NPLE „FIRST STEPS GEORGIA"

Financial statements
For the year ended 31 December 2019
and the independent auditors' report

March 2020
Tbilisi

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Russell Bedford
taking you further

INDEPENDENT AUDITOR'S REPORT

To the Management and the Board of Directors of FIRST STEP GEORGIA Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of FIRST STEP GEORGIA (the Organization) which comprise the statement of financial position as at 31 December 2019, 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, the financial position of the Organization as at December 31 2019, and its activities and changes in net assets and its cash flows for the year then ended, in all material respects except the matters described in basis of qualification section of report, in accordance with the basis of accounting polices described in note 2 of the financial statements.

Basis for Qualification

During the whole period company operates it has not performed any revaluation of fixed assets. Total book value of fixed assets in company statements is 802,452 GEL. Because no evaluation was done we could not obtain reliable audit evidence on fair value of above mentioned assets.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the standalone financial statements, management is responsible for assessing the Company'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 wither intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, misrepresentations, or the override of internal controls;
- Evaluate the appropriateness of accounting policies used and the seasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management`s use of the going concerns 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 of the Company`s ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

No other matters were communicated with management,

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be though to bear on our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Zviad Akhvlediani

Managing Partner

Russell Bedford AAC LLC

5 march 2019
Tbilisi, Georgia

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Zviad Akhvlediani

Managing Partner

Russell Bedford AAC LLC

RUSSELL BEDFORD AAC LTD

205236840

5 march 2019

Tbilisi, Georgia

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019, in GEL

	Note	31-Dec-19	31-Dec-18
ASSETS			
Current assets			
Cash and cash equivalents	3	530,217	507,502
Receivables	4	200,056	130,895
Inventories		792	792
Prepaid Tax		6,000	8,697
Prepaid expenses		75	15
Total current assets		**737,141**	**647,901**
Non-current assets			
Fixed assets	5	799,314	536,714
Intangible assets		3,138	5,532
Total non-current assets		**802,452**	**542,246**
Total assets		**1,539,593**	**1,190,147**
ACCUMULATED FUNDS AND LIABILITIES			
Current liabilities			
Accounts payable	6	114,576	67,157
Taxes payables		1,277	4,441
Accrued liabilities		-	7,113
Total current liabilities		**115,853**	**78,711**
Accumulated Funds			
Restricted funds		1,274,613	1,001,079
Unrestricted funds		149,127	110,357
Total accumulated funds		**1,423,739**	**1,111,436**
Total accumulated funds and liabilities		**1,539,593**	**1,190,147**

Signed by:

Director: **Accountant:**

5 march 2019
Tbilisi, Georgia

The notes on pages 9-21 form an integral part of these financial statements. The Independent Auditors' Report is on pages 3-4.

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Director: თ. ზსნოლო

Accountant:

5 march 2019
Tbilisi, Georgia

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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	Note	2019			2018		
		Restricted	Unrestricted	Total 2019	Restricted	Unrestricted	Total 2018
Revenue from Child Care Activities	7		1,785,694	1,785,694		1,361,809	1,361,809
Contribution from Donors	7	616,947		616,947	322,671		322,671
Income from donations	7		343,081	343,081		201,432	201,432
Total Incoming Resources		**616,947**	**2,128,775**	**2,745,722**	**322,671**	**1,563,241**	**1,885,912**
Program expenses	8		(2,011,280)	(2,011,280)	(468,156)	(1,232,096)	(1,700,252)
Administrative expenses	9		(343,802)	(343,802)		(161,094)	(161,094)
Depreciation expenses			(89,443)	(89,443)	(74,774)	(115)	(74,889)
Total Expenditures		**-**	**(2,444,525)**	**(2,444,525)**	**(542,930)**	**(1,393,305)**	**(1,936,235)**
Net surplus/deficit on operating activities		**616,947**	**(315,750)**	**301,197**	**(220,259)**	**169,936**	**(50,323)**
Non-operating expenses			(52,210)	(52,210)		(15,963)	(15,963)
Non-operating income			69,081	69,081		25,857	25,857
Total Financial Activities		**-**	**16,872**	**16,872**	**-**	**9,894**	**9,894**
Net surplus/deficit before tax		**616,947**	**(298,878)**	**318,069**	**(220,259)**	**179,830**	**(40,429)**
Net surplus/deficit After tax		616,947	(298,878)	318,069	(220,259)	179,830	(40,429)
Net assets as at 31 December 2018		(381,995)	366,326	(15,669)	**(161,736)**	**186,496**	**24,760**
Net surplus/deficit 2019		616,947	(298,878)	318,069	**(220,259)**	**179,830**	**(40,429)**
Net assets as at 31 December 2019		234,952	67,448	302,400	(381,995)	366,326	(15,669)

