

NNLE FIRST STEP GEORGIA

Financial Statements

For the Year Ended 31 December 2023

Together with Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Management and the Board of NNLE FIRST STEP GEORGIA

Opinion

We have audited the financial statements of Non-Entrepreneurial (Non-Commercial) Legal Entity "First Step Georgia" (the Organization), which comprise the statement of financial position as at 31 December 2023, and the statement of activities and changes in net assets, statement of changes in accumulated funds and statement of 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 31 December 2023, changes in its activities and 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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
29 March 2024
Tbilisi, Georgia



Statement of Financial Position

Prepared as at 31 December 2023

	Note	<u>31-Dec-23</u>	<u>31-Dec-22</u>
ASSETS			
Non-current assets			
Property, plant and equipment	6	611,881	662,129
Intangible assets		<u>438</u>	<u>1,113</u>
Total non-current assets		612,319	663,242
Current assets			
Inventories		792	792
Trade and other receivables	5	182,677	313,979
Cash and cash equivalents	4	<u>1,090,221</u>	<u>909,587</u>
Total current assets		<u>1,273,690</u>	<u>1,224,358</u>
Total assets		<u>1,886,009</u>	<u>1,887,600</u>
ACCUMULATED FUNDS AND LIABILITIES			
Current liabilities			
Trade and other payables	7	21,833	34,528
Taxes payables		<u>1,917</u>	<u>3,852</u>
Total current liabilities		23,750	38,380
Accumulated Funds			
Restricted funds		1,869,534	1,830,311
Unrestricted funds		<u>(7,275)</u>	<u>18,909</u>
Total accumulated funds		<u>1,862,259</u>	<u>1,849,220</u>
Total accumulated funds and liabilities		<u>1,886,009</u>	<u>1,887,600</u>

These financial statements were approved by management on 29 March 2024 and were signed on its behalf by:

Director

Financial Manager

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The notes on pages 9-23 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

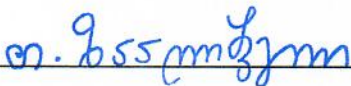
Prepared for the period ended 31 December 2023

	Note	Restricted	Unrestricted	Total 2023	Restricted	Unrestricted	Total 2022
Revenue from Child Care Activities	8	-	3,388,273	3,388,273	-	3,086,916	3,086,916
Contribution from Donors	8	385,150	-	385,150	415,671	-	415,671
Income from donations	8	-	3,106	3,106	-	229,605	229,605
Total Incoming Resources		385,150	3,391,379	3,776,529	415,671	3,316,521	3,732,192
Program expenses	9	-	(3,178,903)	(3,178,903)	-	(2,898,339)	(2,898,339)
Administrative expenses	10	-	(474,714)	(474,714)	-	(399,274)	(399,274)
Depreciation expenses		-	(90,635)	(90,635)	-	(102,191)	(102,191)
Total Expenditures		-	(3,744,252)	(3,744,252)	-	(3,399,804)	(3,399,804)
Net surplus/deficit on operating activities		385,150	(352,873)	32,277	415,671	(83,283)	332,388
Non-operating expenses		-	-	-	-	(1,035)	(1,035)
FX Gain/(Loss)		-	(7,089)	(7,089)	-	(17,078)	(17,078)
Finance Income		-	9,633	9,633	-	9,714	9,714
Non-operating income		-	-	-	-	26,429	26,429
Total Financial Activities		-	2,544	2,544	-	18,030	18,030
Net surplus/deficit before tax		385,150	(350,329)	34,821	415,671	(65,253)	350,418
Net surplus/deficit After tax		385,150	(350,329)	34,821	415,671	(65,253)	350,418
Net assets as at 31 December 2022		1,335,518	(57,850)	1,277,668	919,847	7,403	927,250
Net surplus/deficit 2023		385,150	(350,329)	34,821	415,671	(65,253)	350,418
Net assets as at 31 December 2023		1,720,668	(408,179)	1,312,489	1,335,518	(57,850)	1,277,668

These financial statements were approved by management on 29 March 2024 and were signed on its behalf by:

Director

Financial Manager





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Total Incoming Resources		385,150	3,391,379	3,776,529	415,671	3,316,521	3,732,192
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Administrative expenses	10	-	(474,714)	(474,714)	-	(399,274)	(399,274)
Depreciation expenses		-	(90,635)	(90,635)	-	(102,191)	(102,191)
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Non-operating expenses		-	-	-	-	(1,035)	(1,035)
FX Gain/(Loss)		-	(7,089)	(7,089)	-	(17,078)	(17,078)
Finance Income		-	9,633	9,633	-	9,714	9,714
Non-operating income		-	-	-	-	26,429	26,429
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These financial statements were approved by management on 29 March 2024 and were signed on its behalf by:

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Statement of Changes in Accumulated Funds

Prepared as at 31 December 2023

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
Changes in temporary restricted funds	39,223
Changes in unrestricted funds	(26,184)
Funds available as at 31 December 2023	1,862,259

The notes on pages 9-23 form an integral part of these financial statements. The Independent Auditor's Report is on pages 3-4.

Statement of Cash Flows

Prepared for the period ended 31 December 2023

	Year 2023	Year 2022
Cash flows from operating activities		
Funds from donations	431,957	409,434
Funds from child care activities	3,410,267	2,936,374
Interest received on deposit	2,000	4,244
Payroll expenses paid	(2,396,405)	(2,175,200)
Taxes paid	(643,568)	(586,712)
Prepayments made to suppliers	(280,993)	(217,905)
Transfers to Pension Funds	(109,500)	(96,907)
Payments to suppliers	(69,660)	(62,265)
Utility expenses paid	(59,537)	(59,280)
Communication expenses paid	(23,825)	(21,040)
Services from individuals	(11,494)	(10,640)
Other operating expenses	(29,149)	(18,073)
Net Cash Flow from Operating Activities	220,094	102,030
Cash flows from investing activities		
Sale of PPE	-	26,429
Purchase of PPE	(39,602)	(27,787)
Net cash outflow from investing activities	(39,602)	(1,358)
FX gain/(loss) on cash	142	(99,812)
Net increase in cash and cash equivalents	180,634	860
Cash and cash equivalents at the beginning of the year	909,587	908,727
Cash and cash equivalents at the end of the year	1,090,221	909,587

The notes on pages 9-23 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.

First Step Georgia runs following programs:

1. Early Intervention Program;
2. Autism –ABA Therapy;
3. Floortime Therapy;
4. Sensory Therapy;
5. Speech Therapy;
6. Group Therapy;
7. Feeding Disorder Therapy;
8. Academic Skills;
9. Art/Music Therapy;
10. Medical room – Developmental Pediatrician; child neurologist
11. Specialized Day Care Center
12. Home Based Care

FSG Branches – Rustavi, Isani - All of our programs are implemented in the branches except Sensory Therapy;

Number of children during a month – over 850.

In addition to the service provision and trainings, FSG closely cooperates with the government to better services and educational system for children with disabilities.

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 2023 are following:

German FR Embassy in Tbilisi

Project period: 2023 June-December

Project Name: Introduction of the Culinary Circle in the Day Care program of First Step Georgia

Project Amount: 22059,00 GEL

Brief Overview of Project

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 24 children with severe and profound intellectual disability from age 6 to 18.

The aim of the project is to develop culinary circle in day care center of First Step Georgia which is quite essential in the process of rehabilitation of children with severe and profound intellectual disabilities.

AMERICAN FRIENDS OF GEORGIA

Project period: 2023 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 24 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: 2023 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

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.

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Specific goals are:

- To ensure wide range of education programs of 24 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.

SLOVAKAIDS

Project period: November 2022 - April 2023

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

Total budget (euro): 9860.00 EUR

Project goal and objectives:

Within the framework of the joint project of the Slovak Embassy in Georgia and "First Step Georgia", it was planned to launch the first adaptive culinary program and open a culinary class for children with disabilities at the base of the "First Step" day center.

The goal of the project is, on the one hand, to diversify and improve the services of children and adolescents with disabilities, and on the other hand, to enable them to have the opportunity to receive services that will contribute to improving their life quality in the direction of relaxation, sports, and art.

According to the project timeline, the activities were distributed as follows:

Within the framework of the project, day center specialists have developed a training curriculum, which includes simple food preparation procedures at the first/initial stage;

The project administration purchased the necessary electrical equipment and additional kitchen equipment needed for food preparation (except for the tablecloth, which turned out not to be needed for the new table);

In addition, a space was allocated within the day care building, and for this space, cabinets and a table were made, which are used by the beneficiaries as a storage space/place for inventory and to prepare food.

Within the framework of the project, the procedure related to the renovation of the kitchen was carried out, in particular, the gas stove was replaced with an electric stove, and the kitchen of the day center came into compliance with both domestic and international regulations.

