Crowe

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FIRST STEP GEORGIA

FINANCIAL STATEMENTS

for the year ended 31 December 2018

and the Independent Auditors' Report

FIRST STEP GEORGIA

FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In GEL)

Contents

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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 2018, 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 financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and its activities and changes in net assets and its cash flows for the year then ended in accordance with the basis of accounting polices described in notes 2 and 3 to the financial statements. .

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.

Emphasis of Matters

The accompanying financial statements are prepared in accordance with the basis of accounting and accounting policies described in notes 2 and 3 to the financial statements.

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 Organization's policies, 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Magda Panchulidze
Partner

Crowe GE LLC

29 March 2019

FIRST STEP GEORGIA

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(In GEL)

	Note	31 December 2018	31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents	3	507,502	469,559
Receivables	4	130,895	104,701
Inventories	5	792	792
Prepaid Tax		8,697	6,402
Prepaid expenses		15	16
Total current assets		**647,901**	**581,470**
Non-current assets			
Fixed assets	6	536,714	579,191
Intangible assets	7	5,532	9,261
Total non-current assets		**542,246**	**588,452**
Total assets		**1,190,147**	**1,169,922**
ACCUMULATED FUNDS AND LIABILITIES			
Current liabilities			
Accounts payable	8	67,157	35,104
Taxes payables		4,441	
Accrued liabilities	9	7,113	7,713
Total current liabilities		**78,711**	**42,817**
Accumulated Funds			
Restricted funds		1,001,079	987,324
Unrestricted funds		110,357	139,781
Total accumulated funds		**1,111,436**	**1,127,105**
Total accumulated funds and liabilities		**1,190,147**	**1,169,922**

The financial statements for the year ended 31 December 2018 were approved on behalf of the management on 27 March 2019 by:

Director ______________________ Tamar Zaalishvili

Accountant ______________________ Lali Svimonishvili

FIRST STEP GEORGIA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended 31 December 2018

(In GEL)

	Note	2018 Restricted	2018 Unrestricted	Total 2018	2017 Restricted	2017 Unrestricted	Total 2017
Revenue from Child Care Activities			1,361,809	1,361,808.58		1,039,136	1,039,136
Contribution from Donors	10	322,671		322,670.96	470,484		470,484
Income from donations	11		201,432	201,432.27		221,059	221,059
Total Incoming Resources		**322,671**	**1,563,241**	**1,885,912**	**470,484**	**1,260,195**	**1,730,679**
Program expenses		(468,156)	(1,232,096)	(1,700,252)	(430,087)	(971,903)	(1,401,990)
Administrative expenses			(161,094)	(161,094)	(138,735)	(67,941)	(206,676)
Depreciation expenses		(74,774)	(115)	(74,889)	(63,347)	(115)	(63,462)
Total Expenditures		**(542,930)**	**(1,393,305)**	**(1,936,235)**	**(632,169)**	**(1,039,959)**	**(1,672,128)**
Net surplus/deficit on operating activities		**(220,259)**	**169,936**	**(50,323)**	**(161,685)**	**220,236**	
Non-operating expenses			(15,963)	(15,963)	(8,951)	(56,261)	(65,212)
Non-operating income			25,857	25,857	8,900	22,521	31,421
Total Financial Activities		**-**	**9,894**	**9,894**	**(51)**	**(33,740)**	**(33,791)**
Net surplus/deficit before tax		(220,259)	179,830	(40,429)	(161,736)	186,496	24,760
					-		-
Net surplus/deficit After tax		**(220,259)**	**179,830**	**(40,429)**	**(161,736)**	**186,496**	**24,760**
Net assets as at 31 December 2017		**(161,736)**	**186,496**	**24,760**			
Net surplus/deficit 2018		**(220,259)**	**179,830**	**(40,429)**			
Net assets as at 31 December 2018		**(381,995)**	**366,326**	**(15,669)**			

FIRST STEP GEORGIA

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 31 December 2018

(In GEL)

