



**CHARITY HUMANITARIAN CENTER
"ABKHAZETI"**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
AND INDEPENDENT AUDITORS' REPORT**

CHARITY HUMANITARIAN CENTER “ABKHAZETI”

Table of Contents

	PAGE
Statement of Management Responsibility	3
Independent Auditors’ Report	4
Balance Sheet Statement	5
Income Statement	6
Statement of Revenue	7
Notes to the Special Purpose Financial Statements	8-24

Statement of Management’s Responsibility

The management of the Charity Humanitarian Center “Abkhazeti” is responsible for the preparation of the special purpose project financial statements (referred to as “the Fund”). In doing so, the Charity Humanitarian Center “Abkhazeti” is required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates, which are reasonable and prudent.

The management is responsible for keeping proper accounting records, which disclose with reasonable accuracy the financial position of the Project. It has a general responsibility for taking such steps as reasonably open to them to safeguard the assets of the Project and to prevent and detect fraud and other irregularities.



საქართველოს აუდიტორული და საკონსულტაციო კომპანია
Georgian Audit & Consulting Company

A Crowe Horwath Business Alliance Associate

INDEPENDENT AUDITORS' REPORT

To the management of the Charity Humanitarian Center "Abkhazeti"

We have audited the accompanying financial statements of Charity Humanitarian Center "Abkhazeti" (the "Fund"), which comprise the balance sheet as at December 31, 2009, and the income statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

In our opinion, the financial statements give a true and fair view of the financial position of Charity Humanitarian Center "Abkhazeti" as of December 31, 2009, and of its financial performance for the period then ended in accordance with International Financial Reporting Standards.

30 March, 2010

Georgian Audit and Consulting Company

GACC



CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Balance Sheet as at 31 December 2009
(amounts are expressed in Gel unless indicated otherwise)

Description	Amount	
	2009	2008
Current Assets		
Cash and cash equivalents	376,017	259,822
Loans	135,275	118,000
Other Assets	35,905	12,336
Total current Assets	547,196	390,158
Non-current assets		
Fixed assets, net	158,600	82,034
Total non-current assets	158,600	82,034
Total Assets	705,796	472,192
Liabilities		
Other payables	12,452	1,726
Deferred income and unsued funds	693,344	470,466
Total liabilities	705,796	472,192

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Income Statement for the year ended December 31, 2009
(amounts are expressed in Gel unless indicated otherwise)

Description	Notes	Amount
REVENUE FROM DONORS		1,346,029
EXPENSES BY PROJECT		
CANADA EMBASSY		12,118
CDG		5,186
CHARITY		1,326
CHARITY IRC		920
DRC EC	3	39,858
DRC SIDA	4	22,597
EBS CAP	5	119,127
ERI	6	234,854
EVS		5,842
JDC	7	44,429
MEU	8	27,192
NWZ		7,236
Save the Children		799
SC CACD	9	94,920
SV		6,475
SV 2		149
UNHCR 402	10	222,000
UNHCR PTMA	11	44,106
UNHCR PTMA 130	12	345,583
UNICEF	13	32,051
UNICEF RGP	14	17,499
UNICEF VT	15	24,239
USE	16	17,663
WCC	17	19,977
Total expenses by projects		1,346,147
NET OF OPERATING LOSS		(118)
Other Income		
Rent income		15,176
Interest income		1,322
Currying forward differed income		9,789
Total other income		26,287
Other expenses		
Other expenses		5,202
Depreciation expenses		9,789
Total other expenses		14,991
Income before taxes		11,178
Income tax		1,677
Net income		9,501

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Statement of Revenue for the year ended December 31, 2009
(amounts are expressed in Gel unless indicated otherwise)

