

ANNUAL REPORT

beginning of financial year: 01.01.2017

end of the financial year: 31.12.2017

business name: E-riigi Akadeemia Sihtasutus

register code: 90007000

street, building, apartment, farm: Rotermann tn 8

city: Tallinn

county: Harju maakond

postal code: 10111

telephone: +372 6631500

e-mail address: aile.kullerkupp@ega.ee

web address: www.ega.ee

Table of contents

Management report	3
The annual accounts	5
Statement of financial position	5
Statement of revenues and expenses	6
Statement of cash flows	7
Statement of changes in net assets	8
Notes	9
Note 1 Accounting policies	9
Note 2 Cash and cash equivalents	12
Note 3 Receivables and prepayments	12
Note 4 Tax prepayments and liabilities	13
Note 5 Other receivables	13
Note 6 Property, plant and equipment	14
Note 7 Operating lease	14
Note 8 Payables and prepayments	15
Note 9 Employee payables	15
Note 10 Grants with special terms	15
Note 11 Grants and donations	16
Note 12 Other income	16
Note 13 Direct expenses of projects financed by grants and donations	16
Note 14 Labor expense	17
Note 15 Related parties	17
Signatures	18
Sworn auditor's report	19

Management report

e-Governance Academy (eGA) is an independent mission-based non-profit organisation, brought into existence by the United Nations Development Programme, Open Society Institute and the Government of Estonia in 2002. eGA is audited by an internationally recognised audit firm, currently KPMG Baltics.

eGA inspires, trains and advises public sector leaders, officials and stakeholders in using information technology to increase government efficiency and transparency and improve democratic processes. Additionally, in cooperation with companies eGA assists foreign governments in the design, selection and implementation of e-solutions.

We have trained over 4,000 officials from more than 60 countries and led or participated in more than 65 international development projects on the national, local and organisational levels.

We have extensive experience in the development of e-governance in transitional societies, particularly in Central and Eastern Europe, the Balkans, and Africa. In addition, eGA has excellent cooperation with countries of the European Union (Finland, Sweden, Netherlands, Latvia, and many others).

eGA is a member of the Estonian Roundtable for Development Cooperation and the Network of Estonian Non-Profit Organisations. In carrying out its activities, eGA follows the Code of Ethics of Estonian non-profit organisations.

Altogether in 2017 eGA had 25 staff working under employment contracts and three new positions were filled. Converted to full time equivalent, eGA employed 21 employees.

The year 2017 will be remembered in eGA's history for the increased cooperation that was had with African, Caribbean and Pacific countries. It culminated with the Tallinn e-Governance Conference in May and was followed by several visits, consultations and study training events with the Indian Ocean Commission and more directly with Mauritius and Caribbean countries. Moreover, eGA hosted study visits from Mali, Benin, Nigeria, Madagascar, and others. It also started a tight cooperation of developing e-governance with the Cayman Islands.

Estonia's Presidency of the Council of the European Union (EU) in the second half of the year enabled eGA to play an important role between EU and Eastern Partnership countries. The highlight of this was the e-Partnership Conference, which was organised by eGA and the Estonian Centre of Eastern Partnership (ECEAP) in October 2017. The conference featured a discussion on how best to use information technology to improve transparency in the decision-making process and to help guarantee cyberspace security, presenting a Situation Review of the safety and security of cyberspace and e-democracy's current state-of-affairs within Eastern Partnership countries.

The largest activities were conducted in Ukraine, where eGA also assisted in preparing for the implementation of the secure data exchange system, information systems and administrative e-services for administrative service centres in 2018. As a result, the public service delivery in the Ukrainian local governments will improve and the level of corruption should decrease.

