



# Ram & McRae

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## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GEORGETOWN LEGAL AID CLINIC INC.

We have audited the accompanying financial statements of **Georgetown Legal Aid Clinic Inc.**, which comprise the balance sheet as at December 31, 2007, and the related statements of income, accumulated fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Act, 1991. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

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 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Georgetown Legal Aid Clinic Inc. as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, 1991.

**RAM & McRAE**  
**CHARTERED ACCOUNTANTS**  
**PROFESSIONAL SERVICES FIRM**  
**157 'C' WATERLOO STREET**  
**GEORGETOWN, GUYANA**

July 10, 2008

# Georgetown Legal Aid Clinic Inc.

## Balance Sheet

As at December 31, 2007

|                                       | Notes | 2007<br>G\$       | 2006<br>G\$       |
|---------------------------------------|-------|-------------------|-------------------|
| <b>ASSETS</b>                         |       |                   |                   |
| <b>Non-current assets</b>             |       |                   |                   |
| Office furniture and equipment        | 3     | 2,127,142         | 1,770,489         |
| <b>Current assets</b>                 |       |                   |                   |
| Accounts receivable                   |       | 264,586           | 96,162            |
| Cash and cash equivalents             | 4     | 43,020,644        | 8,804,877         |
| <b>Total current assets</b>           |       | <b>43,285,230</b> | <b>8,901,039</b>  |
| <b>Total assets</b>                   |       | <b>45,412,372</b> | <b>10,671,528</b> |
| <b>EQUITY AND LIABILITIES</b>         |       |                   |                   |
| <b>Equity</b>                         |       |                   |                   |
| Accumulated fund                      |       | 12,561,033        | 7,918,104         |
| <b>Non-current liabilities</b>        |       |                   |                   |
| Deferred income                       | 5     | 304,024           | 1,348,370         |
| <b>Current liabilities</b>            |       |                   |                   |
| Deferred income                       | 6     | 32,460,248        | 268,922           |
| Accounts payable                      |       | 87,067            | 1,136,132         |
| <b>Total current liabilities</b>      |       | <b>32,547,315</b> | <b>1,405,054</b>  |
| <b>Total equity &amp; liabilities</b> |       | <b>45,412,372</b> | <b>10,671,528</b> |

*The notes on pages 4 to 9 form an integral part of these financial statements.*

\_\_\_\_\_  
Director/Secretary

\_\_\_\_\_  
Treasurer

**Georgetown Legal Aid Clinic Inc.**  
**Statement of Income and Accumulated Fund**  
For the year ended December 31, 2007

|   | Notes | 2007<br>G\$       | 2006<br>G\$       |
|---|-------|-------------------|-------------------|
| <b>Income</b>                           |       |                   |                   |
| Grants                                  | 7     | 17,487,373        | 14,165,384        |
| Consultancy fees                        |       | 671,000           | 564,500           |
| Legal fees                              |       | 3,097,230         | 2,990,705         |
| Donations                               |       | 325,000           | 315,000           |
| Other income                            |       | 355,802           | 148,815           |
| <b>Total income</b>                     |       | <b>21,936,405</b> | <b>18,184,404</b> |
| <b>Expenses</b>                         |       |                   |                   |
| Employment costs                        | 8     | 14,788,784        | 11,637,909        |
| Operating and administrative expenses   | 9     | 2,504,692         | 1,887,326         |
| <b>Total expenses</b>                   |       | <b>17,293,476</b> | <b>13,525,235</b> |
| <b>Surplus for the period</b>           |       | <b>4,642,929</b>  | <b>4,659,169</b>  |
| Accumulated fund at January 1,          |       | 7,918,104         | 3,258,935         |
| <b>Accumulated fund at December 31,</b> |       | <b>12,561,033</b> | <b>7,918,104</b>  |