Description	Amount
Grants received during the year of 2009	
CANADA EMBASSY	1,295
CDG	5,025
CHARITY	1,326
CHARITY IRC	920
DRC EC	43,449
DRC SIDA	40,407
EBS CAP	188,880
ERI	175,584
EVS	15,382
JDC	44,429
MEU	43,227
NWZ	26,453
Save the Children	1,338
SC CACD	183,573
SV	10,883
UNHCR 402	242,011
UNHCR PTMA 130	400,430
UNICEF	32,869
UNICEF RGP	37,169
UNICEF VT	58,160
USE	8,208
Total	1,561,017
Current period revenue	1,346,029
Other settlements	1,650
Deferred revenue	216,638

Note 1. Description of Activities

Charity Humanitarian Center “Abkhazeti”, established in 1995, is the Georgian, non-Governmental, non-profit organization, striving to increase the role of individuals and communities in building civil society and strengthening democracy, to improve the social and economical conditions of internally displaced and other vulnerable populations through building capacity and increasing self-reliance. The activities of the organization are carried out transparently, and are based on the principles of professionalism, equality, long-term partnership and sustainable development.

The Fund launched the Micro Lending Program (MLP) in August 1998. This program provided individual and group loans to the urban and per-urban micro and small entrepreneurs of the Western Region of Georgia. Since 1 January 2004 year fund “Crystal” excreted from Charity Humanitarian Center "Abkhazeti" and independently continued Micro Lending Program.

Fund has received grants from various international donor organizations.

Legal address of the fund: Georgia, Kutaisi, Titsian Tabidze st. # 29
The Fund owns head office and branches.

Note 2. Basis of Presentation

The financial statements have been prepared in accordance with International Accounting Standards (IAS) and Accounting Law of the Republic of Georgia and taxation regulations in the Republic of Georgia on the historical cost basis of accounting. The principal accounting policies adopted are set out below.

The accompanying financial statements have been prepared in the national currency of Georgia, Lari (GEL), which is the Fund’s functional currency.

Cash

Cash includes cash on premises as well as cash on bank accounts.

Foreign currencies

Transactions denominated in foreign currency are translated into GEL at the official exchange rate of National Bank of Georgia on the date of transaction. The official exchange rate for the principal currency as of 31 December 2009 was:

	USD	EUR	CAD
GEL	1.6858	2.4195	1.6097

Inventories

Inventories are stated at lower of cost and net realizable value.

Fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. An asset is considered a fixed asset when its useful life exceeds one year. Original historical cost of a fixed asset consists of purchase price, non-recoverable taxes and other expenses directly related to putting a fixed asset into use.

Value of liquidated and sold fixed assets and congruent amount of depreciations is wrote off from account and congruent profit or lose from operation is taken into current year profit lose statement.

Depreciation is charged to the historical cost for all fixed assets using the straight-line method on a monthly basis.

Revenue and expense recognition

Revenues and expenses are recognised on the accrual basis. Revenue consists of grants from donors and other revenue. Recognition of revenue from grants carried out proportionally to the implemented expenditures.

Taxation

The current tax charge is calculated in accordance with the regulations of Georgia. Fund pays social and income taxes, which it withhold from salary. Generally salary is paid from donated grants, which discharge fund from social tax liabilities according to Georgian tax code. Exclusion from this situation is salary funded from received interest on distributed loans.

Received donations

In the financial statement grants received from donor organisation stated as revenue proportionally to the implemented expenditures, by accrual method. In the balance sheet grants receivable stated as deferred income, if aren't implemented congruent expenditures.

Grants received from donors are accounted by income method.

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 3: Project DRC/EC

Project Name

Joint Solutions are Durable Solutions - Steps to solve the IDP issue in Georgia.

Principal Objective

To ensure the participation of capable, informed and organized IDPs and civic structures in the development of solutions to the challenges of IDPs.

Project Donors

Project financed by Danish Refugee Council.

