

**2017**

**Organization:**  
CRYSTAL FUND

**Auditor:** Crowe Horwath  
GE LLC  
*Member Crowe Horwath  
International*

## **CRYSTAL FUND**

*Financial Statements for the year ended 31 December 2016  
and Independent Auditors' Report*

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Board of Directors of Crystal Fund:**

We have audited the accompanying Financial Statements of Crystal Fund, which comprises the Balance Sheet, Funds Accountability Statement, and the Cash Flow Statement prepared as at 31 December 2016, and for the year 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 internationally accepted 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 statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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 disbursements made and funds received for the given period, and of its financial performance.

**Crowe Horwath GE LLC**

*Member Crowe Horwath International*

**February 2017**



*Crowe Horwath GE LLC*

**CRYSTAL FUND***Financial Statements for the year ended 31 December 2016 and Independent Auditors' Report*

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**BALANCE SHEET STATEMENT**

As of December 31, 2016 (In GEL)

	Note	2016	2015
<b>Assets</b>			
<b>Current assets</b>			
Cash	1	194,043	4,199
Tax requirements to budget		-	9,289
Other current assets	2	26,466	26,848
<b>Total current assets</b>		<b>220,509</b>	<b>40,336</b>
<b>Long-term assets</b>			
Fixed assets, net	3	2,812	8,375
Participation in other enterprise	4	1,450,192	1,475,593
<b>Total long-term assets</b>		<b>1,453,004</b>	<b>1,483,968</b>
<b>Total assets</b>		<b>1,673,513</b>	<b>1,524,304</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Other short-term		9,581	121,021
Tax liabilities		22	
Deferred profit tax	5	-	728
Liabilities before physical persons	6	1,328,171	1,328,171
<b>Total current liabilities</b>		<b>1,337,774</b>	<b>1,449,920</b>
<b>Equity</b>			
Last year's accumulated profit		74,384	317,620
Current year's net profit/loss		288,424	(243,236)
Corrected Equity		(27,069)	74,384
<b>Total Equity</b>		<b>335,739</b>	<b>1,524,304</b>
<b>Total liabilities and equity</b>		<b>1,673,513</b>	<b>317,620</b>

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*The accompanying notes are an integral part of these financial statements.*

**CRYSTAL FUND***Financial Statements for the year ended 31 December 2016 and Independent Auditors' Report***PROFIT AND LOSS STATEMENT**

As of December 31, 2016 (In GEL)

	Note	2016	2015
<b>Revenue</b>			
Income from operations		414,537	75,586
Received Interest		2,016	15,768
Exchange rate difference		14,557	14,112
Received dividends		259,110	-
Other nonoperational Income		2	-
Non-operating profit from the sale of investments		297,146	-
<b>Total revenue</b>		<b>987,368</b>	<b>105,466</b>
<b>Expenses</b>			
Wages		293,385	205,013
Memberships costs		36,764	44,780
Sub grants		204,890	27,698
Rent		20,962	15,718
Audit Cost		2,360	2,360
PR and Media Service		9,000	-
Legal Expenses		18,229	-
Consultant Services		1,875	10,548
Insurance		15,885	1,794
Representative expenses		4,489	1,127
Office equipment		-	563
Communication		1,740	313
Computer expenses		-	200
Depreciation		6,872	600
Other expenses	7	55,866	24,650
Grant expenses		-	2,283
Web page production costs		4,500	-
Other operational costs		4,712	-
Office Cost		1,096	-
Transportation		2,137	-
Interest expenses		-	11,056
Other nonoperational costs		14,182	-
<b>Total expenses</b>		<b>698,943</b>	<b>348,702</b>
<b>Profit / Loss before taxes</b>		<b>288,424</b>	<b>(243,236)</b>
<b>Profit tax</b>		<b>-</b>	<b>-</b>
<b>Accounting period's net profit/loss</b>		<b>288,424</b>	<b>(243,236)</b>

*The accompanying notes are an integral part of these financial statements.*

**CRYSTAL FUND***Financial Statements for the year ended 31 December 2016 and Independent Auditors' Report*

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**CASH FLOW STATEMENT**

As of December 31, 2016 (In GEL)