In Georgia, the first twinning project, in which Estonia (represented by eGA) had the role of the leading partner, was successfully conducted. The task gave us the confidence that eGA can successfully handle a leadership role within EU twinning projects and sustain all associated institutional, reporting and management challenges. In Armenia, eGA helped to improve government services by implementing the e-penitentiary system, modernising the business register of legal entities and the e-notary system. Cooperation also continued with Kyrgyzstan, Kazakhstan, Uzbekistan and Turkmenistan.

eGA also strengthened cooperation with international donors. Hannes Astok, member of the Management Board, worked for four months within the UNDP Head Office in New York, helping to develop digital governance programmes and projects. Moreover, eGA started cooperation with the Inter-American Development Bank, African Union, ACP Secretariat, European Reconstruction and Development Bank (EBRD), Caribbean Telecommunications Union and International Republican Institute (IRI), among others.

eGA remarkably increased and shared our knowledge in deepening democracy and increasing citizen engagement. The Situation Review, which eGA conducted in six EaP (Eastern Partnership) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), enabled the identification of good showcases and the description of trends in two important cornerstones of up to date e-governance—e-democracy and cyber security. eGA found that the area of e-democracy in the EaP region is highly dynamic and has numerous new developments, constituting good showcases, not just for the region, but also for the rest of the world.

Cyber security is a topic that received a lot of attention in 2017, with worldwide ransomware cases, like WannaCry and NotPetya, putting cyber security firmly in the spotlight. At the more local level, Estonia also had to deal with risks to its electronic ID card security. All of these cases indicated that cyber security management must be a systematic and comprehensive process. For this reason, eGA developed the National Cyber Security Index (NCSI), which measures a country's cyber security capacity. The NCSI methodology has also been used for creating a cyber security overview for EU Eastern Partnership Countries.

Also in 2017, a big step was taken to increase organisational capacity. eGA was awarded the ISO 9001:2015 certificate, which indicates that e-Governance Academy's project management, training and consulting services are in compliance with the requirements of the ISO standard.

The certificate was awarded by Bureau Veritas on 15 May 2017.

For more information on our activities, please visit our website www.eqa.ee

The annual accounts

Statement of financial position

(In Euros)

	31.12.2017	31.12.2016	Note
Assets			
Current assets			
Cash and cash equivalents	4 242 740	1 535 778	2
Receivables and prepayments	579 640	1 431 452	3
Total current assets	4 822 380	2 967 230	
Non-current assets			
Receivables and prepayments	16 570	14 901	3
Property, plant and equipment	73 429	66 133	6
Total non-current assets	89 999	81 034	
Total assets	4 912 379	3 048 264	
Liabilities and net assets			
Liabilities			
Current liabilities			
Payables and prepayments	390 684	1 172 712	8
Grants with special terms	4 142 834	1 556 077	10
Total current liabilities	4 533 518	2 728 789	
Total liabilities	4 533 518	2 728 789	
Net assets			
Foundation/Issued capital	383	383	
Accumulated surpluses (deficits) from previous periods	319 092	290 527	
Surplus (deficit) for the period	59 386	28 565	
Total net assets	378 861	319 475	
Total liabilities and net assets	4 912 379	3 048 264	

Statement of revenues and expenses

(In Euros)

	2017	2016	Note
Revenue			
Grants and donations	3 273 713	3 413 825	11
Business income	418 509	628 837	
Other income	117 951	416 585	12
Total revenue	3 810 173	4 459 247	
Expenses			
Direct cost of projects financed by grants for special purposes	-3 300 802	-3 377 254	13
Other operating expense	-189 947	-821 689	
Employee expense	-178 232	-217 338	14
Depreciation and impairment loss (reversal)	-22 276	-13 508	6
Total expenses	-3 691 257	-4 429 789	
Surplus (deficit) from operating activities	118 916	29 458	
Interest income	149	46	
Interest expenses	-3 346	-2 927	
Other financial income and expense	-56 333	1 988	
Net surplus (deficit) for the period	59 386	28 565	

Statement of cash flows

(In Euros)

