Grant Thornton

Bemoni Public Union

Annual Expenditure and Cash Balance Report and Independent Auditor's Report

"Fight AIDS, Tuberculosis and Malaria" Project

For the period from March 01, 2017 to February 28, 2018

Contents

Grant Thornton

Independent auditor's report

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To the Management of Bemoni Public Union

We have audited the accompanying Annual Expenditure and Cash Balance Report prepared by the Bemoni Public Union (the "Union") of the "Fight AIDS, Tuberculosis and Malaria" Project ("the Project") implemented under CCM Funding Agreement No. GEO-CFUND-1708 dated February 29, 2016, for the period from March 01, 2017 to February 28, 2018 (together "the Annual Report").

In our opinion, the accompanying Annual Report presents fairly, in all material respects, expenditures of funds received by the Bemoni Public Union from the Global Fund for the "Fight AIDS, Tuberculosis and Malaria" Project, to support certain administrative costs and other activities of Country Coordinating Mechanism (CCM) under CCM Funding Agreement No. GEO-CFUND-1708 dated February 29, 2016 for the period from March 01, 2017 to February 28, 2018 and the cash balance in accordance with reporting requirements set for the Project.

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 Statement* section of our report. We are independent of the Bemoni Public Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "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 those ethical requirements. 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 Annual report, which describes that the expenditure in the Annual Report are presented on the cash basis of accounting, which is a comprehensive basis of accounting at variance with International Financial Reporting Standards and Generally Accepted Accounting Principles. The Annual Report is prepared to assist Bemoni Public Union to comply with the financial reporting provisions of the Funding Agreement referred to above. As a result, the Annual Report may not be suitable for another purpose. Our auditor's report is intended solely for Bemoni Public Union and Global Fund and should not be distributed to or used by other parties. Our opinion is not modified in respect of this matter.

Management's Responsibility for the Financial Statement

The management of the Bemoni Public Union is responsible for the preparation and fair presentation of the Annual Report in accordance with the basis of accounting described in the note 2 to the Annual Report and in conformity with the terms and conditions of the Funding Agreement referred to above, and for such internal control as management determines is necessary to enable the preparation of the Annual Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the Annual Report 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 Annual Report.

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 Annual Report, 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 Union'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 financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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.

Vakhtang Tsabadze,
Managing Partner
Grant Thornton LLC
Tbilisi, March 30, 2018

Ketevan Ghambashidze
Registered Auditor

ANNUAL EXPENDITURE AND CASH BALANCE REPORT
CCM FUNDING AGREEMENT

Section 1. General Information

CCM Name:	CCM Georgia
CCM Agreement No:	GEO-CFUND-1708
Starting Date:	01 March 2017
Year of Agreement:	Year 1
Currency:	USD

	BUDGET	EXPENDITURE	ABSORPTION
GRAND TOTAL (Fixed Costs + Activities) =	70,236	65,275	93%

Section 2. Fixed costs and HR positions covered by CCM Funding Agreement

2A. Fixed Costs

	Cost Grouping	Performance Area	Description	Budget approved	Expenditure	Expenditure rate	Variance	Reasons for Variance
1	Human Resources	Alignment	Human Resources (Secretariat staffs)	38,904	38,904	100%	0	
2	External Professional Services	Alignment	Overhead cost (itemized fees to manage CCM funding)	3,600	3,600	100%	0	
3	Indirect and Overhead Costs	Alignment	Office rental and supplies	1,296	907	70%	-389	This budget line summarizes the expenditure of the following lines: stationary, office cleaning supplies and printed CCM supplies. The procurement of the items was done based on the actual need. The sum saved is not requested for the Y2
4	Indirect and Overhead Costs	Alignment	Overhead cost (itemized fees to manage CCM funding)	472	95	20%	-377	This budget line summarizes the following lines: bank charges and courier shipment. The expenditure was done based on the actual transfers received during the reporting period. During the reporting period no additional official documentation shipment was required. The sum saved is not requested for the Y2
5	Non-health Equipment	Alignment	Overhead cost (itemized fees to manage CCM funding)	702	87	12%	-615	This budget lines summarizes the following lines: website maintenance/ hosting and registration. Maintenance of the website was done by the secretariat and the support from MoLHSA IT team was provided free of charge.
6						-	0	
			Total	44,974	43,593	97%	-1,381	

