

Open Society Georgia Foundation

**Financial Statements
for 2015**

Contents

Independent Auditors' Report	3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Fund Balance	6
Statement of Cash Flows	7
Notes to the Financial Statements	8



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Independent Auditors' Report

To the Executive Board
Open Society Georgia Foundation

We have audited the accompanying financial statements of Open Society Georgia Foundation (the Foundation), which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in fund balance and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

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 about 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 statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair 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.

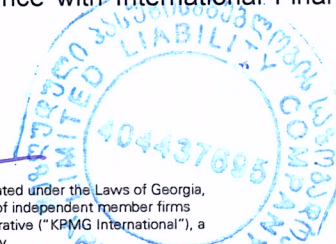
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Georgia LLC
9 August 2016

KPMG Georgia LLC

KPMG Georgia LLC, a company incorporated under the Laws of Georgia,
a member firm of the KPMG network of independent member firms
affiliated with KPMG International Cooperative ("KPMG International"), a
Swiss entity.



Open Society Georgia Foundation
Statement of Financial Position as at 31 December 2015

USD	Note	2015	2014
Assets			
Non-current assets			
Property, equipment and intangible assets	12	147,504	162,848
Total non-current assets		147,504	162,848
Current assets			
Inventories		87	87
Receivables	13	1,693,880	1,609,007
Prepayments		14,704	39,473
Cash and cash equivalents	14	502,820	225,285
Total current assets		2,211,491	1,873,852
Total assets		2,358,995	2,036,700
Liabilities and fund balance			
Fund balance		184,800	213,196
Non-current liabilities			
Accruals	17	91,776	64,755
Total non-current liabilities		91,776	64,755
Current liabilities			
Deferred revenue	16	332,696	66,422
Payables		271,492	146,984
Accruals	17	1,478,231	1,545,343
Total current liabilities		2,082,419	1,758,749
Total liabilities		2,174,195	1,823,504
Total liabilities and fund balance		2,358,995	2,036,700

Open Society Georgia Foundation
Statement of Comprehensive Income for 2015

USD	Note	2015	2014
Income			
Contribution income	5	4,743,929	4,523,878
Third party income	6	64,540	183,827
Non-contribution income	7	66,808	70,485
		4,875,277	4,778,190
Expenses			
Program expenses	8	(3,925,593)	(3,719,384)
Administrative expenses	9	(776,453)	(814,726)
Third party expenses	10	(132,307)	(248,450)
		(4,834,353)	(4,782,560)
Operating surplus/(deficit) before net finance costs		40,924	(4,370)
Net finance costs			
Net foreign exchange loss		(56,597)	(12,188)
		(56,597)	(12,188)
Deficit before income tax		(15,673)	(16,558)
Income tax expense	11	(12,723)	(13,360)
Deficit and total comprehensive loss for the year		(28,396)	(29,918)

These financial statements were approved by management on 9 August 2016 and were signed on its behalf by:

Ketevan Khutsishvili
Executive Director



Ramaz Japaridze
Financial Manager

Open Society Georgia Foundation
Statement of Changes in Fund Balance for 2015

USD	Fund balance
	<hr/>
Balance at 1 January 2014	243,114
Deficit and total comprehensive loss for the year	(29,918)
	<hr/>
Balance at 31 December 2014	213,196
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Balance at 1 January 2015	213,196
Deficit and total comprehensive loss for the year	(28,396)
	<hr/>
Balance at 31 December 2015	184,800
	<hr/> <hr/>

USD	2015	2014
Cash flows from operating activities		
Deficit before income tax	(15,673)	(16,558)
<i>Adjustments for:</i>		
Depreciation and amortization	40,326	42,040
Loss/(gain) on disposal of property and equipment	198	(2,395)
Net foreign exchange loss	56,597	12,188
	81,448	35,275
<i>Changes in:</i>		
Receivables	(131,762)	593,749
Prepayments	24,769	(15,682)
Deferred revenue	275,291	(127,697)
Payables	122,260	81,280
Accruals	(40,091)	(341,735)
Cash generated from operations before income taxes paid	331,915	225,190
Income taxes paid	(10,233)	(13,589)
Net cash flows from operating activities	321,682	211,601
 Cash flows from investing activities		
Acquisitions of property, equipment and intangible assets	(25,180)	(19,106)
Cash received from disposal of property and equipment	-	2,395
Net cash flows used in investing activities	(25,180)	(16,711)
 Net increase in cash and cash equivalents for the year	296,502	194,890
Cash and cash equivalents as at 1 January	225,285	36,626
Effect of exchange rate fluctuations on cash and cash equivalents	(18,967)	(6,231)
Cash and cash equivalents at 31 December (note 14)	502,820	225,285

1. Reporting entity

(a) Georgian business environment

The Foundation's operations are located in Georgia. Consequently, the Foundation is exposed to the economic and financial markets of Georgia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Foundation. The future business environment may differ from management's assessment.