	2017	2016	Note
Cash flows from operating activities			
Surplus (deficit) from operating activities	118 916	29 458	
Adjustments			
Depreciation and impairment loss (reversal)	22 276	13 508	6
Other adjustments	967	638	
Total adjustments	23 243	14 146	
Adjustments for operating receivables and prepayments	850 143	-1 273 071	3
Adjustments for operating liabilities and prepayments	-782 029	1 030 219	8
Interest received	150	46	
Interest paid	-3 346	-2 927	
Proceeds from grants with special terms	2 586 757	238 473	10
Total cash flows from operating activities	2 793 834	36 344	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-30 539	-12 676	6
Total cash flows from investing activities	-30 539	-12 676	
Total cash flows	2 763 295	23 668	
Cash and cash equivalents at beginning of period	1 535 778	1 510 121	2
Change in cash and cash equivalents	2 763 295	23 668	
Effect on exchange rate changes on cash and cash equivalents	-56 333	1 989	
Cash and cash equivalents at end of period	4 242 740	1 535 778	

Statement of changes in net assets

(In Euros)

	Foundation/Issued capital	Accumulated surpluses deficits from previous period	Total net assets
31.12.2015	383	290 527	290 910
Net surplus (deficit) for the period	0	28 565	28 565
31.12.2016	383	319 092	319 475
Net surplus (deficit) for the period	0	59 386	59 386
31.12.2017	383	378 478	378 861

Notes

Note 1 Accounting policies

General information

Basis of preparation

The annual financial statements of e-Governance Academy (hereafter also referred to as 'the foundation') have been prepared in accordance with the Republic of Estonia Accounting Act and generally accepted accounting principles (the Estonian GAAP). The main requirements of the Estonian GAAP are set out in the Estonian Accounting Act and more specific guidance is provided in the standards issued by the Estonian Accounting Standards Board.

The financial statements have been prepared on the historical cost basis unless described otherwise in these accounting policies.

The financial statements are presented in euros.

Financial assets

Financial assets comprise cash, short-term investments in financial assets, trade receivables and other current and non-current receivables. When a financial asset is recognised initially, it is measured at its cost, which is the fair value of the consideration given for it. The initial cost of a financial asset comprises all transaction charges directly attributable to its acquisition.

Purchases and sales of financial assets are consistently recognised at the settlement date, i.e. at the date the assets are transferred to or by the foundation.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts, demand deposits, term deposits with a short maturity (less than three months) and units in money market funds that are not subject to a material risk of changes in market value.

Presentation of the statement of cash flows

Cash flows from operating activities are reported using the indirect method – the net cash flow from operating activities is determined by adjusting surplus or deficit on operating activities for the effects of non-cash items and changes in operating receivables and payables. Cash flows from investing and financing activities are reported using the direct method.

Foreign currency transactions and assets and liabilities denominated in a foreign currency

A transaction in a foreign currency is recorded by applying the exchange rate of the European Central Bank of the date of the transaction. At the reporting date, foreign currency monetary items are translated to euros using the closing exchange rates of the European Central Bank. Exchange gains and losses arising on translation are recognised in the statement of financial performance.

Receivables and prepayments

Trade receivables

Trade receivables comprise short-term receivables acquired in the ordinary course of the foundation's activities. Trade receivables are measured at their amortised cost (i.e. at nominal value less any repayments and impairment losses).

A trade receivable denominated in a foreign currency is recorded initially by applying the exchange rate of the European Central Bank of the date of the transaction. At the reporting date, foreign currency trade receivables are translated to euros using the exchange rates of the European Central Bank ruling at that date.

Trade receivables are assessed for impairment on an individual basis, i.e. the collectibility of each amount due under an invoice or a contract is assessed separately. When individual assessment is not practicable due to the large number of items involved, only significant receivables are assessed for impairment on an individual basis. The rest of the receivables are assessed for impairment collectively by reference to the foundation's historical experience with uncollectible items. Recovery of doubtful (impaired) receivables written down in a prior period is recognised by reducing expenses from doubtful receivables. Trade receivables whose collection is doubtful are recognised as expenses in accordance with the provisions of the Accounting Act.

