



# **The Transparency Azerbaijan Anti-Corruption Public Association (TI-Az)**



## **Financial Statements and Independent Auditor's Report**

**for the Year ended on 31 December 2017**

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management of the Transparency Azerbaijan Anti-Corruption Public Association (reflected to as TI-Az or Organization), is responsible for the preparation of financial statements for the year ended December 31, 2017, in compliance with International Financial Reporting Standards (IFRS).

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Organization's financial position and financial performance;
- Making an assessment of the Organization's ability to continue as a going concern.

Management is also responsible for:

- None of the payments constituted a double-financing of expenditure;
- Transparency International's requests for payment to U.S. Agency of International Development (USAID) were generated and submitted in accordance with the grant agreement's budgets;
- Transparency International's requests for payment to other donor organizations are prepared in accordance with grant's conditions;
- Payments are covered by the funds available in the grant budgets;
- Required payment is for goods and services that have been delivered to the benefit of the beneficiary;
- Originals of supporting documentation are available for audit's verification.
- Taking such steps as are reasonably available to them to safeguard the assets of the Organization;
- Preventing and detecting fraud and other irregularities;
- Keeping proper records of the transactions, which disclose with reasonable accuracy the financial position of the Organization.

The financial statements of the Organization for the year ended December 31, 2017 approved by management on May 23, 2018.

On behalf of the Management:

Rena Safaralieva  
*TI-Az, Executive Director*





## INDEPENDENT AUDITOR'S REPORT

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**To the management of the Transparency Azerbaijan Anti-Corruption Public Association:**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of the Transparency Azerbaijan Anti-Corruption Public Association (Organization), which comprise the statement of financial position as at December 31, 2017, and the statement of income and expenditure, statement of cash flows for the year then ended and statement of changes in net surplus/deficit, also notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Organization's financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### **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 the Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **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 IFRS, 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 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 access 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 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 Company'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 Company's ability to continue as a going concern. If such 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.



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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

On behalf of IB Konsultant LLC

Islam Bayramov  
*Engagement Partner*

Baku, Republic of Azerbaijan

May 23, 2018



## STATEMENT OF INCOME AND EXPENDITURE

For the year ended December 31, 2017

	Notes	2017	2016
Income from donors	4	82,848	294,710
<b>Total incoming resources</b>		<b>82,848</b>	<b>294,710</b>
Personnel expenses		(62,083)	(182,831)
Office running cost	5	(30,556)	(126,473)
Other expenditure		(96)	(-)
<b>Total operating expenditure</b>		<b>(92,735)</b>	<b>(309,304)</b>
Non-operating gain-losses	6	(285,487)	19,611
<b>Net Surplus /Deficit for the period</b>		<b>(295,374)</b>	<b>5,017</b>

On behalf of the Management:

Rena Safaralieva  
 TI-Az, Executive Director



**STATEMENT OF FINANCIAL POSITION**

For the year ended December 31, 2017

	Notes	2017	2016
<b>Assets</b>			
Tangible and intangible assets	10	-	5,634
Cash and cash equivalents	7	8,740	15,803
Grant receivables	8	-	391,568
Advance issued	9	-	3,114
<b>Total assets</b>		<b>8,740</b>	<b>416,119</b>
<b>Liabilities and funds</b>			
<b>Funds</b>			
Unrestricted funds		-	13,473
Temporary restricted		(450)	294,924
<b>Total equity</b>		<b>(450)</b>	<b>308,397</b>
<b>Liabilities</b>			
Long-term liabilities	11	-	107,722
Short-term liabilities	12	9,190	
<b>Total liabilities</b>		<b>9,190</b>	<b>107,722</b>
<b>Total liabilities and funds</b>		<b>8,740</b>	<b>416,119</b>