(b) Organisation and operations

The Open Society Georgia Foundation (the Foundation) was established as a not for profit organization under the Civil Code of Georgia on 31 December 1998. The Foundation's founder is the Open Society Institute, a private operating foundation organized as a charitable trust under the laws of the State of New York, USA.

The main objectives of the Foundation are to support programs in the fields of civil education and culture, health, integration, law and public administration, civil society and media, human rights, legal and economic development and reform. Furthermore, the Foundation administers and coordinates regional programs, facilitating regional contacts and facilitating exchange of experience among the people of the world.

The Foundation's activities are funded by the Foundation Open Society Institute (FOSI), the Foundation to Promote Open Society (FPOS) and various third parties.

The Foundation's registered office is 10 Chovelidze Street, Tbilisi 0108, Georgia.

2. Basis of accounting

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari (GEL). The Foundation's functional currency and the currency in which these financial statements are presented is the United States Dollar (USD). Management has determined the USD to be the Foundation's functional currency as it considers that the USD reflects the economic substance of the underlying events and circumstances of the Foundation. In making this assessment, management has considered the following matters:

- a significant proportion of contribution income is represented by contributions from FOSI and FPOS which are received in USD; and
- a significant proportion of expenses are denominated in USD.

4. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the opinion of management, there are no critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and there are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Measurement of fair values

A number of the Foundation's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities. Fair values have been determined for measurement and for disclosure purposes.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

5. Contribution income

USD	2015	2014
FPOS income	1,533,234	1,579,127
FOSI income	3,210,695	2,944,751
	4,743,929	4,523,878

6. Third party income

USD	2015	2014
Sourcefabric	32,428	15,677
REC Moldova	20,568	19,232
CRPE	7,420	4,488
TIDES	3,354	-
United Nations Association of Georgia	770	144,430
	64,540	183,827

7. Non-contribution income

USD	2015	2014
Rent income	64,453	68,090
Gain on sale of goods	2,355	-
Gain on disposal of property and equipment	-	2,395
	66,808	70,485

8. Program expenses

FPOS program expenses

USD	2015	2014
Media and communication	579,404	533,194
Public administration	258,158	198,074
Public health	202,749	274,876
Criminal justice	84,337	103,414
Education	45,288	125,175
European integration	12,577	1,868
Law	-	9,920
Total FPOS program expenses	1,182,513	1,246,521

FOSI program expenses

USD	2015	2014
Public health	935,299	851,199
Criminal justice	636,848	446,332
Public administration	358,932	396,310
European integration	299,957	206,662
Education	283,643	245,089
Media and communication	142,368	259,300
Law	49,203	61,723
Women	36,830	-
Economic reform	-	6,248
Total FOSI program expenses	2,743,080	2,472,863
Total program expenses	3,925,593	3,719,384

9. Administrative expenses

FPOS administrative expenses

USD	2015	2014
Salaries and benefits	177,541	188,858
Professional and consulting fees	35,404	23,409
Travel, conference, meetings	31,442	36,087
Security	24,756	23,468
Non resident VAT	13,085	13,042
Bank charges	12,606	3,550
Utilities	10,578	10,805
Telecommunication	6,127	7,067
Office supplies	4,540	4,223
Auto expenses	3,177	3,560
Maintenance of equipment	951	2,508
Other	5,939	10,741
Total FPOS administrative expenses	326,146	327,318

FOSI administrative expenses

USD	2015	2014
Salaries and benefits	209,261	243,073
Professional and consulting fees	47,685	34,121
Travel, conference, meetings	42,349	53,772
Depreciation and amortization	39,696	41,403
Security	33,344	34,207
Non resident VAT	17,624	19,009
Bank charges	16,979	5,175
Utilities	14,247	15,401
Telecommunication	8,252	10,568
Office supplies	6,114	6,156
Auto expenses	4,280	5,210
Maintenance of equipment	1,049	3,656
Other	9,427	15,657
Total FOSI administrative expenses	450,307	487,408
Total administrative expenses	776,453	814,726

10. Third party expenses

USD	2015	2014
Administrative	67,405	66,977
Media	35,538	15,677
European integration	26,010	23,512
Public administration	3,354	-
Civil society	-	142,284
	132,307	248,450

11. Income taxes

USD	2015	2014
Current year tax expense	12,723	13,360

The Foundation's applicable tax rate is the income tax rate of 15%. The core activities of the Foundation are exempt from income tax. In accordance with the Georgian Tax Code, the Foundation pays income tax on net non-contribution income.