Other receivables

All other receivables (accrued income, loans provided and other current and non-current receivables) except for items acquired for resale are measured at their amortised cost.

As a rule, the amortised cost of a current receivable is equal to its nominal value (less any impairment losses). Therefore, a current receivable is carried in the statement of financial position in the amount that is expected to be collectible. A non-current receivable is recognised initially at the fair value of the consideration receivable. In subsequent periods, it is measured and interest income is charged on it using the effective interest rate method. Receivables acquired for resale are measured at their fair value.

Plant, property and equipment and intangible assets

Non-current assets

In line with the materiality concept, an asset is recognised as non-current if its cost exceeds 600 euros and estimated useful life extends beyond a year.

An item of property, plant and equipment is recognised initially at its cost, which comprises its purchase price (including import duties and other non-refundable taxes) and other direct costs incurred in bringing the asset to the location and condition necessary. After initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any impairment losses. Items of property, plant and equipment are depreciated over their estimated useful lives using the straight-line method.

In the statement of financial position, non-current assets are classified in line with the format provided in the Accounting Act. The foundation has the following classes of non-current assets:

- Property, plant and equipment, which comprises computers and equipment and other fixtures and fittings.

Where an item of property, plant and equipment consists of parts that have different useful lives, the parts are accounted for separately and assigned depreciation rates that correspond to their useful lives. Where the recoverable amount of an item of property, plant and equipment (i.e. the higher of its net selling price and value in use) declines below its carrying amount, the asset is written down to its recoverable amount.

Minimal acquisition cost 600 EUR

Useful life by assets group (years)

Assets group name	Useful life
Plant and equipment and office equipment	3 years
Furniture	10 years
Other items of property, plant and equipment	5 years

Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the foundation. All other leases are classified as operating leases.

The foundation as a lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge (interest expense) and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. A leased asset is depreciated similarly to assets that are owned. When it is not sufficiently certain that the lessee will acquire the asset by the end of the lease term, the leased asset is depreciated over the shorter of its lease term and estimated useful life.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Financial liabilities

Financial liabilities comprise trade payables, accrued expenses and other current and non-current payables and borrowings. When a financial liability is recognised initially, it is measured at its cost which is the fair value of the consideration received for it. The initial cost of a

financial liability comprises all transaction charges directly attributable to its acquisition. After initial recognition, financial liabilities are measured at their amortised cost.

A financial liability is removed from the statement of financial position when it is discharged or cancelled or expires.

Vacation pay liability

Expenses related to the vacation pay liability are recognised in the period in which the liability arises. The vacation pay liability is adjusted on an annual basis – at the end of the financial year. The vacation pay earned by the employees is recognised as an expense in the statement of financial performance and a current liability to employees in the statement of financial position.

Grants and donations

The activities of e-Governance Academy are financed to a significant extent with grants and transfers.

In the statement of financial performance, the item Grants and transfers comprises specific-purpose grants and transfers – for example, the transfers received for carrying out the development cooperation projects of the Ministry of Foreign Affairs, the grants provided by Open Estonia Foundation and specific-purpose grants and transfers received from other organisations and persons.

The cash received for a project is recognised in the statement of financial position as a liability (deferred income), which is taken to revenue in proportion to the expenses incurred in the reporting period in respect of the same project or at the rate of execution of the project. When a financed activity (project) ends, the foundation has to submit to the provider of the specific-purpose grant (the donor) a report on the use of funds received. As a rule, the amount of a grant that remains unused is returned.

When the expenses of a project funded with a specific-purpose grant are incurred in the eligibility period and meet the eligibility rules but the cash to be provided by the donor has not yet been received, the expenses are recognised as project expenses in the period in which they are incurred and are taken to revenue in the same amount in accordance with the principle of matching revenues and expenses. An amount of the same size is recognised as a receivable until cash is received from the donor.