**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2017

	Notes	2017	2016
<b>Cash flow from operating activities</b>			
Net surplus /deficit		(295,374)	5,017
Adjustments for to net cash flows:			
• Depreciation and amortization	10		1,035
• Changes in not restricted funds		-	272
• Opening balance adjustments based on accounting policy changings		(13,473)	-
<b>Operating cash flows before working capital adjustments</b>		<b>(308,847)</b>	<b>6,325</b>
• Increase/decrease in grant receivables		391,568	200,157
• Increase/decrease on advanced issued		3,114	4.203
• Increase/decrease on long-term liabilities		(107,722)	(251,024)
• Increase/decrease on short-term liabilities		9,190	-
<b>Net cash flows from operating activities</b>		<b>296,150</b>	<b>(46,665)</b>
<b>Investing activities</b>			
Purchase of tangible and intangible assets	10	-	(2,481)
Net-book value of disposal assets	10	5,634	-
<b>Net cash flows from investing activities</b>		<b>5,634</b>	<b>(2,481)</b>
<b>Financing activities</b>			
Proceeds from /repayment of short-term borrowings		-	(2,002)
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>(2,002)</b>
<b>Net increase/decrease of cash and cash equivalents</b>		<b>(7,063)</b>	<b>(44,823)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	7	<b>15,803</b>	<b>60,626</b>
<b>Cash and cash equivalents at end of the period</b>	7	<b>8,740</b>	<b>15,803</b>

**STATEMENT OF CHANGES IN NET SURPLUS/DEFICIT**

For the year ended December 31, 2017

Notes	Unrestricted funds	Restricted funds	Total net surplus/deficit
<b>At December 31, 2015</b>	<b>13,746</b>	<b>289,907</b>	<b>303,653</b>
Net surplus/deficit for the year		5,017	5,017
Correction of opening balancer	(373)		(373)
<b>At December 31, 2016</b>	<b>13,473</b>	<b>294,924</b>	<b>308,397</b>
Net surplus/deficit for the year	-	(295,374)	(295,374)
Correction of opening balancer	(13,473)		(13,473)
<b>At December 31, 2017</b>	<b>-</b>	<b>(450)</b>	<b>(450)</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Business environment

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Azerbaijan is experiencing economic and political changes. Those changes have affected the entity's operating activities. Therefore, operations in Azerbaijan involve certain risks, which are outside of the management's control. Presented financial statements reflect management's assessment of the impact of Azerbaijan's business environment on the operations and financial position of TI-Az.

#### Organization Background

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Transparency International (TI) is the leading global non-governmental organization devoted to combating corruption. Its mission is to create change towards a world free of corruption. TI has national chapters in over 90 countries. The chapters are independent local NGOs free to choose their own policies and raise funds for their activities.

In Azerbaijan an Initiative Group began preparatory work to establish Transparency Azerbaijan (TA) in June of 2000. Consultations were held with the Eastern and Central Europe Department of TI-S and OSI-AF Azerbaijan. In a meeting in October 2000, the Initiative Group adopted a resolution to set up TA, elected a Board of Directors, appointed a Chairman of the Board and Executive Director, approved the TA Chapter and resolved to prepare and submit documentation to Ministry of Justice for registration. However, in its letter dated December 8, 2000 Ministry of Justice refused registration. Subsequent numerous unofficial discussions yielded no result, until the Anti-corruption Law entered into force as of January 1, 2005. Therefore, since its inspection, TA has been formally functioning as Transparency Azerbaijan project under Entrepreneurship Development Organization, led by S.Bagirov, TA chairman of board. Since March 2016 TA has a new board and a new chair – Alimammad Nuriyev.

The main impact of TA on the Azerbaijan society is quite tangible. Public awareness of phenomenon of corruption and its destructive impact on the social development is quite acute now.

Several years ago, few people dared to publicly pronounce the very word "corruption". Even a year ago high rank public officials denied existence of corruption in the country and did not take TI Corruption Perception Index seriously. The situation has considerably changed now and authorities not only recognize corruption, but also seek for cooperation with TA (for example, Anticorruption Commission, Presidential Office, Ministry of Education). Alongside with the Azerbaijan Government, international organizations, such as OSCE, Council of Europe and others, some of the merit for this substantial societal change should go to TI and TA in particular.

The final goals of the Advocacy and Legal Advice Centre (ALAC) projects are: "To provide citizens with the means to become actively involved in the fight against corruption in their societies".

#### The Registration and legal address

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The Transparency Azerbaijan Anti-Corruption Public Association registered by the Ministry of Justice of Republic of Azerbaijan on December 28, 2005 – registration number is 1105-Q7-1954 as non-profit public association. On July 11, 2016 Organization was registered 2-th edition Charter by Ministry of Justice.

Last changes in registration date was made on July 31, 2017 and registered by Ministry of Justice on August 8, 2017.

Legal address of the Organization is Baku, Samed Vurgun str. 108, app 71.

Tax payer ID is 1400748841.

