

MANAGEMENT LETTER

**CLIENT NAME: UNMODE - COMMUNITY MOVEMENT FOR ACCESS TO JUSTICE NNLE
FOR THE FINANCIAL YEAR ENDED: 31.12.2022**

Dated: April 10,2023

Address:

Dear Aidana Fedosik,

The purpose of this report is to set out certain matters that came to our attention during the course of the audit of the financial statements of UNMODE - COMMUNITY MOVEMENT FOR ACCESS TO JUSTICE NNLE for the year ended 31.12.2022.

Our objective is to use our knowledge of the business gained during our routine audit work to make useful comments and suggestions for you to consider. However, you will appreciate that our routine audit work is designed to enable us to form an opinion on the financial statements of the business and it should not be relied upon to disclose all irregularities that may exist or to disclose errors that are not material in relation to the financial statements.

Our report is designed to include useful recommendations that may help improve performance and avoid weaknesses that could lead to material loss or misstatement. It is your obligation to take the actions needed to remedy those weaknesses and should you fail to do so we shall not be held responsible if loss or misstatement occurs as a result.

The report is provided on the basis that it is for the information of directors and management of the business; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we will accept no responsibility to any third party in relation to it.

The report addresses our observations from the current year's Audit and our recommendations in each area. These matters have been discussed with Management and their response is included as appropriate.

Please do not hesitate to contact me if you have any questions about this report.

Yours faithfully,

Engagement Partner Name: Ana Osiqmishvili
Signature:



Rent related document

Observation

There is no confirmation of the information that the half of the rent is financed by other projects. The Agreement between Zurab Bitsadze and Giorgi Bitsadze (referred as landlords) and Aidana Fedosik (referred as tenant) dated March 18, 2022 contains the information regarding the monthly rent payment of 2,000 USD (ref. part 3 clause 3.1. of the Rent Agreement). Additionally, there is an Explanation Note dated July 27, 2022 regarding the rent tax payment on the Tax Code of Georgia where the monthly rent payment of 2,000 USD is also mentioned (ref. document "Explanation of the Tax Code of Georgia (5_ rental tax).docx").

During the review of the Expenses Register, it was discovered that the amounts designated as Rent Payment differed from the previously mentioned documents. The amounts recorded in the Register represented only fifty percent of the amount specified in the Agreement. Following a discussion with the Financial Consultant, it was determined that the reason for this discrepancy was due to the fact that half of the rent was paid through the co-financing of other projects. However, there is no documentary evidence to confirm the separation of these payments.

Recommendation

The primary suggestion in the event of payments made through the co-financing of other projects is to identify the payments that are divided between the other projects and financial sources, and furnish supporting documentation for such segregated payments.

Management response

We will take the information into account, we will divide the payments in the following periods.

Translation incompliances in the documents

Observation

The Acts of Services are documented in both English and Georgian and are found to have translation errors in the latter language. In case of any discrepancies, English is considered the priority language. The prevalent errors in the documentation pertain to the erroneous identification of the currency utilized for remunerating the services. For example, the Acts specify the service payments for Oksana Guz in US dollars, whereas the translation into Georgian indicates the same amount in euros.

Recommendation

It is recommended to create specialized templates in which the primary components that require modification are identified and marked as essential to be reviewed and adjusted as necessary in both the English and Georgian languages.

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Management response

We will bring the English and Georgian versions into line

Acceptance act incompliances**Observation**

The acceptance acts for the receipt of money are informally documented by means of a hand-written note and signed solely by the drivers, without the signatures of the individuals who requested the transfer and provided the funds. Overall, there exist three handwritten documents: transfer from Vladikavkaz to Tbilisi dated June 17, 2022; transfer from Tbilisi to Ureki dated June 22, 2022; transfer from Tbilisi to Vladikavkaz dated June 26, 2022.

Recommendation

It is recommended to provide printed acts or printed acts with forms to fill with signatures of the both sides (e.g., in mentioned case: the driver's personal information and signature and the clients' personal information and signatures).

Management response

Templates of such documents have already been developed and implemented in the document flow.

Exchange rate differences**Observation**

Differences have arisen due to variations in the application of exchange rates in expense calculations. The GEL amounts are converted directly into the target currency, which in this case is the US dollar, using the InforEuro exchange rates. In the case that the amount is specified in a different currency, it will be first converted into Georgian lari using the exchange rate offered by TBC Bank, or if unavailable, the rate of the National Bank of Georgia, and then converted into the target currency using the InforEuro exchange rate. As a result of the difference between the exchange rates of TBC Bank (or the National Bank of Georgia) and InforEuro, the conversion of amounts to the target currency may vary. The exchange rate of TBC Bank is stated in the invoices.