2B. HR positions covered by this agreement

	CCM Secretariat positions	Approved	Reported	Reasons for Variance
1	Executive Secretary	23,880.00	23,880.00	N/A
2	Administrative Assistant	15,024.00	15,024.00	N/A
3				
4				
		38,904.00	38,904.00	

Section 3. CCM Activities

	Cost Grouping	Performance Area	Activities	Total Activities approved	Total Activities executed	Budget approved	Expenditure	Expenditure rate	Variance	Reasons for Variance
1	External Professional Services	Constituency Engagement	Constituency consultations for non-governmental constituencies only and processes to promote and improve the quality of stakeholder participation.	1		**700**	**700**	100%	0	N/A
2	External Professional Services	Sustainability and Transition	Technical Support	2	9	10,000	6,000	60%	-4,000	This budget line summarizes the external expert review of technical deliverables developed by consultants in support of the transition planning and Policy and Advocacy consultancy. The follow up of the Transition Plan was done by PAAC with the support of Policy and Advocacy Specialist and no need for external review was required during the reporting period. In addition to this the sum saved under this budget line was utilized for CSO forum based on the agreement with the GF
3	Travel-related Costs	Oversight	Site Visits / Monitoring Visits	3	4	1,800	540	30%	-1,260	During this reporting period 4 site visits (2 in Tbilisi and 2 in the regions) were conducted as planned. However less OC members participated in the field trips than initially planned that caused the under spending of this budget line. The sum saved in Y1 is not requested in Y2.
4	Travel-related Costs	Alignment	CCM Plenary / General Assembly meeting	4	4	**1,000**	**485**	48%	-515	The expenditure was done based on the actual need. The sum saved is not requested for the Y2
5	External Professional Services	Alignment	Others (Please specify in comments)	1	2	3,000	6,101	203%	3,101	The contract was signed with the Audit Company "Grant Thorton Akhvlediani" LLC for covering two reporting periods (March 1, 2016 - February 28, 2017 and March 1, 2017-February 28, 2018. The payment for the first auditory period was done in March 2017 and the second payment for the second auditory period was convened on February 2018. Thus both payment were done during this reporting period.
6	Travel-related Costs	Constituency Engagement	Constituency consultations for non-governmental constituencies only and processes to promote and improve the quality of stakeholder participation.	1	1	3,250	**4,353**	134%	1,103	Due to the increase interest for participation in CSO Forum from the Civil Society representatives the cost has correspondently been increased. Overspending is balanced on the expenses of under spending on external professional service budget line as per GF approval.
7	Communication Material and Publications	Alignment	Others (Please specify in comments)	4	1	1,200	**834**	70%	-366	CCM branded memory cards were ordered for the participants of the CSO Forum. The cost effective approach by the secretariat negotiating price with the printing company resulted in saving funds under this particular budget line.
8	Communication Material and Publications	Alignment	Others (Please specify in comments)	4	4	3,152	**2,037**	65%	-1,115	Part of the documents are translated by the secretariat that resulted in savings under this budget line

9	Travel-related Costs	Oversight	Site Visits / Monitoring Visits	4	4	1,160	631	54%	-529	The frequency of cancellation of taxi calls/orders by the taxi company was very high, due to the traffic, thus secretariat wasn't always able to use taxi service . The sum saved is not requested for the Y2
			Total			25,262	21,682	1	3,580	

