

Memorandum of Examination

TO: AIDS FONDS – SOA AIDS NEDERLAND

CLIENT NAME: UNMODE - COMMUNITY MOVEMENT FOR ACCESS TO JUSTICE NNLE

FOR THE FINANCIAL YEAR ENDED: 31.12.2022

1. Fraud risk assessment

We performed procedures to identify fraud risk factors and performed audit procedures in response to those identified risks.

| Fraud risk | Management control | Audit response | Result |
|--|---|---|--|
| <p>Embezzlement: Employees or volunteers misappropriate funds or assets for personal use.</p> | <p>Effective management controls to prevent embezzlement include implementing proper segregation of duties, regular audits, strict approval processes for expenses and purchases, and thorough background checks on employees and volunteers.</p> | <p>The expenses and purchases processes have strict procedures of approval. Each purchase is controlled by the director and requires their signature. In case of expenses which are between 1,000 EUR and 10,000 EUR the organization has at least three documented offers from service providers and justification of the selection.</p> | <p>The organization has submitted information and substantiation pertaining to the measures taken to mitigate the risk of embezzlement.</p> |
| <p>Misuse of Funds: Funds are used for purposes other than those specified in the organization's mission or designated by donors.</p> | <p>Proper management controls to prevent misuse of funds include having a clear budget and expense reporting process, regular audits, and policies and procedures for spending and reimbursement that are consistently enforced.</p> | <p>The organization has clear and detailed budget and expenses information, which include donor's transaction history, acts, invoices, bank statements, transfer acceptance act, receipts, copies of tickets, etc.</p> | <p>The organization has furnished documentation concerning its budget and expenditure objectives.</p> |
| <p>False Reporting: Staff falsify reports or financial statements to conceal irregularities or to present a false picture of the organization's financial health.</p> | <p>Management controls to prevent false reporting include implementing proper financial controls, such as segregation of duties, regular audits, and accurate record-keeping.</p> | <p>The donor has established stringent prerequisites concerning the reporting of the organization. These prerequisites encompass reporting and control procedures, supporting documentation, and the necessity for an independent audit.</p> | <p>The organization has proffered information concerning the reporting requisites, with substantiation of accurate reporting reinforced by documentary evidence.</p> |

| Fraud risk | Management control | Audit response | Result |
|---|---|---|--|
| <p>Self-Dealing: Insiders engage in transactions that benefit themselves at the expense of the organization.</p> | <p>To prevent self-dealing, nonprofits should have policies and procedures in place that require disclosure of conflicts of interest and prohibit transactions that benefit insiders. Nonprofits should also establish independent audit and governance committees to oversee transactions and ensure that conflicts of interest are disclosed and managed.</p> | <p>The organization possesses various official documents such as the Charter, Code of Ethics, and Anti-Corruption Policy that govern conflicts of interest, prohibited transactions, and other activities that could be classified as fraudulent or harmful to the organization's reputation.</p> | <p>The organization has no substantiation of self-dealing fraud and has provided comprehensive documentation.</p> |
| <p>Fundraising Fraud: Misrepresent the purpose or use of funds raised through charitable campaigns, or fail to disclose the portion of donations that will be used for administrative or fundraising expenses.</p> | <p>To prevent fundraising fraud, nonprofits should have clear policies and procedures for fundraising that are communicated to all staff, volunteers, and donors. The policies should cover the use of funds, the percentage of donations that will be used for administrative and fundraising expenses, and the disclosure of any potential conflicts of interest.</p> | <p>The organization has furnished exhaustive information pertaining to the objectives of expenditures, reinforced by supplementary documentation such as copies of tickets, bank statements, invoices, receipts, and the like.</p> | <p>The organization provided comprehensive information concerning the utilization of funds, accompanied by all the supporting documents.</p> |

2. Materiality, PM end SUM posting level

Materiality used: 2,946 USD (98,193*3%)

Performance materiality: 2,209 USD (2,946*75%)

Sum posting Level: 110 USD (2,209*5%)

3. Summary of unadjusted differences

please refer to attached Summary of Unadjusted Differences. All items have been discussed and agreed with local management. We hereby give you a short description of the differences which are not material and are less than Performance materiality level:

| Description of the difference | Amount | Management response |
|---|------------|---------------------|
| Recalculation of the amounts from original currency to InforEuro USD. | 696.46 USD | |

| Description of the difference | Amount | Management response |
|--|------------|---------------------|
| Difference due to misstatement with the documents. | 144.26 USD | |

4. Description of significant accounting, financial, tax, or auditing matters, including accounting estimates and related judgments

| Issue | Recommendations | Management response |
|-------|-----------------|---------------------|
| NA | NA | NA |

5. Update of last years issues

The following issues reported last year have been resolved.

| Issue | Follow-up |
|-------|-----------|
| NA | NA |

**The UNMODE - COMMUNITY MOVEMENT FOR ACCESS TO JUSTICE NNLE project started in 2022Y. Thus, no prior year report exists.*

6. Compliance with local laws and regulations

During our audited we have not identified any non-compliances related to the local laws and regulations. We have paid special attention to compliance with the local tax regime and other company related local laws and regulations. No specific laws and regulations identified that may have the impact.

7. Findings related to cash procedures/transactions

Each payment is authorized by the director, as evidenced by the fact that all invoices have been signed by the director. Rent payments, however, do not require approval, as they are determined by the agreement with the landlord. Staff expense reimbursements are contingent upon reports provided by the responsible person. With regard to financial procedures, sole signature authority is held by the director, and all documentation and payments are processed through the director. Starting cash and cash equivalent balance equals to Zero. As for the ending balances, given the fact that the company did not have the individual accounting reporting for the project and its combination with other projects precludes the possibility of exclusively examining of the ending cash and cash equivalent balances for financial statements pertaining solely to this project. Details are included in the management letter

8. Exchange rate

Exchange rate have been calculated by the client using the JSC TBC bank Exchange rates on the payment dates and are converted into the GEL amount. As for the budget purposes, The GEL amounts are converted directly into the target currency, which in this case is the US dollar, using the InforEuro exchange rates. Deficiencies identified are indicated in the management letter.

9. Other matters

All matters identified are included in the management letter. No matters other than indicated in the management letter were noted.

