

**Non-entrepreneurial Non-commercial
Legal Entity (NNLE) “Chernovetskyi Fund”**

Statement of Sources and Uses of Funds

for the year ended 31 December 2017

NNLE “Chernovetskyi Fund”
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for the year ended 31 December 2017

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Independent auditor's report

To the management and founder of NNLE "Chernovetskyi Fund"

Opinion

We have audited the statement of sources and uses of funds of NNLE Chernovetskyi Fund (the Organization) for the year ended 31 December 2017 and related notes to the statement of sources and Uses of funds (together referred to as the Statement of Sources and Uses of Funds).

In our opinion, the Statement of Sources and Uses of Funds of the Organization for the year ended 31 December 2017 is prepared, in all material respects, in accordance with the cash receipts and disbursements basis of preparation described in Note 2 to the Statement of Sources and Uses of Funds.

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 Statement of Sources and Uses of Funds* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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 matter - basis of accounting and restriction on use

We draw attention to Note 2 to the Statement of Sources and Uses of Funds, which describes the basis of preparation of the Statement of Sources and Uses of Funds. This Statement of Sources and Uses of Funds is prepared to provide information on cash receipts and disbursements of the Organization to the donors. As a result, the Statement of Sources and Uses of Funds may not be suitable for another purpose. Our report is intended solely for the Organization and for the donors. Our opinion is not modified in respect of this matter.

Management's responsibility for the Statement of Sources and Uses of Funds

Management is responsible for the preparation of this Statement of Sources and Uses of Funds in accordance with the cash receipts and disbursements basis described in Note 2 to the Statement of Sources and Uses of Funds, for determining the acceptability of this basis of preparation, and for such internal control as management determines is necessary to enable the preparation of the Statement of Sources and Uses of Funds that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility for the Statement of Sources and Uses of Funds

Our objectives are to obtain reasonable assurance about whether the Statement of Sources and Uses of Funds as a whole is 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 this Statement of Sources and Uses of Funds.

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 Statement of Sources and Uses of Funds, 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.
- ▶ Evaluate the overall presentation, structure and content of the Statement of Sources and Uses of Funds, including the disclosures, and whether the Statement of Sources and Uses of Funds represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the founder 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.



Ruslan Khoroshvili

On behalf of EY Georgia LLC

Tbilisi, Georgia

31 August 2018

NNLE "Chernovetskyi Fund"
Statement of Sources and Uses of Funds
for the year ended 31 December 2017

GEL	Note	2017
Opening balance of cash and cash equivalents		<u><u>328,517</u></u>
Cash receipts		
Contributions by legal entities	3	2,900,920
Donations from charity boxes		60,177
Direct contributions by individuals		<u>95,545</u>
Total cash receipts		<u><u>3,056,642</u></u>
Cash disbursements		
Homecare program	4	928,905
Children's house program Tbilisi	5	226,579
Children's house program Kobuleti	6	290,377
Program for special needs	7	97,197
Day center and dining room program	8	740,330
Administrative expenses	9	409,881
Prepaid expenses		<u>52,195</u>
Total cash disbursements		<u><u>2,745,464</u></u>
Closing balance of cash and cash equivalents		<u><u>639,695</u></u>

The Statement of Sources and Uses of Funds was approved by management on 31 August 2018 and were signed on its behalf by:

Director

Olena Polishchuk



Chief Accountant

Yevheniia Melhunova



The accompanying notes on 4-8 are an integrated part of this Statement of Sources and Uses of Funds.

NNLE “Chernovetskyi Fund”

Notes to the Statement of Sources and Uses of Funds

for the year ended 31 December 2017 (continued)

1. Background

NNLE “Chernovetskyi Fund” (the Organization), established on 10 April 2012, is a non-governmental organization providing assistance to socially unprotected citizens of Georgia: large families, orphan children, bedridden old people, disabled people.

The Organization was established on 10 April 2012 by a Georgian citizen, Giorgi Kvrivishvili with the purpose of aiding large families, orphans and old people who cannot get out of their beds. In March 2017 the founder of the Organization became Olena Polishuk, an Ukrainian Citizen. The legal address of the Organization office is Vazisubani Str. No. 36, Tbilisi, Georgia.

The Organization raises finances through contributions by donors and voluntary contributions by individuals and legal entities.

During 2017, the Organization’s activities included the following lines/programs:

- ▶ Homecare Program – The beneficiary groups include bedridden patients and people who need outside care, patients with chronic diseases (mostly elderly people) and patients in recovery period. Qualified nurses and their assistants provide necessary medical and psycho-social assistance to the bedridden and home confined patients in their homes. The Organization provides them with the necessary medications, food hygiene means and diapers on a daily basis. Participating in the implementation of the project are medical doctors, nurses, nurse assistants, recreation therapists and social workers. In total Organization took care of 781 beneficiaries in 2017.
- ▶ Children’s house program Tbilisi – On 28 May 2013 the Organization opened a family type children’s house in Tbilisi. During 2017 it hosted 10 children from Tbilisi and other regions of Georgia, who were deprived of care and custody. The children are given 24-hour care including education and are fully supplied with clothes, shoes and school supplies. The children also participate in dancing, singing, gymnastics and painting lessons.
- ▶ Children’s house program Kobuleti – On 23 November 2014 the Organization opened family type children’s house in Kobuleti, Georgia that can accommodate 20 children. During 2017 it hosted 20 children from extremely poor families from different regions of Georgia. The children are given 24-hour care including education. The Organization obtains the necessary equipment and techniques for education and development of the children. The children are fully supplied with clothes, shoes and school supplies. The children also attend a music school for piano.
- ▶ Program for special needs – Help for large families – program is designed to help socially vulnerable people and large families. Information about beneficiaries is posted on the Organization’s website. The Organization receives donations for each beneficiary separately and helps them to satisfy their needs. During the year 2017 the Organization provided medical aid, clothes, hygiene materials, specialized equipment, food, school books and other equipment for home to the 91 number of families.
- ▶ Day center and dining room program – In 2017, the Organization introduced new social programs to socially vulnerable people. Those programs are: Dining room, day center and social patrol. Social patrol is the social program of the Chernovetskyi Fund (the Organization), which was commenced in July 2017. Vehicles with determined food amount ride along Tbilisi and hand food to socially vulnerable people (hereafter, SVP). The Entity has three cars and every day they go to 30 different locations from 10 a.m. to 6 p.m. and next day they visit additional different 30 locations. As a whole, they cover 60 locations. Day center is the social program, which was implemented in May 2017.

NNLE "Chernovetskyi Fund"

Notes to the Statement of Sources and Uses of Funds

for the year ended 31 December 2017 (continued)

1. Background (continued)

The charity service includes: consultation with a doctor, the shower, and free beauty salon, humanitarian clothing warehouse computer corner, library and the cinema room. Dining room was also opened in May 2017 and beneficiaries can use this service every day, once per day.

2. Basis of preparation of the Statement of Sources and Uses of Funds

This Statement of Sources and Uses of Funds is prepared to provide information on cash receipts and disbursements of the Organization to the donors of the Organization and is prepared on the accounting basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in Georgia. On this basis, revenue is recognized when received rather than when earned, and expenditures are recognized when paid rather than when incurred. For expenditures that are not program-specific, the Organization applies employee based allocation between the program and administrative activities.

All financial information is presented in Georgian Lari, unless otherwise is stated.

3. Contributions by legal entities

Contributions by legal entities are as follows:

	<u>2017</u>
Serviden Enterprises Limited	2,557,580
Tbilisi City Hall	255,188
Social Service Agency	64,132
Other entities	24,020
Total	<u>2,900,920</u>

4. Homecare program

Cash disbursements on the homecare program are as follows:

	<u>2017</u>
Employee benefits	524,320
Hygiene materials	206,532
Medicine for program beneficiaries	148,193
Rent expenditure	20,395
Utilities	8,033
Security services	592
Other	20,840
Total	<u>928,905</u>

NNLE "Chernovetskyi Fund"

Notes to the Statement of Sources and Uses of Funds for the year ended 31 December 2017 (continued)

5. Children's house program Tbilisi

Cash disbursements on the children's house program Tbilisi are as follows:

	2017
Employee benefits	78,439
Rent expenditures	69,505
Food	24,229
Utilities	11,085
Furniture	9,485
Clothing for children	9,270
Stationary	2,169
Medicine	1,654
Security services	600
Other	20,143
Total	226,579

6. Children's house program Kobuleti

Cash disbursements on the children's house program Kobuleti are as follows:

	2017
Employee benefits	97,915
Food and hygiene materials	62,549
Rent expenditure	60,439
Furniture	25,468
Utilities	24,222
Clothing	10,129
Medicine	1,944
Stationary	1,034
Other	6,677
Total	290,377

7. Program for special needs

Cash disbursements on the social program are as follows:

	2017
Assistance for large families	74,358
Assistance for special needs program beneficiaries	22,839
Total	97,197

NNLE “Chernovetskyi Fund”

Notes to the Statement of Sources and Uses of Funds for the year ended 31 December 2017 (continued)

8. Day center and dining room program

Cash disbursements on the day center and dining room program are as follows:

	2017
Social Patrol	445,666
Employee benefits	149,506
Food	60,003
Rent expenditures	34,464
Utilities	28,118
Hygiene materials	6,869
Inventory	6,293
Medicine	2,334
Batumi dining room program	1,875
Security service	1,777
Clothing	1,698
Kutaisi dining room program	1,097
Other	630
Total	740,330

9. Administrative expenses

	2017
Employee benefits	212,025
Rent expenditures	56,769
Repair works	53,313
Professional services	17,178
Marketing expenditures	17,000
Furniture, fixtures & equipment	14,142
Stationary	9,254
Utilities	8,033
Bank commission fees	1,510
Hygiene materials	1,304
Security services	592
Other	18,761
Total	409,881

During the year 2017 the Organization paid GEL 59,049 to the management of the Organization as salary expenses.

As at 31 December 2017, the number of the Organization’s employees was 107, including 13 employees for administration work and 94 employees working on special programs.

10. Transactions with related parties

The Organization conducts transactions with related parties in the ordinary course of its activities. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial and operational decisions. Related parties comprise the individuals (and their close family members)/legal entities that has control or significant influence over the Organization.

NNLE "Chernovetskyi Fund"

Notes to the Statement of Sources and Uses of Funds

for the year ended 31 December 2017 (continued)

The main donor of the Organization is Leonid Chernovetskyi. During 2017, the Organization received GEL 2,557,580 of charity contributions from Serviden Enterprises Limited, which is related party to the Leonid Chernovetskyi.