Signed by:

Director: **Accountant:**

5 march 2019 Y.
Tbilisi, Georgia

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Financial statements and notes for the year ended 31 December 2019

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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Accountant:

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Tbilisi, Georgia

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STATEMENT OF CHANGES IN ACCUMULATED FUNDS

As at 31 December 2019, in GEL

	Total
Funds available as at 1 January 2019	**1,111,436**
Changes in temporary restricted funds	273,534
Changes in unrestricted funds	38,770
Funds available as at 31 December 2019	**1,423,739**

Signed by:

Director:

Accountant:

5 march 2019 Y.
Tbilisi, Georgia

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Tbilisi, Georgia

The notes on pages 9-21 form an integral part of these financial statements. The Independent Auditors' Report is on pages 3-4.

Statement of cash flows

For the years 2019 and 2018 in GEL

	Note	2019 Year	2018 Year
Cash flows from operating activities			
Net surplus/deficit before tax		302,400	(15,669)
Adjustments for:			
Depreciation and amortization		89,443	74,889
Other adjustments			
Cash inflows/(outflow) from operating activities before changes in operating assets and liabilities		**391,843**	**59,220**
Movements in working capital			
Decrease (increase) in Accounts receivable		(69,161)	(26,194)
Decrease (increase) in Inventories		-	-
Decrease (increase) in Prepaid tax		2,697	(2,295)
Decrease (increase) in Prepaid expenses		(60)	-
Increase (decrease) in Accounts payable		47,419	32,053
Increase (decrease) in Taxes payable		(3,164)	4,441
Increase (decrease) in Accrued liabilities		(7,113)	(600)
Cash inflow/(outflow) from operating activities		**362,461**	**66,625**
Interest paid			
Income tax paid			
Net cash inflow/(outflow) from operating activities		**362,461**	**66,625**
Cash flows from investing activities			
Purchase of property, plant and equipment		(375,212)	(28,718)
Proceeds from PPE disposals		42,104	337
Purchase of Intangible assets		-	(300)
Interest and VAT received			
Net cash outflow from investing activities		**(333,108)**	**(28,682)**
Cash flows from financial activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Addition in Charter capital		-	-
Net cash inflow from financing activities		**-**	**-**
Net effect of Ex-Rate fluctuations		(6,637)	-
Net increase in cash and cash equivalents		22,715	37,943
Cash and cash equivalents at the beginning of the year		507,502	469,559
Cash and cash equivalents at the end of the year		**530,217**	**507,502**

Signed by:

Director: **Accountant:**

5 march 2019
Tbilisi, Georgia

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Financial statements and notes for the year ended 31 December 2019

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5 march 2019
Tbilisi, Georgia

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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 2019 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 January 2020

Financial statements and notes for the year ended 31 December 2019

THE LEIR CHARITABLE FOUNDATIONS

Start date: 01-2019 End date: 12-2019

Grant amount requested: 26,000 USD

Project - Improve quality of lives of children with severe and profound intellectual disabilities through developing specific sensory therapy program -

Since January 2019, "First Step Georgia" with the support of the “Henry and Erna Leir Charitable Trust”, starts 12- month project “Improve quality of lives of children and youth with severe and profound intellectual disabilities through developing specific sensory therapy program”.

