898,339)	(2,898,339)	-	(2,583,377)	(2,583,377)
Administrative expenses	9	-	(399,274)	(399,274)	-	(366,818)	(366,818)
Depreciation expenses		-	(102,191)	(102,191)	-	(109,648)	(109,648)
Total Expenditures		-	(3,399,804)	(3,399,804)	-	(3,059,843)	(3,059,843)
Net surplus/deficit on operating activities		415,671	(83,283)	332,388	298,246	(82,318)	215,928
Non-operating expenses		-	(1,035)	(1,035)	-	-	-
FX Gain/(Loss)		-	(17,078)	(17,078)	-	9,965	9,965
Finance Income		-	9,714	9,714	-	9,726	9,726
Non-operating income		-	26,429	26,429	-	250	250
Total Financial Activities		-	18,030	18,030	-	19,941	19,941
Net surplus/deficit before tax		415,671	(65,253)	350,418	298,246	(62,377)	235,869
Net surplus/deficit After tax		415,671	(65,253)	350,418	298,246	(62,377)	235,869
Net assets as at 31 December 2021		919,847	7,403	927,250	621,601	69,781	691,382
Net surplus/deficit 2022		415,671	(65,253)	350,418	298,246	(62,378)	235,868
Net assets as at 31 December 2022		1,335,518	(57,850)	1,277,668	919,847	7,403	927,250

These financial statements were approved by management on 31 March 2023 and were signed on its behalf by:

Director:




Financial Management:



Financial Statements

NPLE FIRST STEP GEORGIA

for the year ended 31 December 2022

IN GEL

The notes on pages 9-22 form an integral part of these financial statements. The Independent Auditor's Report is on pages 3-4

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

Prepared as at 31 December 2022

Funds available as at 31 December 2020	1,795,392
Changes in temporary restricted funds	197,933
Changes in unrestricted funds	(122,414)
Funds available as at 31 December 2021	1,870,911
Changes in temporary restricted funds	(21,691)
Changes in unrestricted funds	-
Funds available as at 31 December 2022	1,849,220

Financial Statements

NPLE FIRST STEP GEORGIA

for the year ended 31 December 2022

IN GEL

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STATEMENT OF CASH FLOWS**Prepared for the period ended 31 December 2022**

	Year 2022	Year 2021
Cash flows from operating activities		
Funds from donations	409,434	418,598
Funds from child care activities	2,936,374	2,651,007
Interest received on deposit	4,244	9,825
Payroll expenses paid	(2,175,200)	(1,865,180)
Taxes paid	(586,712)	(456,332)
Prepayments made to suppliers	(217,905)	(124,951)
Transfers to Pension Funds	(96,907)	(83,648)
Payments to suppliers	(62,265)	(78,186)
Utility expenses paid	(59,280)	(54,867)
Communication expenses paid	(21,040)	(16,367)
Services from individuals	(10,640)	(90,488)
Other operating expenses	(18,073)	(17,069)
Net Cash Flow from Operating Activities	102,030	292,342
Cash flows from investing activities		
Sale of PPE	26,429	-
Purchase of PPE	(27,787)	(111,465)
Net cash outflow from investing activities	(1,358)	(111,465)
FX gain/(loss) on cash	(99,812)	(129,083)
Net increase in cash and cash equivalents	860	51,794
Cash and cash equivalents at the beginning of the year	908,727	856,933
Cash and cash equivalents at the end of the year	909,587	908,727

The notes on pages 9-22 form an integral part of these financial statements. The Independent Auditor's Report is on pages 3-4

1. General Information

First Step Georgia ("the Organization") is non-profit organization dedicated to enhancing the quality of life for children with special need by providing direct care, public advocacy, family support services and training.

The Organization exists to create safe, supportive and nurturing environments for children with mental and physical disabilities so they can receive the specific educational, physical, mental and medical support their conditions require.

The Organization strives to create these environments in several ways:

- In day care centers, where organization provides direct services to and for disabled children;
- In the private homes of disabled children, where organization provides services, training and support to children and the families of these children, lessening their isolation;
- In broader society, where organization works to de-stigmatize disabilities in general;
- On policy levels, where organization lobbies the government to be more aware, inclusive, supportive and responsive to the particular needs of this group of Georgian citizens.

The legal address of the Organization is 150 Aghmashenebeli Avenue, Tbilisi, Georgia. The Organization is registered in November 6, 1998 year and the tax code is 202 061 838.

