

SJMD Audit LLC

“TRANSPARENCY INTERNATIONAL MONGOLIA” NGO

Financial Statements together with Independent Auditor’s
Report for the year ended 31 December 2020.



Ulaanbaatar, 2021

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“TRANSPERENCY INTERNATIONAL MONGOLIA” NGO
(Registered in Mongolian)

Audited financial statements

31 December, 2020

GENERAL INFORMATION

Permanent address:

Dalai Tower 803, Jayayannju Street, 1st
khoroo, Sukhbaatar district, Ulaanbaatar
city, Mongolia

Shareholders:

Citizens of Mongolia: 100.0%
(9 board members)

Management staff:

Batbayar Ochirbat
/Executive Director /
Chimgee with the surname Tserendash
/General Accountant/

Auditor:

“SJMD-Audit” ltd
Mongolia, Ulaanbaatar-46,
Sukhbaatar district, 8th khoroo, Student’s
street-44
Apartment 14/2, № 9,



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Management’s Responsibility for the preparation and approval of the Financial Statements as of 31 December 2020

The following statement, along with the independent auditor's report on pages 2-3 of this report, reads as follows: “Transparency International Mongolia” aimed at differentiating responsibilities between management and auditor for the Preparation and Approval of the Annual Financial Statements as of 31 December 2020.

Management primarily responsible for the financial statements of the NGO, do hereby state that, in opinion, the responsible for accurate preparation in accordance with Accounting Financial Reporting Standards to be followed by non-governmental organizations approved by the Ministry of Finance.

These financial statements must accurately and fairly represent the financial position of the NGO as at 31. December 2020, and its financial performance and cash flows for the year ended.

Responsibilities of Management:

- Select and adhere to appropriate accounting policies
- Make informed and careful decisions and calculations
- Prepare financial statements based on optimistic assumptions, unless the assumption that the NGO will continue to do business in the near future is not unfounded.
- Also management:
- Develop, implement and use an effective and consistent internal control system.
- Organize accounting activities that accurately and timely reflect the financial condition of the fund
- The accounting of the fund must be organized in such a way that the financial statements are prepared in accordance with the accounting rules.
- Take measures to ensure the safety and security of assets.
- Responsible for detecting and preventing fraud, errors and other violations.

In recognition of these responsibilities, we certify that we have prepared our financial statements in accordance with the Accounting Law and relevant regulations in force in Mongolia. Transparency International Mongol approved the release of its annual financial statements for the year ended 31 December 2019.

(signature) (Sealed)

O. Batbayar
CEO

(signature)

Ts.Chimgee
Chief Accountant

Ulaanbaatar city
30April, 2021



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INDEPENDENT AUDITOR'S CONCLUSION

To the BOARD OF DIRECTORS of Transparency International Mongolia NGO Non-contradictory conclusion

We have audited the accompanying financial statements of Transparency International Mongolia NGO (hereinafter referred to as the “NGO”), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

Auditor’s opinion

In our opinion, the the accompanying financial statements presents fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBE 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards.

This responsibility includes developing and implementing system such internal control as management determines is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities

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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We conduct our audits in accordance with International Standards on Auditing.

Those standards require us to plan and perform audits in accordance with ethical requirements and to obtain reasonable assurance that the financial statements are presented without material misstatement.

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During the audit, procedures were performed to obtain audit evidence about the amounts and disclosures in the financial statements.

These procedures are selected based on the auditor's judgment, which includes an assessment of the risk of material misstatement, whether due to fraud or error. The internal controls used to prepare and present the financial statements are taken into account.

In connection with these risk assessments, the auditor is not intended to assess the effectiveness of the internal control of the fund;

Rather, it reviews the internal controls used to prepare and present the financial statements of the fund in order to select and apply the appropriate audit procedures.

In addition to evaluating the financial statements as a whole, our audit includes evaluating the validity of management's major estimates and the appropriateness of accounting policies used. We believe that our audit is sufficient to provide an auditor's opinion and that appropriate audit evidence has been provided.

Consumption restrictions

This report has been prepared for the Board of Directors and all members of Transparency International Mongolia, a legal entity referred to in Article 11 of the Mongolian NGO Law. We are not responsible to others for the content of this report.

Report on other statutory and regulatory requirements

In addition, financial statements are prepared in accordance with the accounting principles in force in Mongolia and accounting guidelines approved by the Minister of Finance.