The project is being implemented in order to heighten service quality of two programs –a day care center and a home based care center for children with severe and profound disabilities co-funded by the state.

Project aims at introducing a new assessment instrument which will be tailored exactly to specific needs of children with severe and profound intellectual disabilities and will enable us to develop therapeutic methods of sensory integration for beneficiaries of Day Care Center and Home Based Care programs. Such approach will greatly contribute to improvement of reactions on incentives received from hearing, visual, smell, taste and tactile sensations, also to balance and coordination which will help them in the process of their social adaptation, in reducing/eradicating stereotypical behaviors and to learn social behaviors.

For this purpose following activities were planned:

Purchase new assessment instrument “Essential for Living “

Translate/adapt new assessment instrument “Essential for Living”

Conduct training for DCC and HBC psychologist and occupational therapist of First Step how to use new assessment instrument “Essential for Living”;

Conduct training for all specialists in DCC and HBC programs regarding the usage of new assessment instrument;

Train 3 specialists (a psychologist, occupational therapist and a teacher of DCC and HBC programs) in “Sensory Processing Disorder” (online course);

Assess children through new assessment instrument and develop specific sensory therapy based on gained assessment results;

Develop/make a complete set of a special portable sensory box (containing sensory material) in order to conduct therapy to HBC children at home;

A psychologist, occupational therapist and a teacher develop training module for parents and conduct training to parents regarding the issues of sensory therapy provision at home.

At the initial stage of the project organization purchased the above-mentioned assessment tool, after which three specialists from the organization underwent three online training courses with one of the authors of the tool. First training covered provision of basic information to beginners upon the need of usage of the instrument and its practical task was introduction of the instrument and preparation of questions for the next training. On the second training specialists questions were answered and the finale online meeting was dedicated to administration of initial assessment questionnaire about one of the beneficiaries of the day care center.

Questions regarding the instrument/tool were mainly about how to use those pieces of equipment or devices that are needed for people with severe and profound disabilities. Due to the fact that such

equipment and devices are not available in Georgia, it was needed to find their alternatives and correspondingly search for a new raining module.
A number of questions were asked also from the perspective of autism and early intervention programs whether it was recommended to use the above-mentioned instrument in these programs. Advice provided by them that it is necessary to use this instrument in both programs, laid the foundation for the need for modifications of all available programs in Georgia and it is already planned to conduct a research and cooperation with the state upon the need of modification of the above mentioned programs.

AMERICAN FRIEND OF GEORGIA

Project period 2019 January Decemeber

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

Perojeсt Amount 24,700 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 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

EMBASSY OF GERMANY IN GEORGIA

Project – “To purchase a mini-bus for children with severe and profound disabilities of a specialized day care center of First Step Georgia”. Within the framework of the project by the German Embassy a mini bus was bought for children with severe and profound disabilities of a specialized day care center of

First Step Georgia. Total cost of - purchasing a mini-bus and custom clearance- amounted to 48,620 GEL.

33,968 GEL was funded by the German Embassy. The rest of the money which also included the cost of the bus adaptation (in addition to custom clearance) was covered by the organization and it amounted to 13,375 GEL. Total project budget amounts to 62,246 GEL.

SLOVAK AIDS

Within the framework of the project beneficiaries of First Step Georgia receive sensory therapy that will be based on the international modern practice and which will be provided by the occupational therapies with modern knowledge. Everything provided above will helps us to solve problems related to children's full development and besides, it will be possible to increase number of children engaged within the program up to 100-130 per month.
First Step Georgia has been providing services to children with special needs and their families. The co-financier of the all above mentioned programs is the state and the only risk that might threaten the sustainability of the project is termination of funding from the state.