Based on scheduled project activities, upon the agreement between the specialists of the day care and the administration, groups were formed in which children were divided according to interest, diet, and abilities. For example, a beneficiary with phenylketonuria who is enrolled in the day care center program has an individual program drawn up, especially for him. Protein intake is prohibited for her.

Individual goals were set for each beneficiary. That is, according to the general curriculum, there is a specific food preparation teaching plan developed, although the goals are selected individually which means that each beneficiary works on the development of a specific skill.

The beneficiaries of the autism program were also involved in the general activity.

The leading specialist of the program reassessed the children's progress. The best results were revealed in terms of motivation and satisfaction. In addition, children's engagement and the quality of their independent performance of skills have increased. All this together contributed to the development of social-emotional skills, such as waiting/taking turns, patience, tolerance, and adaptation to new stimuli.

The culinary lesson, as planned, was put in between two mealtimes. It was decided so because sufficient time elapses after the first mealtime for motivation to be high, and until the second meal, complex behaviors related to food demand no longer appear;

Several beneficiaries began to take food they had never eaten before - a therapeutic effect in a natural setting.

Sensory hypersensitivity has decreased in terms of both - the touch and reception of food, as well as touching food in the process of eating.

All the beneficiaries of the day center are involved in the program, and joint activities were also held with the participation of the beneficiaries of the autism program. The activities were planned and agreed upon in advance, and consequently, the process went smoothly without challenging behaviors in children. The beneficiaries of the autism program (10) were accompanied by their parents and specialists working with them who received further recommendations to use them in therapeutic sessions.

Totally 50 people.

All beneficiaries of the day center are involved in the culinary circle. Currently, the number of boys exceeds the number of girls, although there is no gender restriction for admission to the circle.

The newly recruited staff of the day care center will be trained in the specifications of the new program. One teacher with culinary skills has been selected.

In addition, the entire day care center staff will undergo nutrition therapy training to make the process even more therapeutic;

A meeting is planned to introduce the mentioned program as an Alternative Therapy so that the children of the autism program will be able to receive the mentioned service.

OPEN SOCIETY FUND GEORGIA

Project period: 01/01/2023-01/07/2023

Project name: "Supporting/Support children and families of ethnic minorities and organizations working with them."

Total budget: 9,980.00 USD

Project goal and objectives

Support organizations providing services to children with disabilities in the regions in Georgia;
consultations on methodology and administration in Samtskhe-Javakheti region;
promote advocacy process with local and central governmental agencies;

Business environment of the Organization

The Organization's activities take place in Georgia. Georgia has certain emerging market characteristics, including relatively high inflation and interest rates. There are frequent changes in Georgian Tax Code, which also allows for different interpretations. The future economic direction of Georgia significantly depends on effectiveness of economic, financial and monetary decisions made by the government as well as tax, legislative, regulatory and political development.

In February 2022 Russian troops crossed the border of Ukraine. Millions of Ukrainians left the country and their homes. As a result, many leading countries and economic unions announced strict economic sanctions against Russia. Events are still unfolding, but have already resulted in a humanitarian crisis and substantial economic losses for Ukraine, Russia and the rest of the world. The Organization's operational activities do not have a significant direct connection with Ukraine and Russia. Therefore, the management assumes that the war will not have pernicious impact on the Organization.

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 IFRSs. Accounting information used in preparing the financial statements was derived from Organization's accounting records maintained for the Georgian Revenue Service reporting purposes.

IFRSs do not specify exact principles of accounting and reporting for preparing financial statements of non-entrepreneurial, non-commercial, non-governmental organizations, therefore accounting policies of such organizations are based on general principles of IFRS.

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 1st to December 31st.

Use of estimates and judgments

To prepare these statements in accordance with IFRS, management has made estimates that affect the amounts of assets and liabilities presented in the statements, as well as related revenues and expenses. These estimates are based on management's best knowledge of current events and actions; actual results may ultimately differ from these estimates, and initial estimates and assumptions will be revised as necessary in the year as circumstances change. Specific areas where significant estimates and judgments are used, or where assumptions and accounting estimates used by management have a significant effect on the financial statements is depreciation rates for PPE and intangible assets. The management estimated useful lives (depreciation rates) and considers that these estimates do not differ significantly from economic lives of these assets.

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 board and founder 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 activities and changes in net assets for the period.