“SGMD AUDIT” LLC

Director

D.Ekhubayar

Ulaanbaatar, Mongolia
April 30, 2021

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FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2020

In MNT' 000	Note	2020/12/31	2019/12/31
ASSETS			
Current assets			
Cash and cash equivalents	4	132,072.4	79,346.4
Account receivable	5	20.2	20.2
Total current Assets		132,092.6	79,366.6
Non-current Assets			
Fixed assets	6	19,202.8	13,405.6
Accumulated depreciation	6	(12,984.4)	(12,621.4)
Total of non-current assets		6,218.4	784.2
TOTAL ASSETS		138,311.0	80,150.8
LIABILITIES AND OWNERS EQUITY			
LIABILITIES			
Short-term liabilities			
Preliminary income	7	153,450.8	112,147.3
Total short-term liabilities		153,450.8	112,147.3
Total liabilities		153,450.8	112,147.3
Net equity			
Reserve: a) limited	8	2,969.6	2,969.6
Retained earnings	9	(18,109.4)	(34,966.1)
Total of net equity		(15,139.8)	(31,996.5)
TOTAL LIABILITIES AND EQUITY		138,311.0	80,150.8

Attached disclosures are an integral part of this financial statement.

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2020**

	Note	2020/12/31 MNT'000	2019/12/31 MNT'000
OPERATING INCOME		-	-
Grant and Program revenue	10	261,834.0	311,703.2
Other revenue	11	52.0	693.3
Total operating income		261,886.0	312,396.5
Operating expenses			
Gifts, donations and assistance	12	130.0	-
(a) Donations and assistance to the organization			
(b) Individual donations and assistance		130.0	-
The cost of implementing the program	12	55,942.4	132,788.5
Administration's expenses	12	12,497.6	4,863.4
Payroll and benefits	12	130,029.9	119,834.5
Social insurance expenses	12	11,871.1	13,458.9
Utilities	12	496.8	371.5
Rent	12	18,559.2	20,064.0
Travel (business trip) expenses	12	3,097.9	-
Depreciation	12	1,903.8	1,540.8
Advertisement expenses	12	1,114.6	2,474.0
Postage and printing, internet	12	3,611.2	3,658.3
Fuel and transportation expenses	12	5,501.8	5,501.8
Other expenses	12	273.0	172.2
Total operating expenses		245,029.3	304,727.9
Outcomes non-operations	13	16,856.7	7,668.6
Profit and Loss Non-operating			
Foreign exchange gain / loss		-	-
Special items (net amount)		-	-
Total Net Income	14	16,856.7	7,668.6

Attached disclosures are an integral part of this financial statement

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**“TRANSPARENCY INTERNATIONAL MONGOLIA” NGO RD: 1030361
STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2020**

	Unlimited re-sources MNT' 000	Limited resources MNT' 000	Asset revaluation Surcharge MNT' 000	Foreign currency translation reserve MNT' 000	Retained earnings MNT' 000	Total MNT'000
Balance as of December 31, 2018	-	2,969.6	-		(42,634.7)	(39,665.1)
Changes in accounting policies	-	2,969.6			(42,634.7)	(39,665.1)
Corrected balance						
Increase / decrease in revaluation of fixed assets						
Investment revaluation increase / decrease						
Foreign exchange conversion reserves						
Unrealized gains and losses in the statement of results						
Net profit (loss) for the period					7,668.6	7,668.6
Balance as of December 31, 2019	-	2,969.6			(34,966.1)	(31,995.5)
Changes to the registration policy						
Corrected balance						
Increase / decrease in revaluation of fixed assets						
Investment revaluation increase / decrease						
Foreign exchange conversion resources						
Unrecognized gains and losses in the statement of results						
Net profit (loss) for the period					16,856.7	16.856.7
Balance as of December 31, 2020	-	2,969.6			(18,109.4)	(15,139.8)

Attached disclosures are an integral part of this financial statement.

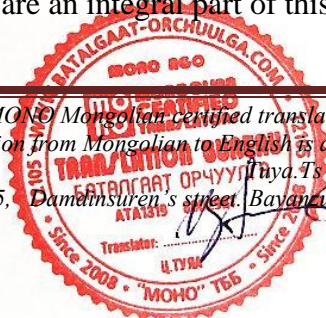
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“TRANSPARENCY INTERNATIONAL MONGOLIA” NGO RD: 1030361
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