*The notes on pages 4 to 9 form an integral part of these financial statements.*

# Georgetown Legal Aid Clinic Inc.

## Statement of Cash Flows

For the year ended December 31, 2007

|  | Notes | 2007<br>G\$       | 2006<br>G\$      |
|--|-------|-------------------|------------------|
| <b>Cash flows from operating activities</b>                                |       |                   |                  |
| <b>Surplus for the period</b>  |       | <b>4,642,929</b>  | <b>4,659,169</b> |
| <i>Adjustments for:</i>  |       |                   |                  |
| Deferred income  |       | (1,044,346)       | 1,348,370        |
| Depreciation   |       | 340,436           | 35,870           |
| <b>Operating surplus before working capital changes</b>                    |       | <b>3,939,019</b>  | <b>6,043,409</b> |
| (Increase) / decrease in accounts receivable                               |       | (168,424)         | 1,063,838        |
| Increase / (decrease) in deferred income                                   |       | 32,191,326        | (4,100,700)      |
| (Decrease) / increase in accounts payable                                  |       | (1,049,065)       | 250,031          |
| <b>Net cash flows from operating activities</b>                            |       | <b>34,912,856</b> | <b>3,256,578</b> |
| <b>Cash flows from investing activities</b>                                |       |                   |                  |
| Purchase of office furniture and equipment                                 |       | (697,089)         | (1,738,859)      |
| <b>Net increase in cash and cash equivalents</b>                           |       | <b>34,215,767</b> | <b>1,517,719</b> |
| Cash and cash equivalents at January 1,                                    |       | 8,804,877         | 7,287,158        |
| <b>Cash and cash equivalents at December 31,</b>                           |       | <b>43,020,644</b> | <b>8,804,877</b> |
| <b>Analysis of cash and cash equivalents as shown in the balance sheet</b> |       |                   |                  |
| Cash in hand and at bank   |       | 43,020,644        | 8,804,877        |
| <b>Total</b>   |       | <b>43,020,644</b> | <b>8,804,877</b> |

*The notes on pages 4 to 9 form an integral part of these financial statements.*

# **Georgetown Legal Aid Clinic Inc.**

## **Notes to the Financial Statements**

For the year ended December 31, 2007

### **1. Incorporation and principal activity**

The company was incorporated in the Co-operative Republic of Guyana on February 16, 1993 under the Companies Act Cap: 89:01 as a company limited by guarantee and was continued under the Companies Act, 1991 on January 5, 1996. Operations commenced during March 1994.

The principal objective of the company is to provide free or subsidised legal advice and representation to persons, who because of lack of means would otherwise have their need for such advice and representation unmet, and to refer persons requiring non-legal help to appropriate agencies.

The company's registered office is located at First Floor, Eastern Section, Maraj Building, Charlotte & King Streets, Georgetown, Guyana.

These financial statements were approved by the Board of Directors on \_\_\_\_\_.

### **2. Statement of accounting policies**

#### **(a) Basis of accounting**

These financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards and no account has been taken of the effects of inflation.

In the current year, the Company adopted the new and amended standards and interpretations which came into effect, including IFRS 7: Financial Instruments: Disclosures, and the Capital Disclosures amendment to IAS 1: Presentation of Financial Statements. The adoption of these standards and interpretations did not have an impact on the Company's accounting policies but resulted in enhanced disclosures.

At the date of authorisation of these financial statements, IFRS 8: Operating Segments was in issue but not yet effective. Additionally, there are several Interpretations and amendments to existing Standards which are not yet effective. The directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Company.

#### **(b) Income and expenditure**

Income and expenditure are dealt with in these financial statements on the accrual basis.

#### **(c) Revenue recognition**

Revenue from services are recognised when the service has been rendered. Donations, other than capital donations, are recognised when received. Income from grants, other than capital grants, are recognised in income to the extent utilised. Any unutilised amounts are credited to deferred income.

# Georgetown Legal Aid Clinic Inc.

## Notes to the financial statements

For the year ended December 31, 2007

### 2. Statement of accounting policies continued

#### (d) Capital donations

Capital donations comprise the estimated or actual (if available) acquisition cost of office furniture and equipment donated in-kind as well as cash donations and grants received specifically for the acquisition of office furniture and equipment. Capital donation of non-depreciable assets are credited to capital reserve. Capital donation of depreciable assets are credited to deferred income with an amount equivalent to their annual depreciation charge transferred to the income and expenditure account each year.

#### (e) Reporting currency

These financial statements are stated in Guyana dollars. Foreign currency transactions during the year are translated at the exchange rates ruling at the dates of these transactions. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates prevailing at the end of the year.