## **2. Basis of presentation**

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### **Accrual basis**

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The financial statements have been prepared on the accrual basis of accounting using the historical cost principles of accounting. The financial statements are prepared using the accounting policies further described below, which comply with fundamental recognition principles laid down in International Public-Sector Accounting Standards (IPSAS) for assets, liability, revenue and expenses. Deviations from noted Standards are disclosures, which are not meant to comply with requirements of IPSAS.

### **Reporting currency**

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TI-Az's functioning currency is Azerbaijani Manat (AZN). The items in the accountings journals stated in national currency are translated into EUR for the reporting purposes, because in accordance with Transparency International Secretariat requirements the financial statements shall be compose in EUR.

### **Exchange rates**

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Exchange rates used for converting amounts incurred in AZN – QuickBooks's (QB) home currency, into EUR are following:

- Postings in QB, which are denominated in foreign currencies are converted into home currency based on the exchange rate of Central Bank of the Republic of Azerbaijan (CBAR) prevailed on date on transaction;
- Assets and liabilities incurred in foreign currency are stated in the QBs in home currency. At the end of year, TI-Az manager performs revaluation of the balances stated in foreign currencies, bases on the rate exchange prevailed on 31 of December, published by the CBAR. The difference between the amortized costs and those revaluated at the end of year, represents foreign exchange gains/losses for the period.
- There are no non-monetary items stated in foreign currency and required revaluation;
- Foreign exchange rates applied to restatement of the balance sheet and profit and loss items into reporting currency (EUR) represents the average rate for the year ended December 31, 2016 – for the statement of income and expenditure, and the rate on December 31, 2016 – for balance sheet items, published by EU at InforEuro monthly accounting rates.
  - Average rate for 2016: 1 EUR = AZN 1.92641
  - The rate on December 31, 2016: 1 EUR = 2.01071

## **3. Significant accounting policies**

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### **Cash and cash equivalents**

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Cash includes cash balances kept at the banks, including in AZN, USD and EUR accounts balance and cash balance at the corporate credit cards.

### Sub-Grants issued

Sub-Grants issued are recognized as advances paid to the partner organizations upon transferring the funds. When sufficient appropriate evidences of expenses incurred and work done are received from partner organization, expenses are recognized in the statement of income and expenditure in proportion of work completed and accepted by TI-Az management.

### Grants received

Grants received are recognized as net restricted surplus in Net-surplus/deficit section of the statement of financial position. The grants are posted to the accounting journals in proportion to amount budgeted for current year activities. If the terms and conditions of the grant contracts request the different method of recognition of net surplus, the funds are recognized in accordance with the grant agreement.

### Taxes

The Organization activities are subject of the salary (other personnel benefits) income taxes, and social contribution taxes. In accordance with the tax Code of the Republic of Azerbaijan, VAT, profit tax and property tax are not applied to the non-profit organization's activities.

### Non-current assets

A non-current asset represents tangible and intangible assets purchased by the Organization during its operational activities.

Fixes assets are stated at historical cost less accumulated depreciation. Original historical cost of fixed assets consists of purchase price, non-recoverable taxes, and other expenses related to installation of fixed assets.

Depreciation is provided on all fixed assets based on their historical cost. The annual charge for depreciation is computed using the reducing balance method, which, in management's opinion, is adequate to allocate the cost of properties over their estimated useful lives.

Annual depreciation is computed as follows:

- |   |              |
|---|--------------|
| - Computers and other office electric equipment | - 5-10 years |
| - Furniture                                     | - 5-10 years |

Intangible assets consist of computer software. Amortization of the intangible assets is not charged.

### Net surplus classification

The net surplus/deficit are reported in the statement of financial position in equity section.

Unrestricted net surplus – represents revenue and contributions received within commercial activities, therefore donor restrictions are not imposed such revenues. These revenues are available for the Organization own activities.

Temporarily restricted net surplus – include revenue contributed by donors within the grant contracts, and before of that the revenue is restricted by the grant contracts terms and conditions. When restrictions are meet, temporarily restricted net surplus are reclassified to unrestricted net surplus and reported in the statements of income and expenditure as net surplus/deficit released from restrictions.