<b>Cash flow from operating activities</b>	<b>2016</b>	<b>2015</b>
<b>Accounting period's net profit/loss</b>	<b>(1,850)</b>	<b>(243,236)</b>
Other Assets	382	-
Tax requirements to budget	9,289	21,316
Short-term receivables	-	6,347
Short-term liabilities	(111,441)	121,126
<b>Net cash flow from operating activities</b>	<b>(103,619)</b>	<b>(94,448)</b>
<b>Cash flow from investing activities</b>		
Change in fixed assets	(1,309)	(7,774)
Long-term investment realization	322,547	-
<b>Net cash flows from investing activities</b>	<b>321,238</b>	<b>(7,774)</b>
<b>Net cash flow</b>	<b>217,619</b>	<b>(102,222)</b>
<b>Cash balance at the beginning of the year</b>	<b>4,199</b>	<b>106,420</b>
<b>Cash balance at the end of the year</b>	<b>221,818</b>	<b>4,199</b>

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*The accompanying notes are an integral part of these financial statements.*

**CRYSTAL FUND***Financial Statements for the year ended 31 December 2016 and Independent Auditors' Report*

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**CHANGES IN SHAREHOLDERS EQUITY**

As of December 31, 2016 (In GEL)

		<b>2016</b>	<b>2015</b>
<b>Equity for the period start</b>		<b>74,384</b>	<b>317,620</b>
Current year's net profit/loss		288,424	(243,236)
Equity Correction	8	(27,069)	-
<b>Equity for the period end</b>		<b>335,740</b>	<b>74,384</b>

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*The accompanying notes are an integral part of this financial statement.*

**NOTES TO FINANCIAL STATEMENTS****GENERAL INFORMATION**

Crystal Fund is a non-governmental, apolitical, non-profit organization, established in 2004 on the basis of the Micro-Lending Programme of the Charity Humanitarian Centre "Abkhazeti" (CHCA), the national NGO assisting displaced people. The goals of Crystal Fund are to increase the financial literacy among poor populations, bolster standards in the provision of financial services, and develop new technologies to enhance access to financial services and to implement social and community investment projects.

Until 2007, Crystal Fund was undertaking microfinance activities, but at requirement of the legislation of Georgia, Crystal Fund stopped provision of microfinance services, went under reorganisation and reoriented its activities towards educational, social and community development objectives.

Crystal Fund is supervised by the Board and daily activities are managed by the Executive Director. Executive Director operates on the basis of strategy and internal regulations adopted by the Board of Crystal Fund.

On 02 September 2015 Fund Crystal has signed cooperative agreement with USAID, which will last until the 01 April, 2018

The Program – "Youth Entrepreneurial Skills for Advancing Employability and Income Generation in Georgia" (YES – Georgia) represents a targeted public-private partnership that builds institutional frameworks and models facilitating greater economic participation of youth through increased opportunities for self-employment by starting enterprises and for employment in established companies. This is a USAID-funded joint initiative of Crystal Fund, PH International and JSC MFO Crystal.

The program targets to enhance entrepreneurship development, capacity-building of youth-led small enterprises through innovative forms of access to finance, knowledge and expertise. Yes-Georgia will increase employability of young people by offering relevant training, improved financial capabilities, new forms of practical on-the-job training opportunities and encouraging youth-friendly corporate practices. Finally, the program shall contribute to a discourse on youth economic empowerment. The project will work with an estimated 1,000 youth, ages 17-25 in 20 municipalities of Georgia.

Crystal Fund is also implementing the initiatives on financial literacy, road safety and the rule of law. It also carries out the activities on cross-cutting themes, such as the public-private dialogue and women economic empowerment.

The legal address of the Crystal Fund is N29 Tabidze Street, Kutaisi, Georgia.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of presentation**

The financial statements as of 31 December 2016 consist of balance sheet and related statements of income cash flows and changes in equity.

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



**CRYSTAL FUND***Financial Statements for the year ended 31 December 2016 and Independent Auditors' Report*

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

**Cash**

Cash includes cash on bank accounts.

**Currency Exchange**

Transactions denominated in foreign currency are translated into GEL at the official exchange rate of National Bank of Georgia on the date of transaction. Calculation of cash assets and liabilities was made using exchange rate of transaction date. The official exchange rate for the principal currency as of 31 December 2016 was:

	<b>USD</b>
<b>GEL</b>	2.6468

**Revenue and expense recognition**

Revenues and expenses are recognised on the accrual basis. Revenue consists of received dividends, interest revenues, and received grants from donors. Recognition of revenue from grants stated proportionally to the implemented expenditures.

Expenses are recognized at the moment of their implementation using accrual basis.