Other income comprises other project-based funding provided by donors for specific-purpose projects or training. The cash received for a project is recognised in the statement of financial position as a liability (deferred income), which is taken to revenue in proportion to the expenses incurred in the reporting period in respect of the same project or at the rate of execution of the project. Other income comprises mainly financing for short-term projects and training events.

Grants are recognised as income on a systematic basis over the periods in which the foundation recognises as expenses the costs for which the grants are intended to compensate. A grant received for compensating for expenses incurred in previous periods or which do not have any attaching conditions that have to be complied with in the future are recognised as income in the period in which the grant was provided. A grant is not recognised as income until there is reasonable assurance that the foundation will comply with the conditions attaching to the grant and the grant proceeds become receivable. In the statement of cash flows, specific-purpose grants are reported using the indirect method.

Revenue recognition

Revenue from trading activities comprises income generated by economic activities. The item also includes successful bids for public procurement projects, short-term consulting revenue and revenue from services that support the foundation's statutory activities.

Expense recognition

Related parties

A related party is a person or a company that is related to e-Governance Academy to such an extent that transactions between them may be conducted on terms other than market terms.

Related parties include:

- 1) the founders;
- 2) the members of the executive and higher governing bodies; and
- 3) close family members of the founders and the members of the executive and higher governing bodies;
- 4) companies under the control or significant influence of all of the above persons.

Events after the reporting period

The financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the reporting date (31 December 2016) and the date on which the financial statements were authorised for issue but are related to the reporting or prior periods. Subsequent events that are indicative of conditions that arose after the reporting date but which will have a significant effect on the result of the next financial year are disclosed in the notes to the financial statements.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2017	31.12.2016
Cash on hand, EUR	9 729	3 815
Cash on hand, foreign currencies	1 847	2 079
Cash at bank, EUR	3 584 182	1 222 182
Cash at bank, foreign currencies	646 982	307 702
Total cash and cash equivalents	4 242 740	1 535 778

Note 3 Receivables and prepayments

(In Euros)

	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	545 846	545 846			
Accounts receivables	545 846	545 846			
Tax prepayments and receivables	6 461	6 461			4
Other receivables	27 333	27 333	0	0	5
Accrued income	27 333	27 333	0	0	
Total receivables and prepayments	596 210	579 640	16 570		

	31.12.2016	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	1 195 225	1 195 225	0		
Accounts receivables	1 195 225	1 195 225	0		
Tax prepayments and receivables	34 744	34 744	0		4
Other receivables	201 483	201 483	0	0	5
Accrued income	201 483	201 483	0	0	
Total receivables and prepayments	1 446 353	1 431 452	14 901		

Note 4 Tax prepayments and liabilities

(In Euros)

	31.12.2017		31.12.2016	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Personal income tax	0	11 856	0	8 321
Fringe benefit income tax	0	1 114	0	834
Social tax	0	22 770	0	16 369
Contributions to mandatory funded pension	0	1 038	0	743
Unemployment insurance tax	0	1 233	0	817
Other tax prepayments and liabilities		7	0	7
Prepayment account balance	6 461		34 744	
Total tax prepayments and liabilities	6 461	38 018	34 744	27 091

Note 3,8

Note 5 Other receivables

(In Euros)

	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accrued income	27 333	27 333	0	0	3
	12 874	12 874	0	0	
	14 459	14 459	0	0	
Total other receivables	27 333	27 333	0	0	
<hr/>					
	31.12.2016	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accrued income	201 483	201 483	0	0	3
	161 233	161 233	0	0	
	40 250	40 250	0	0	
Total other receivables	201 483	201 483	0	0	

Note 6 Property, plant and equipment

(In Euros)

						Total
	Computers and computer systems	Machinery and equipment	Other property, plant and equipment	Prepayments	Unfinished projects and prepayments	
31.12.2016						
Carried at cost	40 017	40 017	50 003	0	0	90 020
Accumulated depreciation	-14 956	-14 956	-8 931	0	0	-23 887
Residual cost	25 061	25 061	41 072	0	0	66 133
Acquisitions and additions	30 539	30 539	0	0	0	30 539
Depreciation	-12 275	-12 275	-10 001			-22 276
Other changes	-967	-967				-967
31.12.2017						
Carried at cost	66 318	66 318	50 003			116 321
Accumulated depreciation	-23 960	-23 960	-18 932			-42 892
Residual cost	42 358	42 358	31 071			73 429