Grants related to activity in year ended 31 December 2020 are following:

AMERICAN FRIENDS OF GEORGIA

Project period: 2022 January-December

Project Name: Supporting Tbilisi Specialized Day care center for children from 7-18 years

Project Amount: 9500,00 USD

Brief Overview of the Day Care Center

FSG Day Care Center (DCC) is the only center in Tbilisi which serves children with severe and profound disability who also have challenging behavioral problems. Besides the specialized service and education programs, children are provided with the transportation and food. For children with severe disabilities, the day care is only place where they have an opportunity to get friends and become more socially adapted.

FSG day care center is located in FSG village in Tbilisi and serves 35 children with severe and profound intellectual disability from age 6 to 18.

The overall goal of the DCC is to increase the level of independent functioning of children with special needs and to ensure their social inclusion through acquisition of skills and knowledge.

From May 2014 FSG got registration as a specialized day care provider. According to this new policy FSG strengthens individual occupational and psychological assistance of the beneficiaries. Day care program continued strengthening of self-care skills of children and management of challenging behaviors and applied non-verbal communication system.

Specific goals are:

- To ensure wide range of education programs of 35 children with severe and profound intellectual disabilities at FSG day care center.
- To ensure development of life and communicative skills and academic knowledge of the beneficiaries of FSG education program
- To ensure development of social contacts and social inclusion of the beneficiaries of FSG education program
- To support families of disabled children

To raise awareness of the public on social and education inclusion of children with special needs.

THE NEXT STEP - THE SLANEY FOUNDATION

Project period: 2022 January-December

Project Name: Supporting Tbilisi Specialized Day care center for children from 7-18 years

Project Amount: 49994,00 USD

Brief Overview of the Day Care Center

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To raise awareness of the public on social and education inclusion of children with special needs.

IWA INTERNATIONAL WOMEN ASSOCIATION

Project name: Introduction of Creative Club/Class for Children with Severe and Profound Delay of Mental Development

Total budget (GEL): 4996.00

Project period: 2022

Project goal and objectives

The project „Introduction of creative club/class for children with a severe and profound delay of mental development“ aims to support children and adolescents with developmental delay and mental retardation. In particular, a special club/circle is being prepared which will be aimed at the development of creativity, emotional self-regulation and self-expression skills.

Project Goal: Currently, 17 beneficiaries of the day center have been involved in various activities of the club since October. Children's evaluations were carried out by the staff of the day care center, on the basis of which the groups were formed. According to the obtained results, three groups were formed. "Musicians" - 6 beneficiaries; "Sculptors" 5 beneficiaries and "Artists" 6 beneficiaries.

The process has been going on since October. Parents, children and specialists working in the club are satisfied. In the future, not only the beneficiaries of the day care center, but also children and adults receiving services in other programs will be able to use the services of the creative club.

The inventory purchased within the framework of the project and the experience gained will grant the organization the opportunity to offer more innovations to more children, especially those who, due to a tiring routine, need free time and a safe environment where they can manage and enjoy the creative process as they wish.

SLOVAKAIDS

Project name: Introduction of sports and creative classes (clubs) for children with disabilities

Total budget (euro): 1000.00

Project period: -2022

Project goal and objectives:

There wasn't any gym for sports activities in Georgia tailored to children with disabilities. Consequently, after the completion of the project, a similar type of space will be created, where at the first stage the beneficiaries of the day care center of First Step Georgia will receive this service. In addition, the program will be developed under the responsibility of a physical therapist, which later will be available for other beneficiaries of the organization.

The creative class will enable children to relax and self-regulate after tiring sports activities. In the first stage the service will be available for 30 beneficiaries, and then as desired. The organization currently serves more than 800 beneficiaries.

Project description

In the modern world, different types of gadgets play a huge role in people's daily lives. Gadget addiction is especially increasing in kids and teens who spend their free time having fun with tablets and computers.

For this reason, children and adolescents are less and less involved in physical activities and extracurricular activities that contribute to the development of their creative skills.

This circumstance leads to various health problems, as well as to difficulties that occur in the process of communication and spending time together in a non-virtual environment.

Since the beginning of 2020, the Covid 19 pandemic has further enhanced the role of gadgets in the lives of children and adolescents as the learning/educational process was conducted in online mode during these two years.