Reconciliation of effective tax rate:

	2015		2014	
	USD	%	USD	%
Deficit before income tax	(15,673)	100	(16,558)	100
Income tax on non-tax exempt income	9,668	(62)	10,213	(62)
Other tax income	3,055	(19)	3,147	(19)
	12,723	(81)	13,360	(81)

12. Property, equipment and intangible assets

USD	Land	Buildings	Leasehold improvements	Furniture	Vehicles	Computers and equipment	Software	Total
Cost								
Balance at 1 January 2014	76,720	10,200	19,573	15,619	46,369	65,812	3,438	237,731
Additions	-	-	4,091	628	-	14,387	-	19,106
Disposals	-	-	(5,989)	(5,272)	(1,534)	(11,240)	-	(24,035)
Balance at 31 December 2014	76,720	10,200	17,675	10,975	44,835	68,959	3,438	232,802
Balance at 1 January 2015	76,720	10,200	17,675	10,975	44,835	68,959	3,438	232,802
Additions	-	-	12,707	1,902	-	10,571	-	25,180
Disposals	-	-	(1,872)	(6,212)	(250)	(19,025)	-	(27,359)
Balance at 31 December 2015	76,720	10,200	28,510	6,665	44,585	60,505	3,438	230,623
Depreciation and amortization								
Balance at 1 January 2014	-	(5,134)	(8,333)	(6,083)	(11,514)	(19,236)	(1,649)	(51,949)
Charge for the year	-	(408)	(4,697)	(4,069)	(10,153)	(22,367)	(346)	(42,040)
Disposals	-	-	5,989	5,272	1,534	11,240	-	24,035
Balance at 31 December 2014	-	(5,542)	(7,041)	(4,880)	(20,133)	(30,363)	(1,995)	(69,954)
Balance at 1 January 2015	-	(5,542)	(7,041)	(4,880)	(20,133)	(30,363)	(1,995)	(69,954)
Charge for the year	-	(408)	(4,900)	(3,238)	(10,004)	(21,428)	(348)	(40,326)
Disposals	-	-	1,872	6,185	250	18,854	-	27,161
Balance at 31 December 2015	-	(5,950)	(10,069)	(1,933)	(29,887)	(32,937)	(2,343)	(83,119)
Net book value								
At 1 January 2014	76,720	5,066	11,240	9,536	34,855	46,576	1,789	185,782
At 31 December 2014	76,720	4,658	10,634	6,095	24,702	38,596	1,443	162,848
At 31 December 2015	76,720	4,250	18,441	4,732	14,698	27,568	1,095	147,504

13. Receivables

USD	31 December 2015	31 December 2014
Receivables from FPOS	1,393,206	1,284,232
VAT receivables	256,554	298,529
Other receivables	44,120	26,196
Receivables from third party donors	-	50
	1,693,880	1,609,007

The Foundation's exposure to credit risk related to receivables is disclosed in note 18.

14. Cash and cash equivalents

USD	31 December 2015	31 December 2014
Petty cash	637	616
Bank balances	502,183	224,669
	502,820	225,285

The Foundation's exposure to credit risk related to bank balances is disclosed in note 18.

15. Capital management

Given the nature of the Foundation's operations, the Foundation does not have a formal capital management policy.

The Foundation is not subject to externally imposed capital requirements.

16. Deferred revenue

USD	31 December 2015	31 December 2014
The European Union, represented by the European Commission	287,080	-
United Nations Association of Georgia	36,463	1,884
REC Moldova	7,507	31,236
TIDES	1,646	-
CRPE	-	725
Sourcefabric	-	32,577
	332,696	66,422

17. Accruals

USD	31 December 2015	31 December 2014
<i>Non-current</i>		
FOSI related grant accruals	91,776	47,172
FPOS related grant accruals	-	17,583
	91,776	64,755
<i>Current</i>		
FPOS related grant accruals	154,135	382,710
FOSI related grant accruals	1,320,842	1,157,299
Third party related accruals	525	-
Other accruals	2,729	5,334
	1,478,231	1,545,343

18. Fair values and risk management

Management believes that the fair values of the Foundation's financial assets and liabilities approximate their carrying amounts.

