

**2018**

**Organization:**  
CRYSTAL FUND

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

## **CRYSTAL FUND**

*Financial Statements for the year ended 31 December 2017  
and Independent Auditors' Report*

## **Table of Contents**

<i>INDEPENDENT AUDITOR'S REPORT .....</i>	<i>3</i>
<i>BALANCE SHEET STATEMENT .....</i>	<i>5</i>
<i>PROFIT AND LOSS STATEMET .....</i>	<i>6</i>
<i>CASH FLOW STATEMENT.....</i>	<i>7</i>
<i>CHANGES IN SHAREHOLDERS EQUITY.....</i>	<i>7</i>
<i>NOTES TO FINANCIAL STATEMENTS .....</i>	<i>8</i>
<i>GENERAL INFORMATION .....</i>	<i>8</i>
<i>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....</i>	<i>8</i>

## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Opinion**

We have audited the financial statements of the Crystal Fund which comprises the Balance Sheet, Accountability Statement, and the Cash Flow Statement as at December 31, 2017, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement of the Crystal Fund for the year ended December 31, 2017 is prepared, in all material respects, in accordance with the International Financial Reporting Standards (IFRS).

#### **Basis of 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 Financial Statements section of our report. We are independent of the Organization in accordance 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The financial statement is prepared to assist the Crystal Fund to comply with the Financial Handbook of Crystal Fund and other financial instructions and policies effective in the Organization. As a result, the financial statement may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the financial statement in accordance with the Financial Handbook of Crystal Fund and other financial instructions and policies effective in the organization and for such internal control as management determines is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statement**

Our Objectives are to obtain reasonable assurance about whether the financial statement 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 decisions of users taken on the basis of these financial statement.

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

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Organization to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matter, 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.

Crowe Horwath GE LLC

Member Crowe Horwath International  
Axis Business Palace, floor IV,  
2, D. Gamrekeli St., 0160 Tbilisi, Georgia  
March, 2018



*Crowe Horwath GE LLC*

**CRYSTAL FUND***Financial Statements for the year ended 31 December 2017 and Independent Auditors' Report***BALANCE SHEET STATEMENT**

As of December 31, 2017 (In GEL)

<b>Assets</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>Current assets</b>			
Cash	1	317,926	194,043
Tax requirements to budget		2,749	-
Other current assets		18,334	26,466
<b>Total current assets</b>		<b>339,009</b>	<b>220,509</b>
<b>Long-term assets</b>			
Fixed assets, net	2	5,761	7,547
Participation in other enterprise	3	1,450,192	1,450,192
<b>Total long-term assets</b>		<b>1,455,953</b>	<b>1,457,739</b>
<b>Total assets</b>		<b>1,794,962</b>	<b>1,678,248</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Other short-term liabilities		5,751	9,581
Tax liabilities			22
Liabilities before physical persons	4	1,328,171	1,328,171
<b>Total current liabilities</b>		<b>1,333,922</b>	<b>1,337,774</b>
<b>Equity</b>			
Last year's accumulated profit		340,475	74,384
Current year's net profit/loss		120,565	293,160
Corrected Equity			(27,069)
<b>Total Equity</b>		<b>461,040</b>	<b>340,475</b>
<b>Total liabilities and equity</b>		<b>1,794,962</b>	<b>1,678,248</b>

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

**CRYSTAL FUND***Financial Statements for the year ended 31 December 2017 and Independent Auditors' Report***PROFIT AND LOSS STATEMENT**

As of December 31, 2017 (In GEL)

	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
Income from operations	298,067	414,537
Received Interest	8,748	2,016
Exchange rate difference	16,761	14,557
Received dividends	455,584	259,110
Other nonoperational Income		2
Non-operating profit from the sale of investments		297,146
<b>Total Revenue</b>	<b>779,159</b>	<b>987,368</b>
<b>Expenses</b>		
Wages	312,215	293,385
Memberships costs	61,123	36,764
Sub grants	105,888	204,890
Rent	23,455	20,962
Audit Cost	4,130	2,360
PR and Media Service	2,000	9,000
Legal Expenses	-	18,229
Consultant Services	2,190	1,875
Insurance	16,606	15,885
Representative expenses	1,729	4,489
Office equipment	1,254	-
Communication	3,202	1,740
Human Resources	6,288	-
Communication Campaign	15,320	-
Depreciation	2,185	2,137
Other expenses	66,104	55,866
Web page production costs	10,900	4,500
Other operational costs	12,699	4,712
Office Cost	-	1,096
Transportation	-	2,137
Interest expenses	1,079	-
Other nonoperational costs	10,226	14,182
<b>Total expenses</b>	<b>658,594</b>	<b>694,208</b>
<b>Profit / Loss before taxes</b>	<b>120,565</b>	<b>293,160</b>
Profit tax	-	-
<b>Accounting period's net profit/loss</b>	<b>120,565</b>	<b>293,160</b>

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

**CRYSTAL FUND***Financial Statements for the year ended 31 December 2017 and Independent Auditors' Report***CASH FLOW STATEMENT**