In addition, extracurricular activities were restricted due to the pandemic. Furthermore, forced self-isolation has completely cut children from spending time together outdoors.

The situation is even more complicated in the case of children and adolescents with disabilities, particularly for children who are diagnosed with mental retardation.

There is neither space/place for physical activity nor clubs/classes for creative development across the country for children and adults with a diagnosis of mental retardation and the reason for that is lack of relevant infrastructure and qualified staff.

Gym for sports activities.

The Day Centre of First Step Georgia in 2017 cooperated with the National Centre for Children and Youth, within the framework of which 5 to 7 beneficiaries were transported once a week and there they worked on the development of children's physical skills in the gym. The mentioned service was limited and its provision was terminated in 2017. Consequently, the organization aims to strengthen service provision to the beneficiaries in this regard. For this purpose, the organization plans to arrange a relevant environment for sport/physical/fitness activities within the day-care centre. The place has already been allocated but the infrastructure needs to be renovated and equipped.

Involving beneficiaries in the adapted gym will help develop the motor skills of children and adolescents and, at a later stage, involve children in team games outdoor. The type and duration of physical activity for children will be determined based on the beneficiary's prior assessment. The exercise process will be led by a physical therapist with an assistant special educator. 3 to 5 beneficiaries will be able to participate in the sports session at the same time, the maximum duration of each lesson will be 50 minutes.

In addition to the services provided to the day care centre beneficiaries, the existence of such a space will be additional support for children who receive different types of therapies in the same organization. This type of space is not available for children and adults with disabilities in Georgia at this stage, therefore, the emergence of the concept of a gym will be a step forward in the development of services for children with disabilities.

As the specialists of the day-care centre of First Step have experience in engaging children in sports activities, the decision on what type of equipment will be needed for the room has already been developed. A detailed list is provided – renovation works for the sports class: entrance door (to cut a door in the wall), painting works, purchase/installation of heating radiators.

Creative class

For a healthy life and the physical, functional, and cognitive development of children, it is also important to develop creative and social-emotional skills. This is why the concept of a creative circle/club is needed, where beneficiaries will be able to learn how to spend their free time functionally and in a diverse way.

The use of art and painting helps the individual in managing self-knowledge, self-expression, behavior, and emotions. Within the framework of the Art Therapy course, drawing and sculpting activities will take place, with 4 to 7 participants involved in each lesson, who will be selected based on a preliminary evaluation of the beneficiaries. The learning objectives of the class/lesson will be written according to the skills of the group. The art therapy circle will be led by two special teachers. Group meetings will be held three times a week, the duration of each meeting will be 70 minutes.

To have a Creative Club/class, it's necessary to arrange a creative and sensory environment for children. Consequently, it also needs special equipment. Please see a detailed list In the budget

SLOVAKAIDS

Project name: Introduce an adapted culinary program in the day care center for children with disabilities.

Total budget (euro): 1000.00

Project period: -2022-2023

Project goal and objectives:

Within the framework of the project, the team of the organization will develop an adapted culinary curriculum that will be introduced to the beneficiaries of the day center program. For an adapted culinary circle, the organization will acquire kitchen appliances that may be easily used by the beneficiaries and will be able to perform more activities independently. In the first stage the service will be available for 30 beneficiaries, and then as desired.

The organization currently serves more than 800 beneficiaries.

Project description

Within the framework of the project, the organization will purchase kitchen appliances and kitchen accessories that are essential for the preparation of daily food and will help to involve children in the baking process.

Having planned individual and group goals and activities, the process of teaching culinary skills within the culinary club will begin for the beneficiaries of the day center.

At the end of the project, collaborations will be planned according to age groups from different services in the organization, and the beneficiaries of the autism program will be able to get engaged in a culinary club together with their therapists. This project is also important for the beneficiaries of the autism program, as their interests change with age, and often the therapy room is not fully tailored to children's needs. In addition, behavioral therapists also need an adaptive and diverse space for their services to be meaningful and of good quality.

The First Step Day Center also has the experience of collaborating with schools, in which the children of the Day Center were involved with the public-school class in both sensory and physical, and culinary activities. Consequently, the team of the day center specialists already has the preparatory period and experience to implement the project and spread it outside the day center.