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year the grant agreement is signed with or notification about granting the funds is received from the donor organization. Restricted contributions and grants are recognized as unrestricted support only to extent of

actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

#### 4. Income from donors

Income from donors comprise of follows:

	2017	2016
USAID – Azerbaijan Partnership for Transparency (APT)	82,510	281,575
Transparency International - Secretariat	338	13,135
	<b>82,848</b>	<b>294,710</b>

#### 5. Office running cost

Office running cost comprise of follows:

	2017	2016
Office rent	8,108	18,589
Office repair and maintenance	816	603
Utilities expense	444	785
Books/Legal materials	3,645	-
Subscription	71	292
Postal and delivery	1,507	1,655
Printing and Reproduction	458	1,708
Hotline operation	561	1,283
Communication	1,153	2,377
Travel and transportation	578	3,227
Communication /Office Suppliers	2,074	1,174
Web site	-	121
Insurance	-	253
Other services	57	225
Grantees APT	-	22,253
Workshop	6,866	5,970
Professional fees	2,963	61,475
Bank Services charges	1,255	3,478
Depreciation expense	-	1,005
	<b>30,556</b>	<b>126,473</b>

## 6. Non-operating gain-losses

Non-operating gain-losses comprise of follows:

	2017	2016
Exchange gain (+)/ loss (-)	(279,853)	16,698
Non-operating gain (+) / loss (-)	(5,634)	(87)
	<b>(285,487)</b>	<b>19,611</b>

## 7. Cash and cash equivalents

Cash and cash equivalents comprise of follows:

	2017	2016
Cash in bank in AZN	3,956	2,879
Cash in bank in USD	3,505	10,010
Cash in bank in EUR	1,102	1,209
<b>Total cash in bank</b>	<b>8,563</b>	<b>14,098</b>
Cash in corporate credit cards	177	1,705
	<b>8,740</b>	<b>15,803</b>

## 8. Grant receivables

Grant receivables comprise of follows:

	2017	2016
USAID Caucasus – Azerbaijan Partnership for Transparency	-	383,236
Entrepreneurship Development Foundation	-	8,332
	-	<b>391,568</b>

## 9. Advance issued

Advance issued comprise of follows:

	2017	2016
ERC (APT)	-	2,846
Inter news (APT)	-	268
	-	<b>3,114</b>

## 10. Tangible and intangible assets

Tangible and intangible assets comprise of follows:

	IT Equipment	Furniture	Intangible assets (QB software)	TOTAL
<b>Cost or valuation</b>				
<b>At January 1, 2016</b>	<b>10,247</b>	<b>2,292</b>	<b>579</b>	<b>13,118</b>
Additions	2,273		209	2,482
Disposals				
<b>At December 31, 2016</b>	<b>12,520</b>	<b>2,292</b>	<b>788</b>	<b>15,600</b>
Additions				
Disposals	(12,520)	(2,292)	(788)	(15,600)
<b>At December 31, 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation and impairment</b>				
<b>At January 1, 2016</b>	<b>6,080</b>	<b>1,063</b>	<b>579</b>	<b>7,722</b>
Depreciation charge for the year	2,244	-	-	2,244
Disposals				
<b>At December 31, 2016</b>	<b>8,324</b>	<b>1,063</b>	<b>579</b>	<b>9,966</b>
Depreciation charge for the year				
Disposals	(8,324)	(1,063)	(579)	(9,966)
<b>At December 31, 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net-book value</b>				
<b>At January 1, 2016</b>	<b>4,167</b>	<b>1,229</b>	<b>-</b>	<b>5,396</b>
<b>At December 31, 2016</b>	<b>4,196</b>	<b>1,229</b>	<b>209</b>	<b>5,634</b>
<b>At December 31, 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 11. Long-term liabilities

Long-term liabilities comprise of follows:

	2017	2016
USAID Grant Azerbaijan Partnership for Transparency (APT) – see: note 12-a	-	107,722
	-	-
	-	107,722

## 12. Short-term liabilities

Short-term liabilities comprise of follows:

	2017	2016
USAID Grant Azerbaijan Partnership for Transparency (APT) – see: note 12-a	5,250	-
Anti-Corruption Commission of the Republic of Azerbaijan grant “ASAN”	3,940	-
	<b>9,190</b>	<b>-</b>

### a) Grant Project “Azerbaijan Partnership for Transparency”

Grant project “Azerbaijan Partnership for Development” - financing by U.S. Agency for International Development.

The amount stated in the Grant Contract “Azerbaijan Partnership for Transparency” under Cooperative Agreement No AID-112-A-12-00003 dated September 14, 2012 signed between USAID Caucasus and Transparency Azerbaijan is USD 1,500,000. Effective date of grant agreement was September 14, 2012 and the estimated completion date was September 13, 2016. The grant contract registered by Ministry of Justice of Republic of Azerbaijan on October 05, 2012 in a sum of USD 1,500,000.