Please see the table below which indicates the differences related to the foreign exchange rates:

Client registry					Recalculated			
Payment date	Service	Original amount	Currency	Amount in USD Per InforEuro	Amount Per document	Currency	Amount in USD Per InforEuro	Difference
3/10/2022	Замена билета (Компенсация Федосик) Ticket Replacement (Fedosik Compensation)	808.70	GEL	266.28	252.30	USD	282.61	(16.33)

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3/18/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R6-1-02-01-2022 from 18.03.22	943.39	GEL	310.63	300.00	USD	318.17	(7.53)
3/18/2022	PAYMENT UNDER THE LEASE AGREEMENT OF A HOUSE FOR THE RESIDENCE OF EMPLOYEES OF THE ORGANIZATION	3,180.00	GEL	1,047.09	1,000.00	USD	1,060.55	(13.47)
3/18/2022	Tax payment	159.00	GEL	52.35	50.00	USD	53.03	(0.67)
4/1/2022	PAYMENT UNDER THE LEASE AGREEMENT OF A HOUSE FOR THE RESIDENCE OF EMPLOYEES OF THE ORGANIZATION	3,090.00	GEL	980.75	1,000.00	USD	980.63	0.13
4/1/2022	Tax payment	154.50	GEL	49.04	50.00	USD	49.03	0.01
4/5/2022	ADVANCE PAYMENT FOR SERVICES UNDER CONTRACT NO. PHRC-6-01/04/2022	2,145.50	GEL	680.97	700.00	USD	679.86	1.11
4/8/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R/4-1 02/01/2022	3,678.00	GEL	1,167.38	1,200.00	USD	1,165.48	1.90
5/2/2022	ACCOUNTING SERVICE FEE FOR APRIL 2022	775.00	GEL	250.23	250.00	USD	246.93	3.30
6/3/2022	Tax payment	369.00	GEL	129.48	385.26	GEL	135.18	(5.70)
6/7/2022	ACCOUNTING SERVICE FEE FOR MAY 2022 ACCORDING TO INVOICE 0000000496 DATED 31 MAY 2022	740.60	GEL	259.86	764.78	GEL	268.35	(8.48)
6/7/2022	Tax payment	409.00	GEL	143.51	155.56	USD	160.47	(16.96)
6/10/2022	Покупка авиабилета Ус П. Бухарест-Стамбул-Тбилиси-Стамбул-Бухарест	1,466.88	GEL	514.70	495.00	USD	515.62	(0.92)
6/11/2022	Покупка авиабилета Левинсон Москва-Владикавказ	1,161.86	GEL	407.68	391.37	USD	406.78	0.89
6/18/2022	Возмещение стоимости жд билетов Самара-Минводы-Самара Аношкин	397.52	GEL	139.48	7,759.80	RUB	139.07	0.42

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6/18/2022	Возмещение стоимости авиабилетов Калининград-Москва-Владикавказ-Москва-Калининград Урыков	1,245.35	GEL	436.97	24,310.12	RUB	435.67	1.30
7/1/2022	ACCOUNTING SERVICE FEE FOR MAY 2022 ACCORDING TO INVOICE 0000000496 DATED 30.06.2022	725.00	GEL	246.33	738.65	GEL	250.97	(4.64)
7/1/2022	PAYMENT UNDER THE LEASE AGREEMENT OF A HOUSE FOR THE RESIDENCE OF EMPLOYEES OF THE ORGANIZATION	2,928.90	GEL	995.13	1,000.00	USD	994.93	0.20
7/1/2022	Tax payment	146.45	GEL	49.76	50.00	USD	49.75	0.01
7/1/2022	Tax payment	217.50	GEL	73.90	67.41	USD	66.42	7.48
7/1/2022	Токтогулова аванс по договору RCF-C6-01/06/2022 от 01.06.2022	570.00	GEL	193.66	200.00	USD	197.06	(3.40)
7/19/2022	Tax payment (доплата)	40.18	GEL	13.65	14.50	USD	13.97	(0.32)
7/19/2022	Tax payment (доплата)	281.94	GEL	95.79	88.14	USD	84.90	10.90
7/19/2022	Tax payment (доплата)	591.19	GEL	200.86	169.77	USD	167.27	33.59
8/1/2022	Tax payment	128.07	GEL	45.43	50.00	USD	49.05	(3.61)
8/1/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R/3-1 01/01/2022 (07/01/2022-07/31/2022)	3,766.00	GEL	1,335.93	1,400.00	USD	1,373.28	(37.35)
8/1/2022	Tax payment	418.44	GEL	148.44	155.56	USD	152.59	(4.15)
8/1/2022	SALARY JULY 2022	5,380.00	GEL	1,908.47	2,000.00	USD	1,961.82	(53.35)
8/1/2022	Tax payment	1,345.00	GEL	477.12	500.00	USD	490.46	(13.34)
8/1/2022	ACCOUNTING SERVICE FEE FOR July 2022 ACCORDING TO INVOICE 0000000496 DATED 31.07.2022	691.30	GEL	245.23	732.23	GEL	259.75	(14.52)
8/23/2022	ADVANCE PAYMENT UNDER THE CONTRACT RCF-C7-12/07/2022	1,375.00	GEL	487.76	500.00	USD	494.78	(7.02)
8/23/2022	ADVANCE PAYMENT UNDER THE CONTRACT RCF-C8-12/07/2022	1,100.00	GEL	390.21	400.00	USD	395.83	(5.62)
9/1/2022	SALARY AUGUST 2022	5,700.00	GEL	1,996.64	2,000.00	USD	2,031.81	(35.17)
9/1/2022	Tax payment	1,355.00	GEL	474.64	500.00	USD	507.95	(33.31)