(a) Financial risk management

The Foundation is mainly exposed to credit risk from its use of financial instruments. The nature of the Foundation's operation and the basis of determining income from FPOS and FOSI mean that the Foundation is not significantly exposed to liquidity and market risks.

(i) Risk management framework

Management has overall responsibility for the establishment and oversight of the Foundation's risk management framework.

The Foundation's risk management policies are established to identify and analyse the risks faced by the Foundation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Foundation's activities. The Foundation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit risk

Credit risk is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the receivables and bank balances. Although collection of receivables and bank balances could be influenced by economic factors, management believes that no counterparty will fail to meet its obligations and that the Foundation is, accordingly, not significantly exposed to credit risk. Bank balances are maintained with Georgian banks with good credit ratings, and the Foundation does not expect any counterparty to fail to meet its obligations. In these circumstances, the Foundation has not established credit policy.

As at 31 December 2015 and 2014 none of the Foundation's receivables are overdue and most of the receivables were collected subsequent to the year end. In these circumstances, the Foundation believes that no impairment allowance is necessary in respect of receivables.

19. Commitments

At any time the management of the Foundation can commit funds to grantees.

Management commitments are commitments of the Foundation to fund grants or programs in the following year, which have not become liabilities, but meet certain criteria established by the Foundation. As at 31 December 2015, the Foundation has management commitments of USD 79,443 related to the core budget (2014: USD 182,190).

Management commitments related to the budgets allocated by the Open Society Foundations Programs as at 31 December 2015 amounted to USD 70,190 (2014: USD 28,602).

Management commitments must meet all of the following criteria:

- a) the activity relates to Foundation management's decisions and strategy; and is not included in the 2016 budget;
- b) the commitment has been:
 - documented in the national board of directors' minutes, or
 - approved by the Network, International or US Program senior Management, or
 - approved according to the requirements specified in the External Match Policy for commitments out of External Match funds;
- c) there was substantive activity reinforcing representations by management that the activity related to the financial reporting period (2015 budget year);
- d) there was a public announcement or an official communication issued committing the foundation/program to the activity;
- e) the amount of the commitment can be reliably estimated.

20. Contingencies

(a) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by the tax authorities after four years have passed since the end of the year in which the breach occurred.

These circumstances may create tax risks in Georgia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

21. Related parties

(a) Parent and ultimate controlling party

The Foundation's founder is the Open Society Institute ("OSI").

(b) Transactions with key management personnel

(i) Key management remuneration

Key management received the following remuneration during the year, which is included in program and administrative expenses.

USD	2015	2014
Salaries and bonuses	185,910	183,510

(ii) Expenses

USD	Transaction value		Outstanding balance	
	2015	2014	31 December 2015	31 December 2014
Grants provided to entities in which the OSGF Executive Board members have interests	-	39,969	-	-

(c) Other related party transactions

The Foundation's other related party transactions are disclosed below.

(i) Contribution income

USD	Transaction value		Outstanding balance	
	2015	2014	31 December 2015	31 December 2014
FOSI	3,210,695	2,944,751	(210,982)	(71,676)

In 2015 the Foundation received funding from FOSI in the amount of USD 3,350,000 (2014: USD 3,699,999).

(ii) Other transactions

In 2015 and 2014 the Foundation leased a building located at 10 Chovelidze Street, Tbilisi, Georgia from a related party free of charge.

22. Basis of measurement

The financial statements have been prepared on the historical cost basis.

23. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to USD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the exchange rate at that date. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in statement of comprehensive income.

(b) Contribution income

(i) FPOS/FOSI income

The FPOS/FOSI grant (core budget) is provided as a conditional support where the condition is that the Foundation is required to incur expenditures or legally binding commitments to grantees chargeable under the grant. The same funding and income recognition policy applies for the budgets allocated by the Open Society Foundations Programs to the Foundation.

The recognition of contribution income under programs requiring matching contributions from external sources (External Match Funds) is conditional upon the Foundation incurring legally binding commitments to grantees.