Section 4. Co-funding

	Cost Grouping	Performance Area	Description of funding support	Budget	Source of financing	Reported	Comment
1	Indirect and Overhead Costs	Alignment	Office services: budget per year: Office cleaning: 600$ Telephone, fax, postage: 3600$ Internet: 600$ Electricity: 600 The MoLHSA also provides: IT support, Elevator service and maintenance, security	10,800	Ministry of Labor,Health and Social Affairs	10,800	In kind contribution by the MoIHSA is provided as per their commitment
2	Travel-related Costs	Alignment	Office space and dedicated meeting rooms	19,200	Ministry of Labor,Health and Social Affairs	19,200	In kind contribution by the MoIHSA is provided as per their commitment
3							
4							
5							
6							
7							
			TOTAL	30,000		30,000	

Section 5. Conditions

	Expected (as per the agreement amount and CCM policy)	Approved for current year	Reported	Execution rate	Variance	Comments (include information on the activities lines it refers to)
CCM Secretariat positions (headcount) - Maximum (number of position)	2	2	2	100%	0	
Civil Society engagement: 15% of the budget - Minimum (Please detail the lines and amounts to be taken into account in the comment section) (in USD/EUR)	10,535	5,734	6,172	108%	-4,801	
Co-funding - Minimum (in USD/EUR) The amount expected represents the minimum to be co funded for the 3 years agreement.	0	30,000	30,000	100%	30,000	

Section 6. Cash Reconciliation

Cash Outflow			Reported	Comments
Income	1.1	Cash Balance at the beginning of the period	24,809	
	1.2	Disbursement from the Global Fund	70,000	
Cash Outflow	2.1	Activities	-21,682	
	2.2	Fixed costs	-43,593	
Commitments	3.1	Unpaid invoices, legal obligations, other obligations.		
		TOTAL	29,534	

Bank information	Reported	Comments
Cash Balance as per bank statements	28,119	
Cash in transit for the reporting period		
Cash in transit after the current reporting period		
TOTAL	28,119	

The Report was approved by the management of the Union on March 29, 2018 and signed on its behalf. The accompanying notes set out on pages from 5 to 6 form an integral part of this Statement.

Davit Kazaishvili
Chairperson

G. Kalandadze

BEMONI PUBLIC UNION

Nino Kerashvili
Financial Manager

Notes to the annual expenditure and cash balance report

1 General information and nature of activities

Bemoni Public Union (BPU) has been functioning since 1998 as a Georgian non-governmental, non-profit organization with affiliated private detoxification Clinic.

The Mission of the organization is expressed in their name – BEMONI in old Georgian means "Top Quality". Organization provides highest quality information, education, counseling and treatment services to support the development of healthy and free society. BPU brings together the talent and resources needed to be a leader in the addiction field. The organization has attracted a team of 19 employees who demonstrate their commitment to excellence.

BPU assists youth, school personnel, parents and other community members in preventing drug abuse/HIV/AIDS and promoting healthy lifestyles; Specific services centered on addiction and HIV/AIDS/STI risk-focused prevention are developed and provided based upon the needs of local IDU population; BPU works directly with local groups and individuals to mobilize communities around addiction and HIV/AIDS issues. Technical support is available for youth organizations, community groups and media professionals. The organization also provides trainings for service providers, community members, and educators throughout the country. BPU works on the policy/strategy advice and development issues in order to help community leaders and public officials discover more effective ways of dealing with drug problems. Our initiatives and programs are based on research findings.

BPU currently operates 4 Centers: the Counseling and Prevention Center for Addiction Problems, the Information and Training Center, the Mental Health and HIV-AIDS Expert-Centre and the Resource-Center for Substance Abuse and HIV/AIDS Prevention.

2 Basis of preparation

BPU's policy is to report the expenditures of the Project on the cash basis of accounting which means that expenses are recognized when paid rather than when incurred. Under cash basis of accounting income and expenditure are recognized when cash is received or paid.