During the grant period 6 modifications to this contract were signed:

Supplement #	Signed data	Effective date/ Completion date	Award history - USD Previous/ This action	Finding history - USD Previous/ This action
01	December 4, 2014	26/11/2014 / 13/09/2016	1,500,000 / 1,500,000	750,000 / 375,000
02	May 18, 2015	18/05/2015 / 13/09/2016	1,500,000 / 1,500,000	1,125,000 / 0
03	September 9, 2015	09/09/2015 / 13/09/2016	1,500,000 / 1,500,000	1,125,000 / 375,000
04	December 07, 2016	12/07/2016 / 13/09/2019	1,500,000 / 2,350,000	1,500,000 / 0
05	February 24, 2017	23/02/2017 / 13/09/2019	2,350,000 / 2,250,000	1,500,000 / 200,000
06	August 24, 2017	24/8/2017 / 13/09/2019	2,350,000 / 2,350,000	1,700,000 / (150,000)

By the USAID’s notice of suspension dated June 2, 2017, as a result of the lack of registration of Modification # 5 of the award with the Ministry of Justice of Republic of Azerbaijan USAID suspended future action of the grant obligation as of June 30, 2017. By the USAID’s notice of termination dated November 20, 2017 the effective date of termination is defined November 30, 2017. As stated in June 2, 2017 notice of suspension, suspension will continue until such time as Transparency Azerbaijan’s Modification # 5 is registered with the Ministry of Justice of Republic of Azerbaijan.

In fact, the total amount of funds released by Transparency Azerbaijan during the grant period from September 2012 to September 2017 was USD 1,500,000. During this period grant expenditure was USD 1,493,729, project budget was USD 6,271 or EUR 5,250.

Last payments received in 2017 in an amount of USD 92,700 or EUR 82,510 and made of the transfer to bank account of Transparency Azerbaijan:

- January 19, 23017 - USD 19,000;
- February 16, 2017 - USD 24,000;
- March 14, 2017 - USD 22,000;
- April, 13, 2017 - USD 17,700;
- May 30, 2017 - USD 10,000;
- September 25, 2017 - USD 15,319 payment returned on October 3, 2017 - (USD 15,319)

#### b) Grant Project "ASAN"

Grant project "ASAN" - financing by the Anti-Corruption Commission of the Republic of Azerbaijan.

The amount stated in the Grant Contract dated December 15, 2017 signed between the Anti-Corruption Commission of the Republic of Azerbaijan and Transparency Azerbaijan was AZN 8,000. The grant contract registered by Ministry of Justice of Republic of Azerbaijan on December 12, 2017 in a sum of AZN8,000.

In fact, the total amount of funds received by Transparency Azerbaijan during the reporting period was AZN 8,000 or EUR or EUR 3,940. During this period grant expenditure was AZN 0 or EUR 0, project budget was AZN 8,000 or EUR 3,940.

Payment made of the transfer to bank account of Transparency Azerbaijan:

- December 19, 2017 – AZN 8,000.

### 13. Operations with related parties

For the purposes of preparation of the financial statements in case of connection of the parties and supervising one another, also will be under the control of the same Organization or will influence the decision related with financial and economic activity. During the control of the relation over the parties it is paid attention to the economic maintenance, instead of on the legal form.

The transactions with related parties realized with Transparency International Secretariat in the period scoped by the financial statements and consist of reimbursement of business trip expenditure in an amount of EUR 338.

### 14. Financial risks management

TI-Az has exposure to the following risks from its use of financial instruments:

#### **Market risk**

Market risk is the risk which arises due to changes in foreign currency exchange rates and interest rate. TI-Az does not receive significant interest rate on the balances held in foreign currency, hence interest risk is immaterial. Changes in foreign exchange rates may have significant influence on the financial stability of TI-Az, and the management controls market risk exposures within maximum acceptable parameters.

#### **Liquidity risk**

Liquidity risk may occur if TI-Az encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. TI-Az's policy to managing liability is

to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. Budgetary controls are main mechanism to manage this risk.

***Credit risk***

Credit risk may arise if donor organizations or partners to a financial instrument fail to meet its contractual obligations. TI-Az management evaluated credit risks in regard to the donor's funds individually by each donor, and overall risk of receivables is evaluated as low.

**15. Events after the reporting period**

No any significant events after the reporting period.