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	19,537
Representative expenses	9,730
Office supplies	4,494
Transportation expenses	3,325
Communication expenses	1,300
Fuel expenses	814
Hotel expenses	350
Service expenses	230
Bank expenses	67
Administrative expenses	10
Total expenses	39,858

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 4: Project DRC/SIDA

Project Name

Durable Solutions - A Way Forward for IDPs in Georgia.

Principal Objective

Enabling environment for IDP integration achieved through capacity building and awareness raising of government structures, individual IDPs and civil society.

Project Donors

Project financed by Danish Refugee Council.

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	14,798
Representative expenses	4,748
Office supplies	1,148
Service expenses	783
Communication expenses	476
Fuel expenses	328
Administrative expenses	254
Bank expenses	43
Transportation expenses	18
Total	22,597

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 5: Project EBS-CAP

Project Name

Employment and Business Support to Conflict Affected Populations.

Principal Objective

To support displaced and returnee populations in rebuilding and developing their livelihoods in a sustainable manner through vocational training, micro-finance, training and advocacy.

Project Donors

Project financed by Stichting Vluchteling (SV).

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	86,901
Fuel expenses	4,150
Communication expenses	3,350
Assets purchased below 1000 Gel	3,048
Rent expenses	2,949
Office supplies	2,763
Representative expenses	2,518
Security expenses	1,733
Exchange rate loss	1,552
Transportation expenses	1,481
Repair expenses	1,425
Other expenses	1,272
Service expenses	1,124
Training expenses	870
Bank expenses	737
Electricity expenses	696
Administrative expenses	599
Advertisement expenses	569
Notaries expenses	507
Gaz expenses	455
Hotel expenses	240
Postal expenses	108
Water expenses	58
Clearence expenses	23
Total	119,127

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 6: Project ERI

Project Name

Emergency Relief for IDPs

Principal Objective

Provide emergency child protection assistance to displaced Georgians.

Project Donors

Project financed by The International Rescue Committee.

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	114,151
Service expenses	18,703
Assets purchased below 1000 Gel	15,294
Rent expenses	14,385
Fuel expenses	14,282
Administrative expenses	10,746
Office supplies	9,638
Repair expenses	6,171
Communication expenses	5,570
Visibility Materials	4,416
Low value inventory	3,915
Section Activities	3,229
Traning & related expenses	3,221
Transportation & shenaxvis expenses	2,861
Sport assets	2,807
Wood expenses	1,312
Electricity expenses	1,220
Insurance expenses	842
Exchange rate loss	597
Bank service expenses	357
Representative expenses	319
Gaz expenses	254
Computer expenses	250
Alarm expenses	171
Oil expenses	120
Other expenses	15
Water expenses	5
Clarence expenses	3
Total	234,854

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 7: Project JDC

Project Name

Vocational Education for Vulnerable Population.

Principal Objective

To assist IDPs in their long-term personal, financial and psychological rehabilitation following displacement.

Project Donors

Project financed by American Jewish Joint Distribution Committee.

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	31,840
Grant expenses	7,250
Transportation expenses	3,920
Representative expenses	642
Office supplies	294
Service expenses	200
Communication expenses	170
Bank expenses	113
Total	44,429

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 8: Project MEU

Project Name

Mobile Education Unit for IDPs Children.

Principal Objective

To improve the overall protection and well-being of children and youth aged 4-18 living in the six of the largest IDP Settlements of Kvemo Kartli and Mskheta-Mtianeti.

Project Donors

Project financed by Italian Embassy in Tbilisi.

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	18,669
Fuel expenses	3,881
Repair expenses	1,567
Office supplies	804
Service expenses	599
Communication expenses	480
Rent expenses	310
Other expenses	287
Administrative expenses	247
Representative expenses	164
Exchange rate loss	126
Bank expenses	58
Total	27,192

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 9: Project SC-CACD

Project Name

Community Centers for the Conflict Affected Communities in Georgia.

Principal Objective

Promote participatory and integrated local socio-economic development of IDPs in Georgia in Kvemo Kartli (Gardabani) and Imereti (Tskaltubo).