The goal of the project is to develop sensory integration program of First Step Georgia which is quite essential in the process of rehabilitation of children with special needs.

Sensory integration i.e. sensory processing is a neurological process which deals with how the brain processes multiple sensory modality inputs such as proprioception, vision, auditory system, tactile, olfactory, vestibular system, interoception, and taste into usable functional outputs.

Sensory processing disorders are found in:

- Children with typical development -20-25%
- Children with autism 70-80%
- In cases of other developmental disorders 60%

Sensory integration session is provided in special sensory rooms prepared and equipped previously by occupational therapists. At the initial stage specialist assesses a child, identifies needs, informs parents and provides recommendations in order to enable child to use acquired skills and knowledge in his or her natural environment and not only in the center.

The main goal of the GroupTherapy is to improve/develop skills of social competences of children at early ages:

- Friendship skills
- Social problem-solving skills
- Skills needed for collaborative, complex play
- Mutual understanding and sharing skills
- Skills to follow instructions and regulations, etc.

IWA

Project Period: January 2019 till December 2020

Project Name: Renovation of Rustavi branch (two rooms)

Within the framework of the project by IWA Georgia, two rooms in Rustavi Branch of First Step Georgia were renovated and equipped with necessary equipment for office and working material.

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.

Basis of preparation

Statement of compliance

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

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.

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.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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".

Exchange rate	31 Dec 2019	31 Dec 2018
1 USD/GEL	2.8677	2.6766
1 EUR/GEL	3.2095	3.0701

Revenue

Rendering of service

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;

- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

Grants received

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

Donation

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

Interest income

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

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.

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.

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.

Property, plant and equipment

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

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

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

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

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

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.

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.

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.

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 2019 and 2018 can be presented as follows:

Cash and cash equivalents	31-Dec-2019	31-Dec-2018
Cash in banks USD	399,113	292,347
Cash in banks GEL	130,529	215,109
Petty cash GEL	575	46
Total Cash & Bank	530,217	507,502

4. ACCOUNTS RECEIVABLE

Accounts receivable as at 31 December 2019 and 2018 can be presented as follows:

Trade and other receivables	31-Dec-2019	31-Dec-2018
Beneficiaries	90,136	29,452
Partner Organizations	73,842	56,940
Program	22,690	38,274
Advances to suppliers	10,049	1,854
Receivable from proceeds of fixed assets	2,550	2,551
Receivable from personnel	784	1,824
Receivable from donors	5	-
Net trade and other receivables	**200,056**	**130,895**

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

5. FIXED ASSETS

Fixed assets as at 31 December 2019 can be presented as follows:

	Land	Buildings	Office equipment	Computers & accessories	Outdoor infrastructure	Furniture and Equipment	Vehicles	Total
Historical cost 01.01.2018	1,600	921,953	16,721	57,963	64,617	184,735	89,119	**1,336,708**
Additions	-	194,263	9,312	13,031	-	26,310	109,128	**352,043**
Disposals	-	-	-	-	-	-	42,104	**42,104**
Historical cost 31.12.2018	1,600	1,116,216	26,033	70,994	64,617	211,045	156,143	**1,646,647**
Accumulated depreciation 01.01.2018	-	(493,749)	(13,595)	(50,518)	(21,593)	(151,160)	(69,380)	**(799,995)**
Depreciation charge for the year	-	(40,583)	(4,362)	(5,291)	(314)	(11,874)	(27,019)	**(89,443)**
Disposals	-	-	-	-	-	-	42,104	**42,104**
Accumulated depreciation 31.12.2018	-	(534,332)	(17,957)	(55,809)	(21,907)	(163,034)	(54,295)	**(847,334)**
Net book value								
Net book value 31.12.2017	**1,600**	**428,204**	**3,126**	**7,445**	**43,024**	**33,575**	**19,739**	**536,714**
Net book value 31.12.2018	**1,600**	**581,884**	**8,077**	**15,184**	**42,710**	**48,011**	**101,847**	**799,314**