Exchange Rate	31-Dec-2023	31-Dec-2022
USD to GEL	2.6894	2.7020
EUR to GEL	2.9753	2.8844

2.3 Revenue

Rendering of service

Revenue from rendering of services is recognized when all the following steps are followed:

1. Identification of the contract with the customer
2. Identification of obligations to be fulfilled
3. Determining the transaction price

4. Allocation of the transaction price to the obligation to be performed
5. Recognition of income when the obligation is fulfilled

Revenue is recognized at the time or times when (or as) the Organization satisfies the obligation to be fulfilled by delivering the promised services.

Grants received and donations

The Organization receive funds from multiple sources, including government grants, humanitarian aid organizations sponsorship, one-time donations. These funds may be restricted or unrestricted, restricted donations may only be used for specific programs or projects, and their revenue is recognized separately from unrestricted funds.

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.

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 Payroll and personal income tax

Personal income taxes are recognized when obligating events have occurred. The obligating events are an event that raises a liability to pay a tax, so personal income taxes are paid in accordance with Georgian legislation on the day, when payroll is paid. Prepaid taxes are recognized as assets.

Short-term remuneration of employees, which is paid in full within 12 months of the end of the annual reporting period during which the employees provide the relevant services, includes:

- a) Salaries, considerations and bonuses;
- b) Annual paid vacations and sick leave payments;

If an employee has rendered services to the enterprise in any accounting period, the undiscounted amount of the employee's short-term remuneration payable for those services shall be recognized by the enterprise:

- a) as a liability (accrued expense) after deducting any amount already paid. If the amount already paid exceeds the undiscounted value of the remuneration, the excess amount should be recognized as an asset (prepaid expense) to the extent that the advance payment ensures a reduction of payments in the future or the return of cash;
- b) as an expense, if its amount is not included in the cost of the asset.

Wages, contributions to the pension and insurance system of Georgia, annual leave and sick pay, bonuses and non-monetary benefits are recorded in the year when the relevant service is received by the employees. The Organization has both full-time and part-time employees, but their salary expenses and contributions to the pension and insurance system do not differ from the requirements of the Tax Code of Georgia.

Premiums

Expected expense for premiums payable is recognized only if, as a result of a past event, the Organization has a present legal or constructive obligation to pay the above-mentioned benefits and the obligation can be reliably estimated. A current liability only exists when the enterprise has no real alternative but to pay these wages.

2.5 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 activities and changes in net assets 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:

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

2.6 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.

2.7 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.

2.8 Financial instruments

Recognition, measurement and derecognition of financial instrument

A financial asset and a financial liability are recognized after the Organization becomes a party to a contractual relationship regarding financial instruments. Financial assets are derecognized when the contractual right to receive the financial benefits expires, or when the financial asset and a significant share of the associated risk are transferred to another party. A financial liability is derecognized when it is fulfilled, the contractual obligation is repaid, canceled or expires.

Classification and initial measurement of financial assets

Except for trade receivables that do not contain a significant financial component and are measured at transaction cost under IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For post-recognition measurement purposes, financial assets other than hedging instruments are classified into the following categories:

- Amortized cost
- Fair value through profit and loss (FVTPL)
- Fair value reflected in other comprehensive income (FVOCI).

The classification is determined by both criteria:

- Organization's business model used for financial asset management
- Characteristics of the contractual cash flows of the financial asset.

All income and expenses related to a financial asset that are recognized in profit or loss are presented as a financial expense, financial income or other financial instrument, except for impairment of trade receivables, which are presented as other expenses. The Organization's financial assets are presented in Note 11.

Subsequent Measurement/Valuation of Financial Assets

Valuation of financial assets at amortized cost

Financial assets are valued/measured at amortized cost if they meet the following criteria (and are not stated as FVTPL):

- The Organization owns financial assets under the conditions of such a business model, the purpose of which is to own financial assets in order to receive contractual cash flows;
- The contractual terms of the financial asset establish specific dates for the receipt of cash flows that represent only the payment of principal and interest related to the outstanding portion of the principal.

Financial assets at initial recognition are measured at amortized cost using the effective interest rate method. Discounting is disregarded where the discounting has an immaterial effect. The Organization's cash and cash equivalents, trade and other receivables belong to this category of financial instruments.