#### (f) Office furniture and equipment

Office furniture and equipment are stated at historical cost. Depreciation is provided for on the straight line basis at rates sufficient to write off the cost of the assets over their estimated useful lives. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. The rate used is as follows:

Office furniture and equipment 20%

| <b>3. Office furniture and equipment</b> | <b>Office<br/>furniture<br/>G\$</b> | <b>Office<br/>equipment<br/>G\$</b> | <b>Total<br/>G\$</b> |
|--|-------------------------------------|-------------------------------------|----------------------|
| <b>Cost</b>                              |                                     |                                     |                      |
| At January 1,                            | 2,252,728                           | 1,504,391                           | 3,757,119            |
| Additions                                | 420,432                             | 276,657                             | 697,089              |
| At December 31,                          | <b>2,673,160</b>                    | <b>1,781,048</b>                    | <b>4,454,208</b>     |
| <b>Depreciation</b>                      |                                     |                                     |                      |
| At January 1,                            | 695,912                             | 1,290,718                           | 1,986,630            |
| Charges for the year                     | 61,246                              | 279,190                             | 340,436              |
| At December 31,                          | <b>757,158</b>                      | <b>1,569,908</b>                    | <b>2,327,066</b>     |
| <b>Net book value</b>                    |                                     |                                     |                      |
| <b>At December 31,</b>                   | <b>1,916,002</b>                    | <b>211,140</b>                      | <b>2,127,142</b>     |
| At January 1,                            | 1,556,816                           | 213,673                             | 1,770,489            |

# Georgetown Legal Aid Clinic Inc.

## Notes to the financial statements

For the year ended December 31, 2007

| <b>4. Cash and Bank</b>                                     | <b>2007</b>              | <b>2006</b>             |
|---|--------------------------|-------------------------|
|   | <b>G\$</b>               | <b>G\$</b>              |
| Cash on hand and deposits held with financial institutions: |                          |                         |
| Cash on hand  | 56,929                   | 35,080                  |
| Deposits  | 42,963,715               | 8,769,797               |
|   | <u><b>43,020,644</b></u> | <u><b>8,804,877</b></u> |

Included in deposits are grants received but not utilised as detailed in note 6.

## 5. Deferred income (non-current)

|                             |                       |                         |
|-----------------------------|-----------------------|-------------------------|
| Donated depreciable assets: | <u><b>304,024</b></u> | <u><b>1,348,370</b></u> |
|-----------------------------|-----------------------|-------------------------|

## 6. Deferred income (current)

This represents grants received but not utilised at the end of the period:

|  |                          |                       |
|--|--------------------------|-----------------------|
| MinCYS / UNICEF Children's Legal Aid Pilot Project | 460,248                  | 268,922               |
| Ministry of Human Services and Social Security     | 32,000,000               | -                     |
| <b>Total funds not utilised</b>                    | <u><b>32,460,248</b></u> | <u><b>268,922</b></u> |

Please refer to note 7 for additional information on the MinCYS / UNICEF Children's Legal Aid Pilot Project. The amount received from the Ministry of Human Services and Social Security and deferred represents funding received pursuant to a Memorandum of Understanding between the Company and the Ministry dated 14 March 2008 for the purpose of enabling the Company to continue in operation and expand its services during 2008.

| <b>7. Grants</b>   | <b>2007</b>              | <b>2006</b>              |
|--|--------------------------|--------------------------|
|  | <b>G\$</b>               | <b>G\$</b>               |
| This balance comprises monies received from the following parties: |                          |                          |
| (i) USAID/GDCCR Project  | 15,566,621               | 13,965,384               |
| (ii) Ministry of Human Services and Social Security                | 200,000                  | 200,000                  |
| (iii) MinCYS / UNICEF Children's Legal Aid Pilot Project           | 1,720,752                | -                        |
|  | <u><b>17,487,373</b></u> | <u><b>14,165,384</b></u> |

(i) This represents a grant received from the Guyana Democratic Consolidation and Conflict Resolution Project (GDCCR) of the United States Agency for International Development (USAID) to enable the company to continue in operation and expand its services. This project came to an end in December 2007.

(ii) This represents an annual subvention received from the Government of Guyana through the Ministry of Human Services and Social Security to fund day-to-day activities of the company.

# Georgetown Legal Aid Clinic Inc.

## Notes to the financial statements

For the year ended December 31, 2007

### 7. Grants continued

(iii) These represents a grant received from the Ministry of Culture, Youth & Sports under a programme funded by The United Nations Children's Fund (UNICEF) for the purpose of providing legal aid services to children under a twelve-month pilot project commencing September 1, 2007.