Note 7 Operating lease

(In Euros)

Accounting entity as lessee

	2017	2016
Operating lease expenses	43 739	36 224

Note 8 Payables and prepayments

(In Euros)

	31.12.2017	Within 12 months	Note
Trade payables	306 770	306 770	
Employee payables	34 814	34 814	9
Tax payables	38 018	38 018	4
Prepayments received	11 082	11 082	
Deferred income	11 082	11 082	
Total payables and prepayments	390 684	390 684	
<hr/>			
	31.12.2016	Within 12 months	Note
Trade payables	1 106 629	1 106 629	
Employee payables	38 992	38 992	9
Tax payables	27 091	27 091	4
Total payables and prepayments	1 172 712	1 172 712	

Note 9 Employee payables

(In Euros)

	31.12.2017	31.12.2016	Note
Vacation pay liability	18 063	27 903	
Salaries payable	12 800	6 214	
Other payables to employees	3 951	4 875	
Total employee payables	34 814	38 992	8

Note 10 Grants with special terms

(In Euros)

Assets at cost

	31.12.2015	Received	Repaid	Revenue	31.12.2016
Grants for operating expenses					
Total grants for operating expenses	1 317 604	2 726 951	-1 876	-2 486 602	1 556 077
Total grants	1 317 604	2 726 951	-1 876	-2 486 602	1 556 077
<hr/>					
	31.12.2016	Received	Repaid	Revenue	31.12.2017
Grants for operating expenses					
Total grants for operating expenses	1 556 077	4 386 957	-9 555	-1 790 645	4 142 834
Total grants	1 556 077	4 386 957	-9 555	-1 790 645	4 142 834

Note 11 Grants and donations

(In Euros)

	2017	2016
Grants and donations related to income	45 000	44 500
Specific-purpose grants and transfers for carrying out projects	3 228 713	3 369 325
Total grants and donations	3 273 713	3 413 825
Provision from state budget	589 895	555 976
Other specific-purpose grants	2 683 818	2 857 849

Monetary and non-monetary grants and donations	2017	2016
Monetary grant	0	1 786
Total grants and donations	0	1 786

Note 12 Other income

(In Euros)

	2017	2016
Statutory training activities	106 116	416 435
Other	11 835	150
Total other operationg income	117 951	416 585

Note 13 Direct expenses of projects financed by grants and donations

(In Euros)

	2017	2016	Note
Transportation expense	27 791	44 084	
Office expense	216 688	113 898	
Travel expense	282 563	307 205	
Labor expense	1 092 702	712 549	14
Expenses on visas	771	2 736	
Training participants`accommodation expenses	12 783	24 307	
Other project/training execution expenses	1 667 504	2 172 475	
Total direct expenses of projects financed by grants and donations	3 300 802	3 377 254	

Note 14 Labor expense

(In Euros)

	2017	2016	Note
Wage and salary expense	1 020 670	746 120	
Social security taxes	250 264	183 767	
Total labor expense	1 270 934	929 887	
Thereof disclosed as direct expenses of projects financed by grants and donations	1 092 702	712 549	13
Average number of employees in full time equivalent units	21	18	

eGA employed on average 21 people. By type of employment relationships listed in subsection 25(1) of the Taxation Act:

- 1) People working under employment contracts: 19
- 2) Members of legal person's management or control bodies: 2

In addition to above, eGA has sub-contracted more than 70 experts and lecturers during financial year 2017.

Note 15 Related parties

(In Euros)

Related party balances according to groups

2017	Purchases
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	1 200
2016	Purchases
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	2 305

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2017	2016
Remuneration	189 665	211 312