

**GEORGIAN HARM REDUCTION NETWORK
SPECIAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT THEREON**

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INDEPENDENT AUDITOR'S REPORT

To: Management of Global Projects Implementation Center (hereafter referred as GPIC)

We have audited the accompanying special-purpose statement of Cash Receipts and Payments of the contract #093/A11/SR-II signed by Georgian Harm Reduction Network (GHRN) and Global Project Implementation Center (GPIC) for the period from January 1, 2012 through December 31, 2012 and a summary of significant accounting policies and other explanatory notes (collectively referred to as "the Special-Purpose Financial Statements").

Management's Responsibility for the Financial Statements

The management of Georgian Harm Reduction Network is responsible for the preparation and fair presentation of these Special-Purpose Financial Statements in accordance with accounting policies described in Note 2 to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose 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 whether the special-purpose financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose 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 special-purpose 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 special-purpose 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 Special-purpose Statement of Grant Cash Receipts and Payments presents fairly, in all material respects, cash received and paid by the GHRN under the contract #093/A11/SR-II for the period from January 1, 2012 through December 31, 2012 in accordance with Note 2 to the special purpose financial statements.



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Limitation of Use

These Special-Purpose Financial Statements and the special purpose independent auditors' report thereon are intended solely for the use of the GPIC, Georgian Harm Reduction Network and the Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund) and should not be used by anyone other than these specified parties.

Baker Tilly Georgia LLC

June 27, 2013
Tbilisi, Georgia



an independent member of
**BAKER TILLY
INTERNATIONAL**

Georgian Harm Reduction Network

Contract #093/A11/SR-II

For the period from January 1, 2012 through December 31, 2012

(in Georgian Lari)

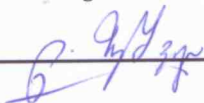
STATEMENT OF CASH RECEIPTS AND PAYMENTS

Contract: 093/A11/SR-II

For the period from January 1, 2012
through December 31, 2012

RECEIPTS	
GPIC	1,149,790
TOTAL RECEIPTS	1,149,790
PAYMENTS FOR	
Human resources	(840,459)
Technical and Management Assistance	(13,303)
Training	(27,389)
Monitoring & Evaluation	(7,288)
Planning and administration	(15,471)
Overheads	(186,641)
Infrastructure and other equipment	(10,531)
Living Support to clients/target populations	(58,469)
Health products and health equipment	(13,455)
TOTAL PAYMENTS	(1,173,006)
Other non-classified (Note 5)	(1,384)
Net decrease in cash and cash equivalents	(24,600)
Cash and cash equivalents at the beginning of the period	26,479
Cash and cash equivalents at the end of the period	1,879

The financial statements have been approved by the Georgian Harm Reduction Network management on June 27, 2013 and signed on its behalf by:



Mr. Lasha Zaalishvili,

Director



Mrs. Eter Tarashvili,

Finance Manager

Georgian Harm Reduction Network

Contract #093/A11/SR-II

For the period from January 1, 2012 through December 31, 2012

(in Georgian Lari)

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Background

Contract #093/A11/SR-II was signed by Georgian Harm Reduction Network and Global Project Implementation Center (GPIC) on September 30, 2011. This contract was under the framework of Grant – “Sustaining and scaling up the existing national responses for implementation of effective HIV/AIDS prevention activities, improving survival rates of people with advanced HIV infection by strengthening treatment and care interventions in Georgia” received by GPIC from Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund).

Note 2. Significant accounting policies

Basis of preparation – The special-purpose financial statements are prepared on the cash basis of accounting.

Receipts – receipts represent contributions received from GPIC.

Payments – payments represent monies paid for eligible expenditures in accordance with relevant agreements.

Cash and cash equivalents – Cash and cash equivalents comprise cash in hand and cash held on demand in bank accounts.

Georgian Harm Reduction Network

Contract #093/A11/SR-II

For the period from January 1, 2012 through December 31, 2012

(in Georgian Lari)

Note 3. Statement of Grant Cash Receipts and Payments for the period from July 1, 2011 through December 31, 2012

RECEIPTS	
GPIC	1,676,866
TOTAL RECEIPTS	1,676,866
PAYMENTS FOR	
Human resources	(1,241,204)
Technical and Management Assistance	(14,553)
Training	(35,022)
Monitoring & Evaluation	(9,014)
Planning and administration	(20,901)
Overheads	(260,586)
Infrastructure and other equipment	(15,998)
Living Support to clients/target populations	(60,366)
Health products and health equipment	(15,959)
TOTAL PAYMENTS	(1,673,603)
Other non-classified (Note 5)	(1,384)
Net increase in cash and cash equivalents	1,879
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	1,879

The above statement is not an arithmetic total of statements of cash receipts and payments presented in this financial statements and in audited special-purpose financial statements for the period from 1 July 2011 to 31 December 2011 (Previous Year Statement). 27,758 GEL reported as non-classified payments in the Previous Year Statement have been reclassified to human resources category in the above statement.