(iv) The lease rental for the premises occupied by the company is funded directly by the Ministry of Public Works and Communications

### 8. Employment costs

|                             |                   |                   |
|-----------------------------|-------------------|-------------------|
| Salaries                    | 11,923,613        | 10,006,232        |
| Allowances                  | 2,395,156         | 1,181,635         |
| Employer's NIS Contribution | 470,015           | 450,042           |
| <b>Total</b>                | <b>14,788,784</b> | <b>11,637,909</b> |

During the period, the company employed 7 persons (2006 - 7). An additional attorney-at-law was provided by the Ministry of Human Services & Social Security at no cost.

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| Key management personnel compensation | <b>5,335,014</b> | <b>5,042,778</b> |
|---------------------------------------|------------------|------------------|

No remuneration was paid to the Directors during the period.

|   | 2007             | 2006             |
|---|------------------|------------------|
|   | G\$              | G\$              |
| <b>9. Other operating and administrative expenses</b> |                  |                  |
| Advertising   | 20,924           | 44,700           |
| Affidavit fees  | 70,688           | 92,316           |
| Cleaning  | -                | 12,347           |
| Communication costs                                   | 311,783          | 233,960          |
| Depreciation  | 340,436          | 35,870           |
| Electricity   | 414,487          | 262,261          |
| Financial charges                                     | 80,727           | 3,500            |
| Insurance   | 20,137           | 22,676           |
| Legal & professional fees                             | 20,000           | 336,120          |
| Miscellaneous expenses                                | 66,458           | 55,640           |
| Office expenses                                       | 835,627          | 625,785          |
| Photocopying and postage                              | 84,415           | 55,286           |
| Repairs and maintenance - building                    | 41,760           | 3,000            |
| Repairs and maintenance - equipment                   | -                | 47,225           |
| Security  | 94,438           | 53,000           |
| Transportation  | 9,240            | 3,640            |
| Bad debt  | 93,572           | -                |
| <b>Total</b>  | <b>2,504,692</b> | <b>1,887,326</b> |



# **Georgetown Legal Aid Clinic Inc.**

## **Notes to the financial statements**

For the year ended December 31, 2007

### **10. Taxation**

On July 7, 1994 the company received approval from the Ministry of Finance to be deemed as a charitable organisation. The company is therefore exempt from Corporation and Property Taxes.

### **11. Financial Risk Management**

Exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of business. The activities of the company however, being of a charitable nature, do not expose it to significant financial risks. Management nevertheless seeks to minimise potential adverse effects on the financial performance of the company by applying procedures to appropriately identify, evaluate and manage any risks which may arise. No derivative investments are presently used to manage, mitigate or eliminate exposure to financial instrument units.

#### **(i) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company is not significantly exposed to credit risks as the counterparties to amounts receivable are primarily financial institutions with no known liquidity problems.

#### **(ii) Interest rate risk**

This is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The company earns interest on its cash deposits and none of its liabilities are subject to interest. The values of the cash deposits and liabilities are not influenced by future changes in interest rates.

#### **(iii) Foreign Currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company would incur foreign currency risk on transactions that are denominated in a currency other than the Guyana dollar. The company is however not significantly exposed to foreign currency risks.

#### **(iv) Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The company has no exposure to market risk as it has no traded securities.

#### **(v) Liquidity risk**

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet its commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities.

# Georgetown Legal Aid Clinic Inc.

## Notes to the financial statements

For the year ended December 31, 2007

### 11. Financial Risk Management continued

#### (v) Liquidity risk continued

The company manages this risk by maintaining adequate financial assets in liquid form and continuously seeking commitments from donors and the Government of Guyana. The company's exposure to liquidity risk is summarised below:

|                           | <b>2007</b>       | <b>2006</b>      |
|---------------------------|-------------------|------------------|
|                           | <b>G\$</b>        | <b>G\$</b>       |
| Accounts receivable       | 264,586           | 96,162           |
| Cash and cash equivalents | 43,020,644        | 8,804,877        |
| <b>Total assets</b>       | <b>43,285,230</b> | <b>8,901,039</b> |
| <br>                      |                   |                  |
| Accounts payable          | (87,067)          | (1,136,132)      |
| <br>                      |                   |                  |
| <b>Liquidity gap</b>      | <b>43,198,163</b> | <b>7,764,907</b> |

The Company therefore has sufficient liquidity to fund liabilities as they fall due. Cash and cash equivalents include amounts treated as deferred income which will be utilised to fund future activities.

#### (vi) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount and timing. The company's financial assets are not expected to realise less than their carrying values.

### 12. Fair values of financial instruments

The fair value of cash and cash equivalents, accounts receivable, and accounts payable approximate to their carrying values due to their short term nature.