Project Donors

Project financed by Save the Children Netherlands (SC).

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Purchase of building	76,535
Salary expenses	10,537
Service expenses	3,585
Fuel expenses	1,600
Flyer expenses	870
Repair expenses	558
Other expenses	393
Office supplies	314
Communication expenses	290
Representative expenses	152
Transportation expenses	46
Bank expenses	41
Total	94,920

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 10: Project UNHCR 402

Project Name

IDP Social Economic Integration through Vocational Training, Employment & Civic Participation

Principal Objective

Develop vocational training and provide IDPs with relevant skills and capacities;

Create a sustainable centre for vocational training and services in Zugdidi.

Project Donors

Project financed by The United Nations High Commissioner for Refugees (UNHCR).

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	116,440
Repair expenses	54,397
Rent expenses	13,823
Assets purchased below 1000 Gel	10,574
Grant expenses	6,000
Communication expenses	2,940
Coordination meetings	2,603
Office supplies	2,253
Service expenses	1,546
Electricity expenses	1,454
Other expenses	1,351
Low value inventory	1,276
Transportation expenses	1,174
Gaz expenses	967
Representative expenses	961
Fuel expenses	869
Administrative expenses	817
Training expenses	600
Bank service expenses	448
Insurance expenses	389
Water expenses	298
Oil expenses	284
Hotel expenses	250
Clearance expenses	142
Computer expenses	110
Advertisement expenses	35
Total	222,000

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 11: Project UNHCR PTMA

Project Name

Provision of Tailor Made Assistance to Extremely Vulnerable IDPs

Principal Objective

To alleviate the suffering of extremely vulnerable displaced populations in Georgia, identified in a range of collective centers, through the provision of essential assets and services.

Project Donors

United Nations High Commissioner for Refugees.

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Inventory expenses	20,657
NFI - Clothing	11,761
NFI - Medicines and other medical equipment	3,350
Food expenses	2,851
Administrative expenses	2,499
NFI - Hygiene items	1,465
Communication expenses	480
Fuel expenses	433
Office supplies	318
Salary expenses	250
Bank service expenses	37
Transportation expenses	6
Total	44,106

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 12: Project UNHCR 130

Project Name

Tailor Made Assistance to IDPs with Special Needs in SK & Business Support Initiatives for IDP in WG.

Principal Objective

To alleviate the suffering of displaced persons with special needs (regardless of the date of their displacement) in Shida Kartli through targeted, tailor made assistance and advice.

To educate vulnerable Internally Displaced Persons in business management and to encourage development in sustainable income generation activities at a grass-roots level, through allocating interest-free loans. Through this goal the project will mobilize IDP communities around business activities and bolster participation in the economic life of the region, thus reducing their dependency on society and improving their ability to support themselves.

Project Donors

Project financed by The United Nations High Commissioner for Refugees (UNHCR).

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Material assistance fund	158,731
Salary expenses	95,341
Cash assistance fund	39,557
Fuel expenses	13,095
Rent expenses	10,202
Assets purchased below 1000 Gel	7,151
Other expenses	3,364
Office supplies	2,964
Repair expenses	2,777
Communication expenses	2,595
Training expenses	2,369
Oil expenses	1,573
Insurance expenses	1,354
Administrative expenses	1,184
Service expenses	965
Representative expenses	803
Coordination meetings	792
Bank service expenses	472
Electricity expenses	215
Security expenses	80
Total	345,583

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 13: Project UNICEF

Project Name

Implementation of Piloting Referral Procedures in Child Protection Situations at the Sakrebulo Level.

Principal Objective

To expand the coverage of the piloting exercise of the Child Protection Referral System by adapting it to the Sakrebulo level in the region of Shida Kartli. To Establish Child protection mechanisms at the Sakrebulo level through local level multi-disciplinary coordinating bodies.