Target Group - Beneficiaries of the Day Care Center for children with severe and profound mental disabilities and their family members. Also, the beneficiaries involved in other programs of First Step Georgia. (Total amount 50 beneficiaries)

2. Summary of significant accounting policies

Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 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 IFRSs). 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.

Basis of measurement

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

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

Going concern

These financial statements have been prepared on the assumption that the Organization is a going concern and will continue its operations for the foreseeable future. The management and shareholder have the intention to develop future activities of the Organization in Georgia. The management believes that the going concern assumption is appropriate for the Organization.

2.2 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in the statement of profit or loss and other comprehensive income for the period.

Exchange rate	31 Dec 2022	31 Dec 2021
1 USD/GEL	2.7020	3.0976
1 EUR/GEL	2.8844	3.5040

2.3 Revenue

Rendering of service

Revenue from rendering of services is recognized when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

Grants received

Received grants are presented in the statement of financial position as restricted fund and is recognized as Contribution from Donors in statement of activity and changes in net assets over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Donation

Donations collected, including cash and goods for resale, are recognized as revenue when the Organization gains control, economic benefits are probable and the amount of the donation can be measured reliably.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Organization and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.4 Income Tax

Income tax expense represents the sum of the tax currently payable. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are not taxable or deductible in current period. The Organization's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.5 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences, except where the Organization is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.6 Taxes other than income tax

Taxes other than income tax are recognized when obligating events have occurred. The obligating events are an event that raises a liability to pay a tax. Taxes are calculated in accordance with Georgian legislation. Prepaid taxes are recognized as assets.

2.7 Property, plant and equipment

All Property, plant and equipment is carried at its historical cost less any accumulated depreciation and accumulated impairment losses. The historical cost of an item of Property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Organization; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, (d) the obligation for which the Organization incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the statement of profit or loss and other comprehensive income as incurred.

Charging depreciation on the Property, plant and equipment or particular items starts when such Property, plant and equipment are ready to use in the manner intended by the management of the Organization. Depreciation of Property, plant and equipment is charged so as to write off the depreciable amount over the useful life of an asset and is calculated using a diminishing balance method.

Useful lives of Property, plant and equipment are as follows:

	Useful lives
Building	4%
Vehicles	33%
Office equipment	20%
Computers & accessories	30%
Furniture and Equipment	25%
Outdoor infrastructure	20%

2.8 Intangible assets

Intangible assets are carried at cost less accumulated amortization. Amortization is recognized on a straight-line basis over 15%. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal; or when no future economic benefits are expected from use or disposal. Gains or losses arising from recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the statement of activity.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Organization from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The weighted average cost method is used for inventories.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.10 Financial instruments

Financial assets

The financial assets are classified into one of the following categories: financial assets „at fair value through profit or loss (FVTPL), „held-to-maturity' investments, „available-for-sale' (AFS) financial assets and „loans and receivables', depending on the purpose for which the asset was acquired.

The Organization's financial assets represent receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at cost.

The Organization's receivables comprise trade, funds receivable from the donor organizations, and other receivables; as well as cash and cash equivalents. The financial assets are presented in the statement of financial position. Cash and cash equivalents include cash on hand and current accounts with banks. Cash and cash equivalents are carried at fair value.

Financial liabilities

The Organization classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Organization's financial liabilities represent financial liabilities at cost. Financial liabilities at cost includes trade payables and other short-term monetary liabilities, which are initially recognized at fair value.

Offset of financial assets and liabilities

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.

2.11 Recognition of 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.

3. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2022 and 2021 can be presented as follows:

	31-Dec-2022	31-Dec-2021
Cash and Cash equivalents		
Cash in USD in banks	741,550	775,487
Cash in GEL in banks	167,760	132,835
Petty cash in GEL	277	405
Total Cash and Cash Equivalents	909,587	908,727

4. Trade and other receivables

Accounts receivable as at 31 December 2022 and 2021 can be presented as follows:

Carrying amounts of financial receivables within accounts receivables approximate fair values due to their short-term maturities. All parts of accounts receivables are not past due and not impaired.

	31-Dec-2022	31-Dec-2021
Receivables		
Partner Organizations	220,000	164,435
Program and beneficiaries	90,088	223,120
Advances to suppliers	3,588	3,491
Receivable from personnel	298	1,392
Receivable from donors	5	5
Total Receivables	313,979	392,443

Carrying amounts of financial receivables within accounts receivables approximate fair values due to their short-term maturities. All parts of accounts receivables are not past due and not impaired.