Note 4. Comparison of Payments with Budget

Contract: 093/A11/SR-II

for the period from July 1, 2011 through
December 31, 2012

	Budget Line	Actual	Difference
1 Georgian Harm Reduction Network	277,905	246,488	31,417
1.1 Human resources	142,606	142,576	30
1.2 Program activities	39,476	37,642	1,834
1.3 Administration costs	95,823	66,270	29,553
2 VCT/NE center 1 - Kutaisi	141,610	136,135	5,475
2.1 Human resources	93,955	93,115	840
2.2 Program activities	26,501	21,647	4,854
2.3 Administration costs	21,154	21,373	(219)
3 VCT/NE center 2 - Samtredia	116,629	107,129	9,500
3.1 Human resources	91,732	89,953	1,779

Georgian Harm Reduction Network

Contract #093/A11/SR-II

For the period from January 1, 2012 through December 31, 2012

(in Georgian Lari)

3.2 Program activities	4,118	3,421	697
3.3 Administration costs	20,779	13,755	7,024
4 VCT/NE center 3 - Telavi	129,710	114,478	15,232
4.1 Human resources	102,192	96,745	5,447
4.2 Program activities	3,065	1,146	1,919
4.3 Administration costs	24,453	16,587	7,866
5 VCT/NE center 4 - New center (FOTI)	143,652	135,576	8,076
5.1 Human resources	101,443	100,183	1,260
5.2 Program activities	10,553	9,043	1,510
5.3 Administration costs	31,656	26,350	5,306
6 VCT/NE center 5 - Imedi_BATUMI	160,736	151,285	9,451
6.1 Human resources	107,349	106,621	728
6.2 Program activities	18,100	14,039	4,061
6.3 Administration costs	35,287	30,625	4,662
7 VCT/NE center 6 - Qsenoni_ZUGDIDI	158,428	156,310	2,118
7.1 Human resources	120,435	120,435	0
7.2 Program activities	3,094	2,138	956
7.3 Administration costs	34,899	33,737	1,162
8 VCT/NE center 7 - New Way_TBILISI	159,951	158,736	1,215
8.1 Human resources	113,049	112,599	450
8.2 Program activities	9,710	9,393	317
8.3 Administration costs	37,192	36,744	448
9 VCT/NE center 8 - Step to the Future_GORI	162,921	156,516	6,405
9.1 Human resources	120,402	119,485	917
9.2 Program activities	10,624	7,528	3,096
9.3 Administration costs	31,895	29,503	2,392
10 VCT/NE center 9 - New Vector_TBILISI	169,799	166,020	3,779
10.1 Human resources	128,394	128,394	0
10.2 Program activities	11,734	9,765	1,969
10.3 Administration costs	29,671	27,861	1,810
11 VCT/NE center 10 - ABKHAZIA	150,558	144,930	5,628
11.1 Human resources	135,522	134,597	925
11.2 Program activities	5,148	3,599	1,549
11.3 Administration costs	9,888	6,734	3,154
TOTAL PAYMENTS	1,771,899	1,673,603	98,296

Georgian Harm Reduction Network

Contract #093/A11/SR-II

For the period from January 1, 2012 through December 31, 2012

(in Georgian Lari)

Note 5. Other non-classified payments

Contract: 093/A11/SR-II

	As at December 31,2012
VCT/NE center 1 - Kutaisi	158.00
VCT/NE center 2 - Samtredia	149.00
VCT/NE center 3 - Telavi	-
VCT/NE center 4 - New center (FOTI)	-
VCT/NE center 5 - Imedi BATUMI	330.00
VCT/NE center 6 - Qsenoni ZUGDIDI	352.00
VCT/NE center 7 - New Way TBILISI	333.00
VCT/NE center 8 - Step to the Future_GORI	62.00
VCT/NE center 9 - New Vector TBIL	-
VCT/NE center 10 - ABKHAZIA	-
Total other non-classified payments	1,384