In MNT' 000	2020/12/31	2019/12/31
CASH FLOWS FROM OPERATING ACTIVITIES		
Amount of operating income (+)	261,886.0	312,396.6
Cash received from projects and programs	261,834.0	311,703.3
Grant, donations, assistance		
Cash received for rental income		
Other cash income	52.0	693.3
Amount of operating expenses (-)	209,160.0	314,178.2
Paid to employees	130,029.9	119,834.5
Paid to social insurance	11,871.1	13,458.9
Paid for the purchase of inventory	20,321.4	10,995.7
Operating costs paid	496.8	371.5
Paid for fuel, transportation, spare parts	5,501.8	5,501.8
Other money paid to suppliers	18,559.2	20,064.0
Paid interest	22,106.8	143,779.6
Paid to the tax authorities	-	-
Paid for insurance	273.0	172.2
Net cash flows from operating activities	52,726.0	(1,781.6)
Cash flows from investing activities		
Money income (+)	-	-
Income from the sale of fixed assets		
Interest income		
Purchased investment	-	
Loan repayment		
The amount of money spent (-)		
Filled to acquire fixed assets		
Loans and advances to others		
We are full of non-herons		
Net cash flow from investing activities	-	-
Cash flow for financial activities		
Amount of income (+)		
Received from the issuance of loan securities		
Foreign exchange gains		
Amount of expenses (-)		
Paid to loan and debt securities		
Net cash flow from financial activities	-	-
Exchange rate difference		
All net cash flows	52,726.0	(1,781.6)
The first balance of cash and cash equivalents	79,346.4	81,128.0
The final balance of cash and cash equivalents	132,072.4	79,346.4

Attached disclosures are an integral part of this financial statement.

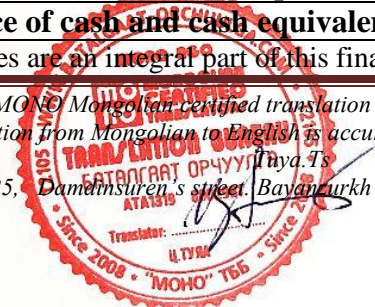
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“TRANSPARENCY INTERNATIONAL MONGOLIA” NGO RD: 1030361
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2020

2. KEY VALUES, CALCULATIONS AND ACCOUNTING ASSUMPTIONS

To prepare CBA financial statements in accordance with IFRSs Management is required to make estimates, estimates and assumptions that will reflect the carrying amount of assets and liabilities as at the reporting date, the disclosure of contingent liabilities and the income and expenses for the period. Assessments of assumptions and calculations are made on a regular basis and are based on other factors, such as management experience and expectations for the future of the situation. However, the uncertainty of these assumptions and calculations may lead to material adjustments to future asset and liability accounts.

3. ACCOUNTING POLICY

(a) Accounting documents

The management of “ZORIG FOUNDATION” NGO has developed and implemented financial and accounting policy documents in accordance with the Law on Accounting and other laws and regulations. The financial statements are prepared in accordance with IFRSs.

(b) General Basis of Accounting

The financial statements of the NGO, denominated in Mongolian Tugrugs (MNT), are prepared on a historical cost basis.

(c) The principle of continuity

Financial statements prepared based on the principle of continuous operation.

The entity follows the following accounting policies in preparing its financial statements. This includes:

(d) Cash and cash equivalents

The entity's cash and cash equivalents consist of cash held by the cashier and cash in a bank account.

(e) Exchange rate conversion

Current account balances denominated in foreign currencies, receivables and payables denominated in foreign currencies at the end of the month, quarter and year are adjusted based on the exchange rate set by the Bank of Mongolia at the end of the quarter and year. Gains or losses on exchange

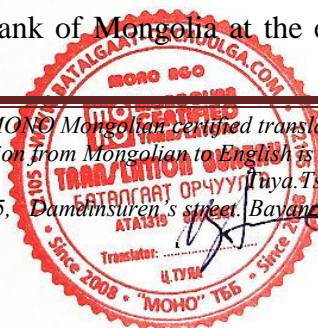
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differences are recognized in the income statement as unrealized gains or losses on exchange differences.

(f) Accounts receivable

Accounts receivable include sales receivables in the accounts of each customer. An entity does not create a provision for bad debts.

(g) Prepaid expenses

Expenses that have been prepaid prior to being recognized as an expense in the period in which they are incurred are included in the asset item in the statement of financial position and recorded as prepaid expense. Such expenses are included in related expenses in the next period.

(g) Fixed assets

Vehicles, furniture, computer accessories and other property, fixed and equipment are stated at cost, accumulated depreciation and net worth. Vehicles, furniture and other fixed assets, The initial cost of a computer accessory consists of the purchase price.

(h) Depreciation of fixed asset

Depreciation of vehicles, furniture and other fixed assets and computer accessories is recognized in the income statement on a straight-line basis over their useful lives.

(l) Short-term liabilities

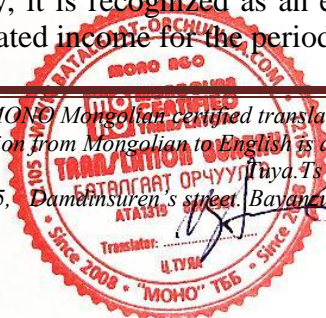
Short-term liabilities are fixed: accounts payable, taxes, commission payable, salary payable, payment statement, dividend debt and liabilities for the period of long-term debt and pre-earned income.