As of December 31, 2017 (In GEL)

	2017	2016
<b>Cash flow from operating activities</b>		
Accounting period's net profit/loss	120,565	293,160
Depreciation	2,185	2,137
Received Interest	(8,748)	(2,016)
Exchange rate difference	(16,761)	(14,557)
Received dividends	(455,584)	(259,110)
Nonoperational income from long-term investment realization	-	(297,146)
Other assets	8,132	382
Tax requirements to budget	(2,749)	-
Other short-term liabilities	(3,808)	(111,419)
Received Interest	8,748	2,016
Received dividends	455,584	259,110
<b>Net cash flow from operating activities</b>	<b>107,564</b>	<b>(127,443)</b>
<b>Cash flow from investing activities</b>		
Change in fixed assets	(398)	(1,309)
Long-term investment realization	-	322,547
<b>Net cash flows from investing activities</b>	<b>(398)</b>	<b>321,238</b>
<b>Net cash flow</b>	<b>107,166</b>	<b>193,795</b>
<b>Cash balance at the beginning of the year</b>	<b>194,043</b>	<b>4,199</b>
<b>Exchange rate differences in cash and cash equivalents</b>	<b>16,717</b>	<b>(3,951)</b>
<b>Cash balance at the end of the year</b>	<b>317,926</b>	<b>194,043</b>

**CHANGES IN SHAREHOLDERS EQUITY**

As of December 31, 2017 (In GEL)

	Note	2017	2016
<b>Equity for the period start</b>		340,475	74,384
Current year's net profit/loss		120,565	293,160
Equity Correction			(27,069)
<b>Equity for the period end</b>		<b>461,040</b>	<b>340,475</b>

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

**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 2017 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.

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 2017 was:

	<b>USD</b>	<b>GPB</b>
<b>GEL</b>	2.5922	3.5005

**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 2017:

<b>Cash in bank</b>	<b>2017</b>	<b>2016</b>
National Currencies Resident Bank	128,119	66,263
Foreign Currencies Resident Bank (GBP)	1	1
Foreign Currencies Resident Bank (my safe)	149,376	-
Foreign Currencies Resident Bank (USD)	36,737	-
Foreign Currencies Resident Bank (USD)	2,778	42,932
Foreign Currencies Finka Bank	-	84,698
Business Card USD	915	150
<b>Total</b>	<b>317,926</b>	<b>194,043</b>

## 2. Fixed Assets

Fixed assets for the year ended December 31, 2017:

	Office Equipment	Furniture and Fixture	Total
<b>Historical Cost</b>			
<b>1 January 2015</b>	<b>25,876</b>	500	26,376
Purchases during the period	8,374		8,374
Liquidation and write off			
<b>Balance</b>	<b>34,250</b>	500	34,750
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>
Purchases during the period	398		398
Liquidation and write off			
<b>31 December 2017</b>	<b>35,957</b>	<b>500</b>	<b>36,457</b>
<b>Accumulated Depreciation</b>			
<b>1 January 2015</b>	<b>25,275</b>	<b>500</b>	25,775
Current Period Depreciation	600		600
Liquidation and write off			
<b>1 January 2016</b>	<b>25,875</b>	<b>500</b>	<b>26,375</b>
Current Period Depreciation	2,137		2,137
Liquidation and write off			
<b>31 December 2016</b>	<b>28,012</b>	<b>500</b>	<b>28,512</b>
Current Period Depreciation	2,185		2,185
Liquidation and write off			
<b>31 December 2017</b>	<b>30,197</b>	<b>500</b>	<b>30,697</b>
<b>Balance</b>			
<b>31 December 2016</b>	<b>7,547</b>		<b>7,547</b>
<b>31 December 2017</b>	<b>5,760</b>		<b>5,760</b>

**3. Participation in other Enterprise**

Shareholding of 1,450,192 GEL represents investments of in the subsidiary JSC Microfinance Organization "Crystal", which consist 47.52 % of free shares. Nominal value of noted shares is 1,450,192 GEL. The dilation from 2016 (47.96%) was due to newly issued shares in JSC MFO "Crystal"

**4. 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.

**5. Other Expenses****Other expenses for the year ended December 31, 2017:**

	<b>2017</b>	<b>2016</b>
Bank fee	2,052	2,012
Board members visit cost in Georgia	18,930	5,587
Promotional materials and design	1,247	1,060
Startup grind meeting costs	9,581	7,679
Video recording and editing	3,625	4,188
Re-registration of shares	-	754
Mobile financial system implementation expenses	-	19,357
Statements, Notary and custom fee	33	164
Travel	7,485	12,202
Transportation	7,124	718
Stationary	2,884	1,874
Other Expenses	-	63
Placement of note Competition	170	209
Translation Service	685	-
Property Rights Initiative	2,426	-
Peace Building Initiative	2,941	-
Business Forum	6,921	-
<b>Total other expense</b>	<b>66,104</b>	<b>55,866</b>

**6. Going Concern**

As of March 2018 the Crystal Fund represents going concern and there are no risks, which would endanger company's future functioning.

\*\*\*\*