The amount of FPOS/FOSI income is calculated as follows:

Total FPOS/FOSI related expenses incurred by the Foundation
Plus: Property and equipment purchased during the year related to FPOS/FOSI activities
Plus: FPOS/FOSI related foreign exchange difference, if it is a loss
Less: Net book value of assets related to FPOS/FOSI activities disposed of
Less: FPOS/FOSI related foreign exchange difference, if it is a gain
Less: Depreciation expense on property and equipment related to FPOS/FOSI activities

The FPOS/FOSI income is restricted and is required to be spent for the purposes underlying the calculation of such income. Where applicable, the surplus of cash received over FPOS/FOSI income is recognized as deferred revenue. The balance of funds committed to grantees not disbursed as of the reporting date is recognized in accruals.

The FPOS/FOSI income is denominated in the currency in which FPOS/FOSI denominated its budget to the Foundation.

(ii) Third party funding

Income from third party funding is recognized in the period in which expenses that it is intended to compensate are incurred and when there is reasonable assurance that the Foundation will comply with the relevant conditions and the funding will be received.

(c) Expenses

Expenses are recorded on an accrual basis, when goods are consumed or when services are performed.

Program expenses related to the grants provided by the Foundation are recognized when the grant agreement is signed by the Foundation and counter-signed by the grant recipient. If grants are provided with conditions, the grant expense is recorded when the grantee meets the conditions or when the likelihood the recipient will not meet the conditions becomes remote.

(d) Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Foundation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(e) Taxation

Income tax expense comprises current income tax. Current tax is recognized in statement of comprehensive income.

The Foundation is exempt from taxes specified by Georgian legislation with respect to its core activity. The Foundation is also exempted from customs duties on imports. The Foundation pays the following taxes: payroll-related taxes, property tax and income taxes on certain types of activities in accordance with Georgian Tax Code requirements. Income tax is calculated only on non-contribution income.

According to the Tax code of Georgia, the Foundation has the right to reclaim value added tax ("VAT") on purchase from the state budget within the grant projects. VAT on purchases may be offset against other tax liabilities.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in statement of comprehensive income.

(ii) Subsequent expenditure

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Foundation, and its cost can be measured reliably. The carrying amount of the

replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in statement of comprehensive income as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is recognised in statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

- buildings 25 years;
- leasehold improvements 5 years;
- furniture 5 years;
- vehicles 5 years;
- computer and equipment 3-5 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Financial instruments

The Foundation classifies non-derivative financial assets into loans and receivables category and non-derivative financial liabilities into other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Foundation initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets and liabilities are recognised initially on the trade date at which the Foundation becomes a party to the contractual provisions of the instrument.

The Foundation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Foundation is recognised as a separate asset or liability.

The Foundation derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Foundation has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly

attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

(ii) *Non-derivative financial liabilities - measurement*

Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(h) *Impairment*

(i) *Non-derivative financial assets*

A financial asset not carried at fair value through statement of comprehensive income is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the Foundation on terms that the Foundation would not consider otherwise;
- indications that a debtor will enter bankruptcy;
- economic conditions that correlate with defaults.

The Foundation considers evidence of impairment for receivables at both an individual asset and a collective level. All individually significant receivables are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Foundation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in statement of comprehensive income and reflected in an allowance account. When the Foundation considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through statement of comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Foundation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in statement of comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

24. New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2015, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Foundation's operations. The Foundation plans to adopt these pronouncements when they become effective.

New or amended standard	Summary of the requirements	Possible impact on financial statements
IFRS 9 <i>Financial Instruments</i>	<p>IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.</p> <p>IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	The Foundation is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

New or amended standard	Summary of the requirements	Possible impact on financial statements
IFRS 15 <i>Revenue from Contracts with Customers</i>	<p>IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i>.</p> <p>The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	The Foundation is assessing the potential impact on its financial statements resulting from the application of IFRS 15.
IFRS 16 <i>Leases</i>	<p>IFRS 16 replaces the existing lease accounting guidance in IAS 17 <i>Leases</i>, IFRIC 4 <i>Determining whether an Arrangement contains a lease</i>, SIC-15 <i>Operating Leases – Incentives</i> and SIC-27 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.</p> <p>Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.</p> <p>IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 <i>Revenue from Contracts with Customers</i> is also adopted.</p>	The Foundation is assessing the potential impact on its financial statements resulting from the application of IFRS 16.