Devaluation of financial assets

The requirements of IFRS 9 use more predictive information in the recognition of expected credit losses - the Expected Credit Loss Model (ECL). Instruments within the scope of the requirements of IFRS 9 include loans and other debt-type financial assets measured at amortized cost and fair value through other comprehensive income (FVOCI), trade receivables, contractual assets recognized and measured in accordance with IFRS 15 and lending liabilities and certain financial guarantee agreements (for the issuer) that are not measured at fair value through profit or loss.

Credit loss recognition is no longer dependent on the Organization's first discovery of a credit loss. Instead, the Organization considers a broader range of information when assessing credit risk and expected credit losses; such information includes past events, current conditions, valid and reasonable forecasts that affect the expected collectability of the financial asset's future cash flows.

When implementing this predictive approach, the separation is made:

- among financial assets that have not significantly deteriorated in terms of credit quality after initial recognition or have a low credit risk (Phase 1), and
- among financial assets that have significantly deteriorated in terms of credit quality after initial recognition and their credit risk is not low (Phase 2).

Phase 3 includes financial assets that have objective evidence of impairment at the reporting date.

"12-month credit loss" is recognized in the first category, and "expected credit loss during the life of the financial instrument" in the second category.

The recognition of expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Financial assets

The Organization's financial assets represent Trade and other 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.

2.9 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 statement of activities 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 statement of activities 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 statement of activities are recognized based on the method of rational distribution.

Expenses are recognized in the statement of activities 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. New and amended standards and interpretations

Since January 1, 2023 the following standards and amendments came into force:

- IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

- International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)

The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.

The mentioned standard amendments did not have effect on the Organization's financial statements.

Accounting standards that have recently been issued or amended but are not yet effective have not been adopted by the Organization for the year ended December 31, 2023. These changes are not expected to have a material impact on the Organization's financial statements.

4. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2023 and 2022 can be presented as follows:

Cash and Cash Equivalents	31-Dec-2023	31-Dec-2022
Cash in USD in banks	699,303	741,550
Cash in GEL in banks	296,204	167,760
Cash in EUR in banks	94,710	-
Petty cash in Gel	4	277
Total Cash and Cash Equivalents	1,090,221	909,587

5. Trade and other receivables

Carrying amounts of financial Trade and other receivables within trade and other receivables approximate fair values due to their short-term maturities. All parts of trade and other receivables are not past due and not impaired. Accounts receivable as at 31 December 2023 and 2022 can be presented as follows:

	31-Dec-2023	31-Dec-2022
Partner Organizations	136,588	220,000
Program and beneficiaries	40,621	90,088
Advances to suppliers	5,390	3,588
Receivable from personnel	73	298
Receivable from donors	5	5
Total Receivables	182,677	313,979

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

6. Property, plant and equipment

Property, plant and equipment as at 31 December 2023 can be presented as follows:

	Land	Buildings	Office equipment	Computers & accessories	Outdoor infrastructure	Furniture and Equipment	Vehicles	Total
Historical Cost								
As of 31.12.2021	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)
As of 31.12.2022	1,600	1,240,817	57,714	77,094	68,734	217,846	118,197	1,782,002
Additions	-	15,214	-	5,123	-	19,265	-	39,602
Disposals	-	-	-	-	-	-	-	-
As of 31.12.2023	1,600	1,256,031	57,714	82,217	68,734	237,111	118,197	1,821,604

Accumulated Depreciation								
As of 31.12.2021	-	(628,608)	(31,610)	(67,683)	(28,153)	(181,876)	(133,932)	(1,071,862)
Depreciation charge	-	(49,268)	(5,826)	(4,282)	(4,666)	(11,029)	(26,445)	(101,516)
Disposals	-	-	-	-	-	-	53,505	53,505
As of 31.12.2022	-	(677,876)	(37,436)	(71,965)	(32,819)	(192,905)	(106,872)	(1,119,873)
Depreciation charge	-	(49,639)	(5,648)	(2,604)	(4,666)	(19,164)	(8,129)	(89,850)
Disposals	-	-	-	-	-	-	-	-
As of 31.12.2023	-	(727,515)	(43,084)	(74,569)	(37,485)	(212,069)	(115,001)	(1,209,723)
Net book value								
As of 31.12.2022	1,600	562,941	20,278	5,129	35,915	24,941	11,325	662,129
As of 31.12.2023	1,600	528,516	14,630	7,648	31,249	25,042	3,196	611,881

7. Trade and other payables

Trade and other payables as at 31 December 2023 and 2022 can be presented as follows:

	31-Dec-2023	31-Dec-2022
Payables - trade	19,569	26,975
Salaries payable	2,264	2,539
Beneficiaries	-	-
Other payables	-	5,014
Total trade and other payables	21,833	34,528

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

8. 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 2023 can be represented as follows:

Revenue	2023 Year	2022 Year
Revenue from child care activities	3,388,273	3,086,916
Total Revenue	3,388,273	3,086,916

Income from donations	2023 Year	2022 Year
TNS	304,665	221,214
American Friends for Georgia	48,124	70,934
Slovak embassy	32,361	118,527
VAT Tax returns	3,081	3,424
Other Donations	25	11,340
Individuals	-	181,341
McDonalds	-	33,500
Women International Association IWA	-	4,996
Total Income from donations	388,256	645,276

9. Program expenses

Program expenses for the year ended 31 December 2023 and 2022 can be presented as follows:

Program expenses	2023 Year	2022 Year
Staff salary	(2,966,152)	(2,668,889)
Utilities expense	(68,029)	(69,970)
Fuel expense	(23,591)	(18,553)
Repairing expense	(7,624)	(16,196)
Vehicle maintenance expense	(2,742)	(848)
PR expense	(2,164)	(270)
Insurance expense	(2,149)	(5,672)
Communication expense	(125)	(125)
Other expense	(106,327)	(117,816)
Total Program Expenses	(3,178,903)	(2,898,339)

10. Administrative expenses

Administrative expenses for the year ended 31 December 2023 and 2022 can be presented as follows:

Administrative expenses	2023 Year	2022 Year
Administration salary	(214,032)	(212,877)
Lease expense	(111,625)	(81,925)
Communication expense	(23,955)	(22,701)
Hygiene material expense	(22,589)	(21,889)
Representation expense	(21,043)	(2,943)
Stationary expense	(19,625)	(13,426)
Printing expense	(12,174)	(3,116)
Tax expense	(10,747)	(10,893)
Bank commission	(8,327)	(5,911)
Consulting expense	(8,321)	-
Computer expense	(5,657)	(8,619)
Business trip expense	(2,310)	(1,460)
Transporting expense	(22)	(20)
Repair expense	-	(53)
Other expenses	(14,287)	(13,441)
Total Administrative Expenses	(474,714)	(399,274)

11. 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 trade and other receivables, cash and cash equivalents.

Major categories of financial instruments as at 31 December 2023 and 2022 can be presented as follows:

Major categories of financial instruments	31-Dec-2023	31-Dec-2022
Financial assets		
Trade and other receivables	182,677	313,979
Cash and cash equivalents	1,090,221	909,587
Total financial assets	1,272,898	1,223,566
Financial liabilities		
Trade and other payables	21,833	34,528
Total financial liabilities	21,833	34,528
Net position	1,251,065	1,189,038

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 trade and other 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 2023 and 2022 were as follows:

	31-Dec-2023		31-Dec-2022	
	USD	EUR	USD	EUR
Financial assets				
Cash and cash equivalents	699,303	94,710	741,550	-
Total financial assets	699,303	94,710	741,550	-
Net Financial Position	699,303	94,710	741,550	-

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 by management to assess 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:

	31-Dec-2023		31-Dec-2022	
	USD	EUR	USD	EUR
Increase/Decrease in Net Financial Position	139,861	18,942	148,310	-

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 trade and other receivables, cash, and cash equivalents (excluding cash on hand).

The Organization's management has established a credit policy under which each beneficiary of service is monitored for overdue payments by the Management. The carrying amount of financial assets represents the maximum credit exposure. The organization has placed cash in reputable financial institutions. The maximum exposure to credit risk as at 31 December 2023 and 2022 were as follows:

	31-Dec-2023	31-Dec-2022
Trade and other receivables	182,677	313,979
Cash and cash equivalents except cash on hand	1,090,217	909,310
Total	1,272,894	1,223,289

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 2023 and 2022:

Less than 1 year		
Non-interest-bearing financial liabilities:	31-Dec-2023	31-Dec-2022
Trade and other payables	21,833	34,528
Total financial liabilities	21,833	34,528

12. 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 2023 can be presented as follows:

	2023 Year	2022 Year
Key management personnel compensation: short-term employee benefits	156,827	158,026

13. 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 2023.

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.

14. 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.

15. 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. Also, the founder, the board and the management does not intend to stop operations of the Organization.

16. Events after the reporting period

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