Project Donors

Project financed by UNICEF.

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	18,375
Fuel expenses	3,660
Office supplies	2,439
Representative expenses	2,130
Transportation expenses	1,745
Other expenses	1,170
Service expenses	715
Assets purchased below 1000 Gel	590
Administrative expenses	582
Communication expenses	543
Bank expenses	104
Total	32,051

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 14: Project UNICEF RGP

Project Name

Restorative Gesture Programme for Convicted Child Offenders on Probation.

Principal Objective

Provide Restorative Gesture Program to male and female Juvenile probationers;

Increase offenders’ grasp of their crime and its consequences, particularly their capacity to emphasize with and understand the impact on their victims.

Project Donors

Project financed by United Nations Children Fund (UNICEF).

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	9,595
Assets purchased below 1000 Gel	4,073
Service expenses	1,708
Depreciation expenses	486
Bank expenses	467
Other expenses	434
Representative expenses	338
Communication expenses	300
Transportation expenses	60
Office supplies	37
Total	17,499

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 15: Project UNICEF VT

Project Name

Vocational Training for Children in Detention.

Principal Objective

Provide vocational trainings in computer repair and programming/web design to approximately one-third of young offenders in Avchala Juvenile Educational Establishment;

Provide master classes in haircutting and photographing to approximately one-third of young offenders in Avchala Juvenile Educational Establishment;

Provide master classes in massaging and cosmetology to young offenders in Tbilisi Women’s Prison #5.

Project Donors

Project financed by UNICEF.

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	11,763
Assets purchased below 1000 Gel	7,170
Inventory expenses	1,730
Rent expenses	1,360
Other expenses	757
Fuel expenses	338
Administrative expenses	273
Service expenses	207
Office supplies	194
Electricity expenses	150
Communication expenses	100
Gaz expenses	100
Representative expenses	58
Bank expenses	40
Total	24,239

Note 16: Project USE

Project Name

Civil Partnership.

Principal Objective

To boost the participation of the returnees living in Gali district and the IDPs living in Zugdidi district within civil processes and to advocate their human rights. The project also aims to develop an efficient tool in supporting Civil Society Development in the districts. This goal should be achieved through the following objectives:

- To establish the Resource Centers as a new tool of information and knowledge sharing, that will encourage the development of informal leaders and social groups;
- To establish partnership between the society and the representatives of different sectors;
- To protect the rights of the IDPs and returnees to the area and increase their participation and role in the decision making process;
- To establish the broad network of volunteers that will strengthen civil society in the target area.

Project Donors

Project financed by US Embassy.

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	5,464
Representative expenses	2,725
Other expenses	2,078
Rent expenses	2,073
Service expenses	1,262
Assets purchased below 1000 Gel	1,200
Communication expenses	972
Office supplies	970
Fuel expenses	540
Administrative expenses	132
Electricity expenses	96
Transportation expenses	96
Bank expenses	55
Total	17,663

CHARITY HUMANITARIAN CENTER “ABKHAZETI”
Notes to the Financial Statements
(amounts are expressed in Gel unless indicated otherwise)

Note 17: Project WCC

Project Name

No War Zone Georgia

Principal Objective

To contribute to the empowerment of vulnerable and war effected adolescents and children in Georgia, enabling them to develop their personal and life skills, reveal leadership opportunities and become active participants of the society.

Project Donors

Project financed by War Child Canada.

Breakdown of project related expenditures (all figures presented are in Gel)

Description	Amount
Salary expenses	12,626
Fuel expenses	1,646
Exchange rate loss	984
Section Activities	927
Communication expenses	647
Office supplies	633
Rent expenses	561
Coordination meetings	420
Repair expenses	360
Service expenses	340
Gaz expenses	213
Other expenses	168
Administrative expenses	158
Bank expenses	126
Electricity expenses	118
Transportation expenses	36
Water expenses	14
Clearence expenses	1
Total	19,977