5. Property, plant and equipment

Fixed assets as at 31 December 2022 can be presented as follows:

	Land	Buildings	Office equipment	Computers & accessories	Outdoor infrastructure	Furniture and Equipment	Vehicles	Total
Historical Cost								
31-Dec-2020	1,600	1,156,808	38,526	71,531	34,620	204,431	171,702	1,679,218
Additions	-	67,957	-	1,400	34,114	7,319	-	110,790
Disposals	-	-	-	-	-	-	-	-
31-Dec-2021	1,600	1,224,765	38,526	72,931	68,734	211,750	171,702	1,790,008
Additions	-	16,052	19,188	4,163	-	6,096	-	45,499
Disposals	-	-	-	-	-	-	(53,505)	(53,505)
31-Dec-2022	1,600	1,240,817	57,714	77,094	68,734	217,846	118,197	1,782,002
Accumulated Depreciation								
31-Dec-2020	-	(580,546)	(26,889)	(62,007)	(24,341)	(166,872)	(102,233)	(962,888)
Depreciation charge	-	(48,062)	(4,721)	(5,676)	(3,812)	(15,004)	(31,699)	(108,974)
Disposals	-	-	-	-	-	-	-	-
31-Dec-2021	-	(628,608)	(31,610)	(67,683)	(28,153)	(181,876)	(133,932)	(1,071,86)
Depreciation charge	-	(49,268)	(5,826)	(4,282)	(4,666)	(11,029)	(26,445)	(101,516)
Disposals	-	-	-	-	-	-	53,505	53,505
31-Dec-2022	-	(677,876)	(37,436)	(71,965)	(32,819)	(192,905)	(106,872)	(1,119,87)

Net book value

31-Dec-2020	1,600	576,262	11,637	9,524	10,279	37,559	69,469	716,331
31-Dec-2021	1,600	596,157	6,916	5,248	40,581	29,874	37,770	718,146
31-Dec-2022	1,600	562,941	20,278	5,129	35,915	24,941	11,325	662,129

6. Trade and other payables

Accounts payables as at 31 December 2022 and 2021 can be presented as follows:

Accounts payable	31-Dec-2022	31-Dec-2021
Beneficiaries	-	125,673
Payables - trade	26,976	8,341
Salaries payable	2,539	2,344
Other payables	5,014	5,613
Total Accounts payable	34,529	141,971

Carrying amounts of financial liabilities within trade and other payables approximate their fair value due to short term maturities

7. Revenue

Organization receives revenue from two sources: Revenue from Child care activities and income from donations and contributions from donors. Revenue received during the year 2022 can be represented as follows:

Revenue from child care activities	2022 Year	2021 Year
Revenue from child care activities	3,086,916	2,628,995
Total revenue from child care activities	3,086,916	2,628,995

Income from donations	2022 Year	2021 Year
d	221,214	155,241
Individuals	181,341	295,399
Slovak embassy	118,527	72,080
American Friends for Georgia	70,934	29,897
McDonalds	33,500	-
Women International Association IWA	4,996	-
VAT Tax returns	3,424	53,132
Other Donations	11,340	41,027
Total Income from donations	645,276	646,776

8. Program expenses

Program expenses for the year ended 31 December 2022 and 2021 can be presented as follows:

Program expenses	2022 Year	2021 Year
Staff salary	(2,668,889)	(2,382,248)
Utilities expense	(69,970)	(62,650)
Fuel expense	(18,553)	(23,309)
Repairing expense	(16,196)	(38,155)
Insurance expense	(5,672)	(4,470)
Vehicle maintenance expense	(848)	(7,546)
PR expense	(270)	(1,697)
Communication expense	(125)	(125)
Other expense	(117,816)	(63,177)
Total Program Expenses	(2,898,339)	(2,583,377)

9. Administrative expenses

Administrative expenses for the year ended 31 December 2022 and 2021 can be presented as follows:

Administrative expenses	2022 Year	2021 Year
Administration salary	(212,877)	(191,582)
Lease expense	(81,925)	(67,628)
Communication expense	(22,701)	(18,013)
Hygiene material expense	(21,889)	(21,727)
Stationary expense	(13,426)	(22,400)
Tax expense	(10,893)	(10,672)
Computer expense	(8,619)	(6,337)
Bank commission	(5,911)	(4,270)
Printing expense	(3,116)	(3,595)
Representation expense	(2,943)	(2,398)
Business trip expense	(1,460)	(4,450)
Repair expense	(53)	(5,896)
Transporting expense	(20)	-
Consulting expense	-	(2,584)
Other expenses	(13,441)	(5,266)
Total Administrative Expenses	(399,274)	(366,818)

10. Financial instruments - Risk Management

The Organization is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign currency risk
- Liquidity risk

In common with all other businesses, the Organization is exposed to risks that arise from its use of financial instruments. 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.