6. ACCOUNTS PAYABLE

Accounts payables as at 31 December 2019 and 2018 can be presented as follows:

Accounts payables	31-Dec-2019	31-Dec-2018
Beneficiaries	99,346	54,443
Other payables	6,513	258
Payables - trade	6,244	10,157
Salaries payable	2,473	2,298
Total Accounts payables	**114,576**	**67,157**

7. REVENUE

Company receives revenue from two sources: Revenue from Child care activities and income from donations and contributions from donors. Revenue received during the year 2019 can be represented as follows:

Revenue from child care activities	2019 Year	2018 Year
Revenue from child care activities	1,785,694	1,361,809
Total revenue from child care activities	**1,785,694**	**1,361,809**

Income from donations and contributions from donors	2019 Year	2018 Year
TNS	479,596	-
Individuals	343,081	201,432
American Friends for Georgia	74,902	63,903
Germany Embassy	33,968	-
Slovak embassy	23,030	-
Women International Association IWA	5,451	-
McLane’s Fund	-	8,315
Open Society Georgia	-	222,299
US Embassy	-	28,154
Total	**960,028**	**524,103**

8. PROGRAM EXPENSES

Program expenses for the year ended 31 December 2019 and 2018 can be presented as follows:

Program expenses	2019 Year	2018 Year
Staff salary	(1,745,955)	(1,450,139)
Utilities expense	-	(3,573)
Repairing expense	(13,802)	(40,125)
Fuel expense	(27,504)	(17,167)
PR expense	(4,962)	(8,111)
Vehicle maintenance expense	-	(7,145)
Insurance expense	(5,056)	(5,167)
Business trip expense	(2,861)	(3,277)
Communication expense	-	(3,931)
Other expense	(211,140)	(161,617)
Total	**(2,011,280)**	**(1,700,252)**

9. ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2019 and 2018 can be presented as follows:

Administrative expenses	2019 Year	2018 Year
Administration salary	(199,169)	(78,435)
Lease expense	(35,373)	-
Stationary expense	(15,672)	-
Hygiene material expense	(13,144)	-
Tax expense	(9,868)	(8,526)
Communication expense	(8,202)	(9,029)
Consulting expense	(6,560)	-
Printing expense	(5,952)	-
Bank commission	(5,438)	-
Business trip expense	(4,444)	-
Utilities	(4,196)	(7,158)
Hotel expense	(3,505)	-
Computer expense	(2,155)	-
Transporting expense	(258)	-
Repair expense	-	(500)
Fuel expense	-	(27,417)
Representation expense	-	(1,129)
Other expenses	(29,868)	(28,900)
Total	**(343,802)**	**(161,094)**

10. RELATED PARTY TRANSACTIONS

Related parties or operations with related parties as defined by the IAS 24 "Notes on Parties" are:

(a) Parties directly or indirectly through one or more mediators: the accountants are controlled or controlled by the Company (including the parents, subsidiaries and partners) under the overall control; Holds a share in the company which gives a significant influence and has a joint control over the company;

(b) Partner Enterprise - The enterprises, which have a significant impact and are not a subsidiary company or joint venture.

(c) joint ventures where the company is an enterprise;

(d) the personnel of the company or its parent.

(e) the close family members referred to in (a) or (d);

(f) The Party controlled, jointly controlled or suffered, or has significant suffrage, directly or indirectly, the individual referred to in (d) or (e).

(g) the employment of further remuneration for the employee or the party concerned with the company.

	2019 Year	2018 Year
Key management personnel compensation:	245,552	52,578

11. 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 2019.

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.

12. GOING CONCERN CONSIDERATIONS

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

During the reporting periods the Company has not faced any finantial difficulties, it has no chash shortage or any other indication tha company operations can be terminated by any reason.

13. EVENTS AFTER THE REPORTING PERIOD

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