(m) Revenue recognition

The organization's main sources of revenue are the projects, programs, donations, and other revenues. Revenue is recorded on an accrual basis.

(n) Cost recognition

The entity maintains its accounting records on an accrual basis, regardless of whether it is paid in cash or not, the events and transactions are recognized in the reporting period and reflected in the costs. Decreased assets or increased liabilities reduce economic benefits and if this reduction can be measured reliably, it is recognized as an expense. However, the policy is to record the expense in relation to the related income for the period.



(o) Taxes and fees

Value-added tax, income tax, income tax deducted from employees' salaries, and taxes deducted from goods and services purchased from individuals are settled with the tax authority. It fulfilled its obligations on taxes, fees and payments on time.

(g) Employee’s health and social insurance

For employees, future pensions and benefits, to the State Social Insurance Agency, in accordance with the law, pays social insurance and health insurance premiums. Expenses for social insurance and health insurance premiums are recognized as expenses in the income statement when they are incurred.

(u) Short-term loans

Loans with a term of up to one year apply.

(n) Liabilities relating to non-current assets held for sale

The amount of liabilities relating to non-current assets held for sale is presented.

(p) Long-term loans

This section presents the amount of domestic and foreign sources and related loans to be repaid over a period of one year.

4. CASH AND CASH EQUIVALENTS

At the end of 2020 and 2019, the company's cash balance is as follows.

In MNT' 000	2020/12/31	2019/12/31
US Dollars in the bank / by transferring to MNT /	14,460.3	41,205.2
Euro in the bank / by transferring to MNT /	57,288.2	518.6
MNT in the bank	60,323.9	37,622.6
Total	132,072.4	79,346.4

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5. RECEIVABLES

At the end of 2020, the company's other receivables are as follows.

In MNT' 000	2020/12/31	2020/12/31
Accounts receivable	20.2	20.2
Amount of receivables	20.2	20.2

6. FIXED ASSETS

a. The movement of fixed assets in 2020 is as follows.

(In MNT' 000)	Start of the year	Added	Subtracted	End of the year
Furniture	6,224.0			6,224.0
Computer accessories	3,525.7	5,677.4		9,203.1
Other fixed assets	3,655.9	119.8		3,775.7
Total assets	13,405.6	5,797.2		19,202.8
Total net assets	784.2			6,218.4

b. The changes in the accumulated depreciation of fixed assets in 2020 are as follows.

(In MNT' 000)	Start of the year	Added	Subtracted	End of the year
Furniture				
Computer accessories	9,478.0	271.7		9,749.7
Other fixed assets	3,143.4	91.3		3,234.7
Accumulated depreciation	12,621.4	363.0		12,984.4

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7. OTHER SHORT-TERM LIABILITIES

In 2020, the advance income account balance is 153,450.8 thousand MNT, and in 2019 it is 112,147.3 thousand MNT.

8. NET ASSETS

a. Limited resources

As of December 31, 2020, the organization's limited net assets amounted to MNT 2,969.6 thousand.

9. CUMULATIVE RESULTS

In 2020, there will be a loss of 18,109.4 thousand MNT, and in 2019 there will be a loss of 34,966.1 thousand MNT.

10. INCOME

(In MNT' 000)	2020/12/31	2019/12/31
Program and project revenue	261,834.0	311,703.2
Other income	52.0	693.3
Total	261,886.0	312,396.5

11. OTHER INCOME, GAIN (LOSS)

In 2020, other income was 52.0 thousand MNT, and in 2019, other income was 693.3 thousand MNT.

12. EXPENSES

a. The organization's salary expenses in 2020 were MNT 130,029.9 thousand and in the reporting period of 2019 it was MNT 119,834.5 thousand.

b. General management expenditure in 2020 was MNT 12,497.6 thousand and in the reporting period of 2019 was MNT 4,863.4 thousand.

c. In 2020, other expenses amounted to 273.0 thousand MNT, and in 2019, 172.2 thousand MNT.

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13. NET RESULTS

The organization had a net profit of MNT 16,856.7 thousand in 2020 and MNT 7,668.5 thousand in the reporting period of 2019.

14. POST-REPORTING PROCESS

Following the balance sheet, the Covid-19 or Coronavirus infection, which began in January 2020, has spread worldwide, affecting more than 200 countries and affecting not only global health but also business and economic conditions. International economists predict that the economic crisis caused by this infectious disease will continue. It is not possible to predict how the crisis will affect the company's financial and economic viability.

Due to the outbreak of the Covid-19 epidemic in the country in the reporting year, the scope of audits was limited due to the fact that electronic audits were conducted and it is important to note that in the next reporting period, the procedures and tests were limited, such as the full coverage of primary documents and the physical inventory.

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