



Crowe GE

**2019**

Organization:  
Crystal Fund

Auditor:  
Crowe GE LLC

# Crystal Fund

Financial Statements for the year ended 31 December 2018 and

## Independent Auditor's Report

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## INDEPENDENT AUDITOR'S REPORT

***To: The Members of the Board of Crystal Fund***

### **Opinion**

We have audited the financial statements of the Crystal Fund, which comprises the Statement of Financial Position, Statement of Actives, Statement of Changes in Equity, and the Cash Flow Statement as at December 31, 2018, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Crystal Fund are prepared, in all material respects, in accordance with the standard for the financial statements of non-profit (non-commercial) legal entities established in Georgia.

### **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 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 the financial statements in accordance with the standard for the financial statements of non-profit (non-commercial) legal entities established in Georgia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization'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 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 statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 these financial statements.

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 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, 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 the organization to cease to continue as going concern.

We communicate with those charged with governance 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.

Magda Panchulidze

Partner

Crowe GE LLC

6 May 2019



## CRYSTAL FUND

The Fund Financial Statements and  
Independent auditors' report for the year ended December 31, 2018

### Statement of Financial Position

As of December 31, 2018 (In GEL)

Assets	Notes	31 December 2018	31 December 2017
<b>Current assets</b>			
Cash	3	235,046	317,926
Tax requirements to budget		3,981	2,749
Other current assets		20,985	18,334
<b>Total current assets</b>		<b>260,012</b>	<b>339,009</b>
<b>Long-term assets</b>			
Fixed assets, net	4	8,825	5,761
Participation in other enterprise	5	1,450,192	1,450,192
<b>Total long-term assets</b>		<b>1,459,017</b>	<b>1,455,953</b>
<b>Total assets</b>		<b>1,719,029</b>	<b>1,794,962</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Other short-term liabilities		7,196	5,751
Liabilities before physical persons	6	1,328,171	1,328,171
<b>Total current liabilities</b>		<b>1,335,367</b>	<b>1,333,922</b>
<b>Equity</b>			
Last year's accumulated profit		461,040	340,475
Current year's net profit/loss		(77,377)	120,565
<b>Total Equity</b>		<b>383,662</b>	<b>461,040</b>
<b>Total liabilities and equity</b>		<b>1,719,029</b>	<b>1,794,962</b>

The financial statements for the year ended 31 December 2018 were approved on behalf of the management on 06 May 2019 by:

CRYSTAL FUND Executive Director: \_\_\_\_\_

CRYSTAL FUND Financial Officer: \_\_\_\_\_

**CRYSTAL FUND**

The Fund Financial Statements and

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**STATEMENT OF ACTIVITIES***As of December 31, 2018 (In GEL)*

	Note	31 December 2018	31 December 2017
<b>Revenue</b>			
Income from operations (Yes Georgia)		324,958	255,046
Income from operations (Startup Grind)		16,228	43,020
Received Interest		1,841	8,748
Exchange rate difference		12,729	16,761
Received dividends		392,736	455,584
Other nonoperational Income		464	-
<b>Total Revenue</b>		<b>748,956</b>	<b>779,159</b>
<b>Expenses</b>			
Personnel		55,435	52,595
Memberships costs (BEC)		36,958	61,123
USAID funded project "YES Georgia" expenses		248,567	195,551
Sub grants project "YES Georgia"		54,358	105,888
U.S. Embassy funded project "Startup Grind" expenses		49,304	10,490
Programme expenses		314,758	191,260
Rent		15,239	15,064
Audit Cost		5,000	4,130
Other tax expenses		4,837	-
Office equipment		-	1,254
Communications and media		2,466	556
Depreciation		1,702	2,185
Travel and transportation		26,617	2,135
Other expenses	7	9,562	15,397
Bank fees		1,531	965
<b>Total Expenses</b>		<b>826,334</b>	<b>658,594</b>
<b>Profit / Loss before taxes</b>		<b>(77,377)</b>	<b>120,565</b>
Profit tax		-	-
<b>Accounting period's net Profit/Loss</b>		<b>(77,377)</b>	<b>120,565</b>

The financial statements for the year ended 31 December 2018 were approved on behalf of the management on 06 May 2019 by:

CRYSTAL FUND Executive Director: \_\_\_\_\_

CRYSTAL FUND Financial Officer: \_\_\_\_\_

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### STATEMENT OF CASH FLOWS

As of December 31, 2018 (In GEL)

	31 December 2018	31 December 2017
<b>Cash flow from operating activities</b>		
<b>Accounting period's net profit/loss</b>	<b>(77,377)</b>	<b>120,565</b>
Depreciation	1,702	2,185
Received Interest	1,841	(8,748)
Received dividends	(392,736)	(455,584)
Other assets	(2,651)	8,132
Tax requirements to budget	(1,232)	(2,749)
Other short-term liabilities	1,445	(3,851)
Received Interest	(1,841)	8,748
Received dividends	392,736	455,584
<b>Net cash flow from operating activities</b>	<b>(78,114)</b>	<b>124,281</b>
<b>Cash flow from investing activities</b>		
Change in fixed assets	(4,766)	(398)
<b>Net cash flows from investing activities</b>	<b>(4,766)</b>	<b>(398)</b>
<b>Net cash flow</b>	<b>(82,880)</b>	<b>123,883</b>
<b>Cash balance at the beginning of the year</b>	<b>317,926</b>	<b>194,043</b>
<b>Cash balance at the end of the year</b>	<b>235,046</b>	<b>317,926</b>

The financial statements for the year ended 31 December 2018 were approved on behalf of the management on 06 May 2019 by:

CRYSTAL FUND Executive Director: \_\_\_\_\_

CRYSTAL FUND Financial Officer: \_\_\_\_\_

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### CHANGES IN SHAREHOLDERS EQUITY

*As of December 31, 2018 (In GEL)*

	31 December 2018	31 December 2017
<b>Equity for the period start</b>	<b>461,040</b>	<b>340,475</b>
Current year's net profit/loss	(77,377)	120,565
	<hr/>	<hr/>
<b>Equity for the period end</b>	<b>383,662</b>	<b>461,040</b>
	<hr/> <hr/>	<hr/> <hr/>

The financial statements for the year ended 31 December 2018 were approved on behalf of the management on 06 May 2019 by:

CRYSTAL FUND Executive Director: \_\_\_\_\_

CRYSTAL FUND Financial Officer: \_\_\_\_\_



## Notes to Financial Statements

### 1. 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.

Since September 2, 2015 Crystal Fund is implementing the program "Youth Entrepreneurial Skills for Advancing Employability and Income Generation in Georgia" (YES – Georgia) with the support of the U.S. Agency for International Development.

The project is implemented by Crystal Fund with the financial support of USAID in partnership with JSC MFO Crystal and PH International until September 30, 2017. Since July 2018, the partners are JSC MFO Crystal and Junior Achievement in Georgia (JAG).

The overall goal of the Program is to increase opportunities for self- or waged employment of Georgia's youth through enabling youth-led enterprises, innovative delivering of relevant skills and new discourse contributing to youth economic empowerment. The program will accomplish this overall goal through a targeted system of training in entrepreneurial; providing micro-equity fund for enhancement of financial capabilities and providing entrepreneurship training to high school students.

The Project started on September 2, 2015 with \$ 350,000 in USAID funding and \$93,000 in cost share from MFO Crystal; the implementation period was 30 months (Phase I), however in June 2018 it got cost extension from USAID for another 30 months. Now being 60-month program, it cumulatively is \$ 700,000 USAID funded project with \$155,500 cost-share from MFO Crystal to co-finance young entrepreneurs' business initiatives. Respectively, the program's time span has been extended until the end of January 1, 2021 (Phase II).

Starting from July 2018, the internship component was replaced by another component, which focuses on introducing business familiarity and financial literacy to high school students of tenth, eleventh and twelve grades. Thus, for the coming 30 months, the program will be focused on working with additional 1,000 youth in Tbilisi and all regional municipalities of Georgia to enhance entrepreneurship development of youth aged 14-28 that will include schoolchildren, students, young entrepreneurs and beginners who want to start their own businesses.

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

## 2. Summary of Significant Accounting Policies

### 2.1 Basis of preparation

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.

#### a) Statement of compliance

The financial statements have been prepared in accordance with the standard for the financial statements of non-profit (non-commercial) legal entities established in Georgia.

#### b) Basis of measurement

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

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.

#### c) 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 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 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. 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 2018 was:

	<b>31.12.2018</b>
GEL/USD	2.6766
GEL/EURO	3.0701
GEL/GBP	3.3955

### Cash

Cash includes cash balances at the Bank accounts.

### Accounts receivables

Due to the financial management's assumption that funds from donor organizations are recognized when received and not at the moment of signing the grant contracts.

### Fixed assets

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Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided on all fixed assets based on historical cost. The annual charge for depreciation is computed using straight line depreciation method.

### Revenue and expense recognition

Revenues and expenses are recognized 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.

### 3. CASH

Cash comprises from cash in Bank. The Entity has the accounts in TBC Bank in following currencies: Georgian Lari, US dollars, GBP, and Euro.

The breakdown of the balances as at December 31, 2018 is following:

	31 December 2018	31 December 2017
<b>Cash in bank</b>		
National Currencies Resident Bank	3,068	128,119
Foreign Currencies Resident Bank	36,041	1
Foreign Currencies Resident Bank	164,981	149,376
Foreign Currencies Resident Bank	16,190	36,737
Foreign Currencies Resident Bank	14,767	2,778
Business Card USD	-	915
<b>Total</b>	<b>235,046</b>	<b>317,926</b>

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### 4. Property and Equipment

	Office Equipment	Furniture and Fixture	Total
<b>Historical Cost</b>			
<b>Balance</b>	<b>34,250</b>	500	<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>
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>
Purchases during the period	4,766		4,766
Liquidation and write off			
<b>31 December 2017</b>	<b>40,723</b>	<b>500</b>	<b>41,223</b>
<b>Accumulated Depreciation</b>			
<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>
Current Period Depreciation	1,702		1,702
Liquidation and write off			
<b>31 December 2018</b>	<b>31,898</b>		<b>32,398</b>
<b>Balance</b>			
<b>31 December 2017</b>	<b>5,760</b>		<b>5,760</b>
<b>31 December 2018</b>	<b>8,825</b>		<b>8,825</b>

### 5. Participation in other Enterprise

Shareholding of 1,450,192 GEL represents investments of in the JSC Microfinance Organization "Crystal", which consist 47.37% of free shares. Nominal value of noted shares is 1,450,192 GEL. The dilution from 2017 (47.52%) was due to newly issued shares in JSC MFO "Crystal".

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### 6. Liabilities before Physical Persons

The number of ordinary shares transferred in 2012 by physical persons to Crystal Fund made up 1,178,683 Gel. 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, 2018:

	31 December 2018	31 December 2017
Representative costs	2,870	1,674
Promotional materials and design	1,950	-
Statements, notary and custom fee	196	33
Supplies and other	1,423	3,465
Other nonoperational costs	3,123	10,226
<b>Total other expense</b>	<b>9,562</b>	<b>15,397</b>

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