There have been no substantive changes in the Organization's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Major categories of financial instruments The Organization's principal financial liabilities comprise trade and other payables. The main purpose of these financial instruments is to raise finance for the Organization's operations. The Organization has various financial assets such as accounts receivables, cash and cash equivalents.

Major categories of financial instruments as at 31 December 2022 and 2021 can be presented as follows:

Major categories of financial instruments	2022	2021
Financial assets		
Receivables	313,979	392,443
Cash and cash equivalents	909,587	908,727
Total financial assets	1,223,566	1,301,170
Financial liabilities	34,528	
Accounts payable	34,528	141,971
Total financial liabilities	34,528	141,971

Financial assets carried at amortized cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of accounts receivables approximate fair value due to their short-term maturities.

Liabilities carried at amortized cost. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Management of the Organization considers that the carrying amounts of financial liabilities recorded in the financial statements approximate their fair value.

General objectives, policies and processes. The directors have overall responsibility for the determination of the Organization's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Organization's finance function.

Foreign currency risk

Currency risk is the risk that the financial results of the Organization will be adversely impacted by changes in exchange rates to which the Organization is exposed. The Organization undertakes certain transactions denominated in foreign currencies. The Organization does not use any derivatives to manage foreign currency risk exposure. The carrying amounts of the Organization's foreign currency denominated monetary assets and liabilities as at 31 December 2022 and 2021 were as follows:

	2022		2021	
	USD	EUR	USD	EUR
Financial assets				
Cash and cash equivalents	741,550	-	775,487	-
Total financial assets	741,550	-	775,487	-

The following table details the Organization's sensitivity to a 20% increase and decrease in the GEL against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates.

Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Organization. The Organization has not floating or fixed interest rates financial instruments.

Credit risk

Credit risk is the risk of financial loss to the Organization if counterparty to a financial instrument fails to meet its contractual obligations. The Organization is mainly exposed to credit risk from its accounts receivables, cash, and cash equivalents (excluding cash on hand).

The Organization's management has established a credit policy under which each customer is analyzed individually for creditworthiness before the Organization's standard payment and delivery terms and conditions are offered.

In monitoring customer credit risk, customers are grouped according to their overdue status, including whether they are an individual or legal entity. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Management, and future sales are made necessary on a prepayment basis. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December 2022 and 2021 were as follows:

	2022	2021
Receivables	313,979	392,443
Cash and cash equivalents except cash on hand	909,587	908,727
Total	1,223,566	1,301,170

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to settle all liabilities as they are due. The following tables detail the Organization's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as at 31 December 2022 and 2021:

Less than 1 year

Non-interest-bearing financial liabilities:	2022	2021
Accounts payable	34,528	141,971
Total financial liabilities	34,528	141,971

11. Related party transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Organization and other related parties are disclosed below:

Key management personnel compensation for the year ended 31 December 2022 can be presented as follows:

	2022 Year	2021 Year
Key management personnel compensation: short-term employee benefits	158,026	148,615

12. Commitments and contingencies

Capital commitments - the management is not aware of any commitments and contingencies. Which would have a material impact on the financial statements of the Organization for the year ended 31 December 2022.

Operating environment - the Organization's principal activities are within Georgia. Laws and regulations affecting the business environment in Georgia are subject to rapid changes and the Organization's assets and operations could be at risk due to negative changes in the political and business environment.

13. Capital management

Given the nature of the Organization's operations, the Organization does not have a formal capital management policy.

The Organization is not subject to externally imposed capital requirements.

14. Going concern considerations

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business of the Organization.

During the reporting periods the Organization has not faced any financial difficulties, it has no cash shortage or any other indication that Organization operations can be terminated by any reason.

15. Events after the reporting period

No significant subsequent events, which have effect on presented financial statements, have been identified after the reporting date.