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9/1/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R/3-1 01/01/2022 (08/01/2022-08/31/2022)	3,990.00	GEL	1,397.65	1,400.00	USD	1,422.27	(24.62)
9/1/2022	Tax payment	443.33	GEL	155.29	155.56	USD	158.03	(2.74)
9/1/2022	Tax payment	152.64	GEL	53.47	50.00	USD	50.80	2.67
9/1/2022	ACCOUNTING SERVICE FEE FOR AUGUST 2022 ACCORDING TO INVOICE 0000000761 DATED 31.08.2022	725.05	GEL	253.98	694.78	GEL	243.37	10.60
9/1/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R/2-2 02/01/2022 (07/01/2022-08/31/2022)	2,137.50	GEL	748.74	750.00	USD	761.93	(13.19)
10/3/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R/3-1 01/01/2022 (09/01/2022-09/30/2022)	3,878.00	GEL	1,376.13	1,400.00	USD	1,405.49	(29.36)
10/3/2022	SALARY SEPTEMBER 2022	5,540.00	GEL	1,965.90	2,000.00	USD	2,007.84	(41.94)
10/3/2022	PAYMENT FOR CONSULTING SERVICES PROVIDED UNDER THE SERVICE AGREEMENT NO.RCF-C10-09.01.2022	1,108.00	GEL	393.18	400.00	USD	401.57	(8.39)
10/3/2022	CONSULTANCY FEE FOR SERVICES PROVIDED UNDER THE SERVICE PROVISION AGREEMENT RCF-C11-09.01.2022	831.00	GEL	294.88	300.00	USD	301.18	(6.29)
10/3/2022	ADVANCE PAYMENT UNDER A SERVICE AGREEMENT RCF-C4-01/05/2022	1,385.00	GEL	491.47	500.00	USD	501.96	(10.49)
10/3/2022	ADVANCE PAYMENT UNDER A SERVICE AGREEMENT RCF-C5-01/05/2022	1,385.00	GEL	491.47	500.00	USD	501.96	(10.49)
10/3/2022	ADVANCE PAYMENT UNDER A SERVICE AGREEMENT RCF-C2-01/05/2022	831.00	GEL	294.88	300.00	USD	301.18	(6.29)
10/3/2022	Tax payment	430.89	GEL	152.90	155.56	USD	156.17	(3.26)
10/3/2022	Tax payment	1,385.00	GEL	491.47	500.00	USD	501.96	(10.49)