	Total
Funds available as at 1 January 2018	**1,127,105**
Changes in temporary restricted funds	**(220,259)**
Changes in unrestricted funds	**204,590**
Funds available as at 31 December 2018	**1,111,436**

FIRST STEP GEORGIA

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

(In GEL)

	Note	2018	2017
Cash flows from operating activities			
Net surplus/deficit before tax		**(15,669)**	**24,760**
Adjustments for:			
Depreciation and amortization		74,889	63,462
Other adjustments			
Cash inflows/(outflow) from operating activities before changes in operating assets and liabilities		**59,220**	**88,222**
Movements in working capital			
Decrease (increase) in Accounts receivable		(26,194)	3,381)
Decrease (increase) in Inventories		-	12,549
Decrease (increase) in Prepaid tax		(2,295)	(5,560)
Decrease (increase) in Prepaid expenses			2,133
Increase (decrease) in Accounts payable		32,053	17,580
Increase (decrease) in Taxes payable		4,441	(3,122)
Increase (decrease) in Accrued liabilities		(600)	(600)
Cash inflow/(outflow) from operating activities		**66,625**	**107,821**
Interest paid			
Income tax paid			
Net cash inflow/(outflow) from operating activities		**66,625**	**107,821**
Cash flows from investing activities			
Purchase of property, plant and equipment		(28,718)	(91,731)
Proceeds from PPE disposals		337	12,870
Purchase of Intangible assets		(300)	(4,200)
Interest and VAT received			
Net cash outflow from investing activities		**(28,682)**	**(83,061)**
Cash flows from financial activities			
Proceeds from borrowings			
Repayment of borrowings			
Addition in Charter capital			
Net cash inflow from financing activities			
Net increase in cash and cash equivalents		**37,943**	**24,760**
Cash and cash equivalents at the beginning of the year		469,559	**444,799**
Cash and cash equivalents at the end of the year	3	**507,502**	**469,559**

FIRST STEP GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In GEL)

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 exits 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 ave Agmashenebeli, 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 2018 are following:

Open Society Foundations
Name of Project: Implementation of the modern intervention approaches for children with ASD and their families in Georgia
Raise accessibility to appropriate intervention programs for children with Autistic Spectrum Disorder, Children with intellectual disabilities, Behavioral problems and Communicational problems as well as children at risk of developmental delay, their families and professionals through implementation of a new therapeutic model in already existed Early Intervention programs.
Raising awareness of professionals and parents about (modern) intervention methods of children with ASD.
Main Aim of the Project:
Increase accessibility to appropriate intervention programs for young children at risk of developmental delays and with identified disabilities (Autistic Spectrum Disorder, Children with intellectual disabilities, Behavioral and Communicational Disorders), their families and professionals through implementation of the new, evidence-based therapy model within the existing state Early Intervention programs in Georgia. Raise awareness of professionals and parents about (modern) intervention methods with young children with special needs.
OSF ECP: *176,262.80 USD*
Period: 2016-2018.
Amendments: Till September 2019

USA Embassy In Georgia
Name of project: Equality is our right and goal
Amount: $24,000
Project period: 01/09/17 – 01/09/18
Executive summary of the project

Project goal is to support integration process of youth and children with disabilities into the society; project implementation will raise awareness of teachers and pupils in five public and private schools; joint activities together with volunteer students and children will lay the foundation to the idea for living and playing together in conformity. Children with disabilities will gain the opportunity to leave a "locked world", live, and relax together with other members of the society. Civic Engagement Project Goal: Promote the integration of children and youth with disabilities.

McLain Association for Children, Georgia

Project Name: Free screening in regions for children with the risk of developmental delays aged 0-5.
Short Summary of Project (no more than 4 sentences): FSG specialists – psychologists, doctors, speech and occupational therapists will implement free developmental screening of children aged 0-5 in 3 regions of Georgia: Poti, Zugdidi and Aspindza. Screening aims to reveal developmental delays or the risk of delays at an early stage, provide parents with consultations and if necessary refer them to early intervention program. 150 children aged 0-5 and their parents. Specialists of newly-launched early intervention program in Zestafonii, Zugdidi and Aspindza.