**1. CASH**

Cash of the fund for the year ended December 31 2016:

<b>Cash in bank</b>	<b>2016</b>	<b>2015</b>
National Currencies Resident Bank	66,262.94	262.42
Foreign Currencies Resident Bank	1.08	1.17
Foreign Currencies Resident Bank (USAID)	42,931.86	3,934.97
Foreign Currencies Finka Bank	84,697.6	-
Business Card USD	149.57	-
<b>Total</b>	<b>194,043.05</b>	<b>4,199.00</b>

**CRYSTAL FUND***Financial Statements for the year ended 31 December 2016 and Independent Auditors' Report***2. Other Current Assets**

Other current assets for the year ended December 31, 2016:

	<b>2016</b>	<b>2015</b>
Other short-term investments	16,670	16,670
Liabilities from Suppliers and Service	9,796	8,023
Other short-term requirements	-	2,154
<b>Total</b>	<b>26,466</b>	<b>26,848</b>

**3. Fixed Assets**

Fixed assets for the year ended December 31, 2016:

	Office Equipment	Furniture and Fixture	Total
<b>Historical Cost</b>			
<b>1 January 2015</b>	<b>25,876</b>	<b>500</b>	<b>26,376</b>
Purchases during the period	8,374	-	8374
Liquidation and write off	-	-	-
<b>31 December 2015</b>	<b>34,250</b>	<b>500</b>	<b>34,750</b>
Purchases during the period	1,309		1,309
Liquidation and write off			-
<b>31 December 2016</b>	<b>35,559</b>	<b>500</b>	<b>36,059</b>
<b>Accumulated Depreciation</b>			
<b>1 January 2015</b>	<b>25,275</b>	<b>500</b>	<b>25,775</b>
Current Period Depreciation	600	-	600
Liquidation and write off			
<b>31 December 2015</b>	<b>25,875</b>	<b>500</b>	<b>26,375</b>
Current Period Depreciation	6,872		6,872
Liquidation and write off	-	-	-
<b>31 December 2016</b>	<b>32,747</b>	<b>500</b>	<b>33,247</b>
<b>Balance</b>			
<b>31 December 2015</b>	<b>8,375</b>	<b>-</b>	<b>8,375</b>
<b>31 December 2016</b>	<b>2,812</b>	<b>-</b>	<b>2,812</b>

#### **4. Participation in other Enterprise**

As of 31 December 2015, Crystal Fund owned 1,475,593 ordinary shares in the subsidiary JSC Microfinance Organization "Crystal", which made 67.71% of totally issued and authorized shares with a nominal value of 1,475,593 GEL. In February 2016, the Fund sold 25,401 shares, keeping 1,450,192 common shares, which – in light of newly issued shares - represents 47.96%.

#### **5. Differed Profit Tax**

The amendments to the Tax Code of Georgia related to the Profit Tax entered into force on the 1st of January, 2017. In accordance with the new legislative regulations, object and moment of taxation have different formulation. The new rule of taxation doesn't recognize the difference between financial accounting and revenues and expenses for tax purposes; it also singles out the objects of taxation (Expenses or other payments not related to the economic activities; free delivery of goods / services and /or transfer of funds; representative expenses exceeding the limit established by the tax code) which should be taxed during that particular month when the operation is implemented. Also, the moment of taxation of profit tax for company's financial earnings is the profit sharing and is not defined for the financial statements in any accounting period.

#### **6. Liabilities before Physical Persons**

The number of ordinary shares transferred in 2012 by physical persons to Crystal Fund made up 1,178,683. The transaction was disputed by respective individuals. While there was no sufficient basis for returning these shares to the physical persons, they were recognized as a liability until the legal clarity on the issue is reached. The liability to physical persons also include 149,488 GEL transferred in cash in 2012.

## 7. Other Expenses

### Other expenses for the year ended December 31, 2016:

Bank fee	2012.12
Board members visit cost in Georgia	5,587.10
Promotional materials and design	1059.50
Startup Grind Meeting Costs	7,678.65
Video recording and editing	4,188.00
Re-registration of shares	753.77
Mobile financial system implementation expenses	19,357.18
Statements, Notary and custom fee	164.30
Travel	12,202.45
Transportation	717.70
Supplies and other	1,873.84
Other Expanses	62.50
Placement of note of competition	208.91
<b>Total other expense</b>	<b><u>55,866.02</u></b>

## 8. Equity Correction

	<b>2016</b>
Cancel of differed profit tax liabilities	728.00
Correction of tax assets	<u>(27,796.72)</u>
<b>Total:</b>	<b><u><u>(27,068.72)</u></u></b>

## 9. Going Concern

As of February 2017 the Crystal Fund represents going concern and there are no risks, which would endanger company's future functioning.

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