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10/3/2022	Tax payment	148.90	GEL	52.84	50.00	USD	50.20	2.64
10/3/2022	ACCOUNTING SERVICE FEE FOR AUGUST 2022 ACCORDING TO INVOICE 0000000761 DATED 30.09.2022	707.27	GEL	250.98	726.13	GEL	257.67	(6.69)
10/27/2022	Tax payment	1,362.50	GEL	483.49	500.00	USD	493.62	(10.13)
10/28/2022	ADVANCE PAYMENT, SALARY OCTOBER 2022	5,450.00	GEL	1,933.96	2,000.00	USD	1,975.83	(41.87)
11/1/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R/2-2 02/01/2022 (09/01/2022-10/30/2022)	2,040.00	GEL	742.80	750.00	USD	757.93	(15.13)
11/1/2022	PAYMENT FOR CONSULTING SERVICES PROVIDED UNDER THE SERVICE AGREEMENT NO.RCF-C10-09.01.2022	1,088.00	GEL	396.16	400.00	USD	404.23	(8.07)
11/1/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R/3-1 01/01/2022 (10/01/2022-10/31/2022)	3,808.00	GEL	1,386.56	1,400.00	USD	1,414.80	(28.24)
11/1/2022	Tax payment	423.11	GEL	154.06	155.56	USD	157.20	(3.14)
11/1/2022	Tax payment	146.07	GEL	53.19	50.00	USD	50.53	2.66
11/1/2022	ACCOUNTING SERVICE FEE FOR AUGUST 2022 ACCORDING TO INVOICE 0000000761 DATED 31.10.2022	693.85	GEL	252.64	708.80	GEL	258.09	(5.44)
12/1/2022	ACCOUNTING SERVICE FEE FOR AUGUST 2022 ACCORDING TO INVOICE 0000000367 DATED 30.11.2022	679.43	GEL	249.57	693.95	GEL	254.91	(5.33)
12/1/2022	PAYMENT FOR CONSULTING SERVICES PROVIDED UNDER THE SERVICE AGREEMENT NO.RCF-C10-09.01.2022	1,064.00	GEL	390.84	400.00	USD	399.32	(8.48)
12/1/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R/3-1 01/01/2022 (11/01/2022-11/30/2022)	3,724.00	GEL	1,367.93	1,400.00	USD	1,397.60	(29.67)
12/1/2022	Tax payment	413.78	GEL	151.99	155.56	USD	155.29	(3.30)
12/1/2022	SALARY NOVEMBER 2022	5,320.00	GEL	1,954.19	2,000.00	USD	1,996.58	(42.39)
12/1/2022	Tax payment	1,330.00	GEL	488.55	500.00	USD	499.14	(10.60)

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12/8/2022	Компенсация произведенных расходов	275.80	GEL	101.31	102.52	USD	101.38	(0.07)
12/8/2022	Компенсация произведенных расходов	3,878.80	GEL	1,424.79	1,443.40	USD	1,427.30	(2.51)
12/8/2022	ADVANCE PAYMENT, SALARY DECEMBER 2022	5,270.00	GEL	1,935.82	2,000.00	USD	1,977.70	(41.88)
12/8/2022	Tax payment	1,317.50	GEL	483.96	500.00	USD	494.42	(10.47)
12/8/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R/3-1 01/01/2022 (12/01/2022-12/31/2022)	3,689.00	GEL	1,355.07	1,400.00	USD	1,384.39	(29.31)
12/8/2022	Tax payment	409.88	GEL	150.56	155.56	USD	153.82	(3.26)
12/8/2022	PAYMENT FOR CONSULTING SERVICES PROVIDED UNDER THE SERVICE AGREEMENT NO.RCF-C10-09.01.2022	1,054.00	GEL	387.16	400.00	USD	395.54	(8.38)
12/8/2022	CONSULTANCY FEE FOR SERVICES UNDER AGREEMENT RCF-R/2-2 02/01/2022 (11/01/2022-12/31/2022)	1,976.00	GEL	725.84	750.00	USD	741.64	(15.80)
12/8/2022	ADVANCE PAYMENT FOR CONSULTING SERVICES PROVIDED UNDER THE SERVICE AGREEMENT NO RCF-C12-10/01/20222	646.95	EUR	670.63	700.00	USD	659.06	11.57
12/8/2022	ADVANCE PAYMENT FOR CONSULTING SERVICES PROVIDED UNDER THE SERVICE AGREEMENT NO RCF-C12-10/01/20222	646.95	EUR	670.63	700.00	USD	659.06	11.57
12/30/2022	PAYMENT FOR CONSULTING SERVICES PROVIDED UNDER THE SERVICE AGREEMENT NO.RCF-C10-09.01.2022	2,856.90	GEL	1,049.42	1,070.00	USD	1,065.26	(15.84)
Total				44,041.76			44,738.20	(696.46)

Recommendation

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It is recommended that exclusively the InforEuro exchange rate be utilized in the Expenses Registry for the conversion of amounts. This modification will streamline the process of verifying expenses and comparing them with accompanying documentation.

Management response

For this project, funds were received in euros, the project currency was US dollars, transfers to the accounts of individuals and legal entities were made in GEL. In this regard, there were differences in exchange rates.

The absence of individual accounting reporting for the project

Observation

The absence of individual accounting reporting for the project and its combination with other projects precludes the possibility of exclusively examining financial statements pertaining solely to this project. The lack of individual accounting reporting for the aforementioned project, coupled with its integration with other projects, renders it impossible to conduct a thorough and isolated analysis of the financial statements solely pertaining to this project. As a result, it becomes arduous to identify the financial performance of the project in question, given the absence of segregated financial data.

Recommendation

The recommendation is to allocate the financial statements among distinct projects or designate accounting entries for each project separately.

Management response

We will take this recommendation into account.