Budget 8,315.00 GEL
Period 2018 Year May-October

THE LEIR CHARITABLE FOUNDATIONS

Start date: 09/2017 End date: 08/2018

Grant amount requested: $_24.700,00
The goal of the project Equality is our right and goal is to support the integration process of youth and children with disabilities into the society; project implementation will raise awareness of teachers and pupils in five public and private schools; joint activities together with volunteer students and children will lay the foundation to the idea for living and playing together. Children with disabilities will gain the opportunity to leave a "locked world", live, and relax together with other members of the society.

TBILISI City Hall

Project: Art in support of social inclusion
Project goal – to support social inclusion of children and youth with disabilities;

1. Organizing joint integrated and inclusive entertaining events with participation of First Step and children of private and public schools;
2. Raise awareness of school children and teachers about children with disabilities;
3. Joint activities: painting, handicrafts and making sensory toys;
4. Exhibition-selling of paintings, sensory toys and handicrafts made by children.

Project Budget: 5,160.00 GEL
Period 2018: June-December

American Friend Of Georgia

Project period 2018 January - December
Project Name: Supporting Tbilisi Specialized Day care center for For children from 7-18 years
Project Amount 19000 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 42 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 behaviours and applied non-verbal communication system.
Specific goals are:

- To ensure wide range of education programs of 42 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

FIRST STEP GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In GEL)

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

a) Statement of compliance

These financial statements have been prepared in accordance with accounting policies adopted at the Organization.

b) Basis of measurement

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

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

c) 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

(a) 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.

(b) 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.

Foreign exchange gains and losses resulted from monetary assets/liabilities are presented in the statement of comprehensive income within "Non-operating income and Non-operating expenses".

	Official rate of the National Bank of Georgia
	USD
Exchange rate as at 31.12.2018	2.6766
Exchange rate as at 31.12.2017	2.5922

FIRST STEP GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In GEL)

2. Summary of significant accounting policies (continued)

2.3 Revenue

2.3.1 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

2.3.2 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.

2.3.3 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.

2.3.4 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.[1]

[1] Not applicable for the Organization. Practices of the recognition of the differed tax assets or liabilities are not implemented.

FIRST STEP GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In GEL)

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 straight line 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.

FIRST STEP GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In GEL)

2. Summary of significant accounting policies (continued)

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 is 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 and 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.

FIRST STEP GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In GEL)

2. Summary of significant accounting policies (continued)

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 2018 and 2017 can be presented as follows:

	2018	**2017**
Cash in GEL in banks	215,109	99,922
Cash in USD in banks	292,347	339,283
Cash in EUR in banks		30,354
Total cash in banks	**507,456**	**469,559**
Petty cash in Gel	46	0
Total petty cash	**46**	**0**
Total Cash & Bank	**507,502**	**469,559**

4. Accounts receivable

Accounts receivable as at 31 December 2018 and 2017 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.

	2018	**2017**
Receivables - program	**124,666**	97,495
Beneficiaries	*29,452*	
Program	*38,274*	
Partner Organizations	*56,940*	
Advances to suppliers	1,854	939
Receivable from proceeds of fixed assets	2,551	2,550
Receivable from donors		3,394
Receivable from personnel	1,824	323
Net trade and other receivables	**130,895**	**104,701**

5. Inventories

Inventories as at 31 December 2018 and 2017 can be presented as follows:

	2018	2017
Donated gifts for sale		
Advertising materials	792	792
Total	**792**	**792**

FIRST STEP GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In GEL)

5. Fixed assets

Fixed assets as at 31 December 2018 can be presented as follows:

Historical cost	**Land**	**Buildings**	**Office equipment**	**Computers & accessories**	**Outdoor infrastructure**	**Furniture and Equipment**	**Vehicles**	**Total**
Historical cost 01.01.2018	1,600	921,953	15,761	52,617	64,617	162,659	89,119	**1,308,326**
Additions	-		960	5,682		22,076		**28,718**
Disposals				(336)				**(336)**
Historical cost 31.12.2018	1,600	921,953	16,721	57,963	64,617	184,735	89,119	**1,336,708**
Accumulated depreciation								
Accumulated depreciation 01.01.2018	-	(455,899)	(9,821)	(48,249)	(21,279)	(140,023)	(53,865)	**(729,135)**
Depreciation charge for the year		(37,850)	(3,774)	(2,270)	(314)	(11,137)	(15,515)	**(70,860)**
Disposals	-	-	-					**-**
Accumulated depreciation 31.12.2018	-	(493,749)	(13,595)	(50,518)	(21,593)	(151,160)	(69,380)	**(799,994)**
Net book value								
Net book value 31.12.2017	**1,600**	**466,054**	**5,940**	**4,368**	**43,338**	**22,636**	**35,254**	**579,191**
Net book value 31.12.2018	**1,600**	**428,204**	**3,126**	**7,445**	**43,024**	**33,575**	**19,739**	**536,714**

6. Intangible assets

Intangible assets as at 31 December 2018 can be presented as follows:

Historical cost	**Social Clip**	**Accounting Software**	**Communication Software**	**Other**	**Total**
Historical cost 01.01.2018	**14,673**	**5,900**	**1,000**	**13,976**	**35,549**
Additions			-	300	300
Historical cost 31.12.2018	**14,673**	**5,900**	**1,000**	**14,276**	**35,849**
Accumulated amortization					
Accumulated amortization 31.12.2018	**(13,566)**	**(1,348)**	**(1,134)**	**(10,239)**	**(26,288)**
Amortization charge for the year	(1,027)	(675)	(232)	(2,096)	(4,029)
Accumulated amortization 31.12.2018	**(14,593)**	**(2,023)**	**(1,366)**	**(12,336)**	**(30,317)**
Net book value					
Net book value 31.12. 2017	**1,107**	**4,552**	**(134)**	**3,737**	**9,261**
Net book value 31.12.2018	**80**	**3,877**	**(366)**	**1,940**	**5,532**

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For the year ended 31 December 2018

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7. Accounts payable

Accounts payables as at 31 December 2018 and 2017 can be presented as follows:

	2018	**2017**
Payables	**66,898**	6,849
Beneficiaries	*54,443*	
Payables - trade	*10,157*	
Salaries payable	*2,298*	-
Other payables	258	35,968
Total	**67,157**	**42,817**

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

8. Accrued liabilities

Accrued liabilities as at 31 December 2018 and 2017 can be presented as follows:

	2018	**2017**
Penalty payable to the Ministry of Labor Health & Social Affairs of Georgia	7,113	7,712
Total	**7,113**	**7,712**

9. Contribution from Donors

Contribution from donors for the year ended 31 December 2018 and 2017 can be presented as follows:

	2018	**2017**
Irish Fund TNS		153,799
DEPT OF FOREIGN AFFAIRS/BOL		
Germany Embassy		
Coalition For Independent Living		
OSGF		
McLane's Fund	8,315	
Open Society Georgia	222,299	236,810
Women International Association IWA		5,151
US Embassy	28,154	28,779
American Friends for Georgia	63,903	45,944
Total	**322,671**	**470,484**

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10. Income from donations

Income from donations for the year ended 31 December 2018 and 2017 can be presented as follows:

Cash Based Donations	**2018**	**2017**
Individuals	179,174	168,931
Charity Action	5,102	
JSC MFO Crystal	5,000	5,000
Fund Iavnana	5,000	
School " Mermisi"	1,000	
LLC EY		
LLC Gulf		
LLC Nova Technologies		169
LLC E - Money Georgia		
Colliers International Georgia		
Finka bank		5,001
Industrial Group Georgia		4,300
Liberty Bank		11,356
LLC "DIO"		1,600
LLC "Oriflame"		1,000
Wissol		5,000
Germany Embassy		2,721
Non-Cash based donations	6,156	7,090
Other donations and related income		8,891
Total Cash Based Donations	**201,432**	**221,059**

Non-Cash Donations includes following:

Non-Cash based donations	***2018***
LLC Fresco	*800*
LLC "ICOM"	*188*
GMT Plaza	*1,038*
Oriflame Georgia	*66*
LLC "Bagrationi"	*288*
LLT "SunPetroleum Georgia"	*381*
LLC "Tkbili Kveyana"	*400*
LLC "Diplomat Holding"	*2,500*
LLC "Zarapkhana"	*494*
Total Non-Cash based donations	***6,156***

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For the year ended 31 December 2017

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11. Program expenses

Program expenses for the year ended 31 December 2018 and 2017 can be presented as follows:

	2018	2017
Staff salary	(1,450,139)	(1,116,751)
Utilities expense	(3,573)	(14,039)
Repairing expense	(40,125)	(25,096)
Fuel expense	(17,167)	(26,354)
PR expense	(8,111)	(8,035)
Vehicle maintenance expense	(7,145)	(8,148)
Insurance expense	(5,167)	(5,968)
Business trip expense	(3,277)	(31,448)
Communication expense	(3,931)	(5,067)
Other expense	(161,617)	(161,085)
Total	**(1,700,252)**	**(1,401,991)**

12. Administrative expenses

Administrative expenses for the year ended 31 December 2018 and 2017 can be presented as follows:

	2018	2017
Administration salary	(78,435)	(139,040)
Representation expense	(1,129)	(10,668)
Tax expense	(8,526)	(8,759)
Communication expense	(9,029)	(5,193)
Stationary expense		(3,080)
Consulting expense		(660)
Printing expense		(331)
Bank commission		(891)
Hygiene material expense		(10,207)
Transporting expense		(847)
Computer expense		(1,341)
Business trip expense		(719)
Repair expense	(500)	
Fuel expense	(27,417)	
Utilities	(7,158)	(18,236)
Other expenses	(28,900)	(6,703)
Total	**(161,094)**	**(206,674)**

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For the year ended 31 December 2018

(In GEL)

13. 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 2018 and 2017 can be presented as follows:

Major categories of financial instruments

	2018	2017
Financial assets		
Trade and other receivables	140,384	103,439
Cash and cash equivalents	507,502	469,559
Total financial assets	**647,886**	**572,998**
	2018	**2017**
Financial liabilities		
Trade and other payables	78,711	42,817
Total financial liabilities	**78,711**	**42,817**

In accordance with the Organization's policy grants' funds not utilized by the end of year are recognized within restricted funds. However, based on their nature the balances represent deferred income, and are the part of the financial assets. Total balances of the grants not utilized by the end of 2018 amounts to 282,790.42 GEL, including following:

TNS	*(748.96)*
AMERICAN FRIENDS OF GEORGIA	*(2,650.40)*
DEPT OF FOREIGN AFFAIRS/BOL	*(90.24)*
TNS	*(170,651.96)*
AMERICAN FRIENDS OF GEORGIA	*(108,648.86)*
Total:	***282,790.42***

FIRST STEP GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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14. Financial instruments – Risk Management (continued)

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 has 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 2018 and 2017 were as follows:

	2018		**2017**	
	USD	EUR	**USD**	**EUR**
Financial assets				
Cash and cash equivalents	292,347		339,283	20,774
Total financial assets	**292,347**		**339,283**	**20,774**

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.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018
(In GEL)

14. Financial instruments – Risk Management

(continued) 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 2018 and 2017 were as follows:

	2018	2017
Trade receivable and other receivable	130,895	103,439
Cash and cash equivalents except cash on hand	507,502	469,559
Total	**638,397**	**572,998**

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 2017 and 2016:

Less than 1 year	**2018**	**2017**
Non-interest bearing financial liabilities:		
Accounts payable	67,157	35,103
Total financial liabilities	**67,157**	**35,103**

15. Related party transaction

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 Company and other related parties are disclosed below:

Key management personnel compensation for the year ended 31 December 2018 can be presented as follows:

	2018	2017
Key management personnel compensation:		
short-terms employee benefits	**(52,578)**	**(41 875)**

16. 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 2018 and 2017.

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.

17. Events after the reporting period

There were no significant events subsequent to the balance sheet date.