

**First Children's Embassy in the World
MEGJASHI**

Financial Statements
for the year ended 31 December
2003 With independent Auditor's
Report thereon

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Independent Auditor's Report to the First Children's Embassy in the World MEGJASHI

We have audited the accompanying balance sheet of the First Children's Embassy in the World MEGJASHI ("the Organisation") as of 31 December 2003, and the related statements of income and fund balance for the year then ended. These financial statements are the responsibility of the Organisation's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Organization as of 31 December 2003, and of the results of its operations for the year then ended in accordance with Macedonian Legislation.

2 April 2004
Skopje

KPMG

KPMG

Income Statement

For the year ended 31 December 2003

In MKD

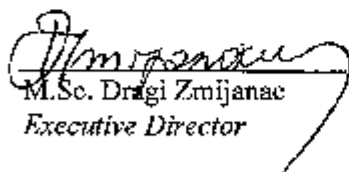
	Note	2003	2002
Income from donations	1	22,085,574	6,259,339
Income from self-financing		<u>175,623</u>	<u>479,119</u>
Total contribution income		<u>22,261,197</u>	<u>6,738,458</u>
Program expenses	2	<u>21,854,273</u>	<u>5,689,038</u>
Program expenses		<u>21,854,273</u>	<u>5,689,038</u>
Surplus for the year		<u><u>406,924</u></u>	<u><u>1,049,420</u></u>

Balance Sheet

As of 31 December 2003

<i>In MKD</i>	Note	2003	2002
Assets			
Property, plant and equipment	3	<u>2,359,883</u>	<u>1,012,205</u>
Total non current assets		<u>2,359,883</u>	<u>1,012,205</u>
Cash	4	<u>1,884,410</u>	<u>1,231,523</u>
Receivables	5	<u>208,400</u>	<u>208,400</u>
Total current assets		<u>2,092,810</u>	<u>1,439,923</u>
Total assets		<u>4,452,693</u>	<u>2,452,128</u>
Liabilities and fund balance			
Fund balance		<u>4,315,958</u>	<u>2,402,034</u>
Total fund balance		<u>4,315,958</u>	<u>2,402,034</u>
Payables	6	<u>136,735</u>	<u>50,094</u>
Total current liabilities		<u>136,735</u>	<u>50,094</u>
Total liabilities and fund balance		<u>4,452,693</u>	<u>2,452,128</u>

The financial statements set out on pages 1 to 10 were approved by the Organization's Collegium on 2 April 2004 and signed on its behalf by:


M.Sc. Dr. Zmijanac
Executive Director

Statement of fund balance

For the year ended 31 December 2003

<i>In MKD</i>	Fund Balance
At 1 January 2002	524,309
Additions of property, plant and equipment	915,747
Depreciation charge for the year	(89,989)
Revaluation	2,547
Surplus for the year	<u>1,049,420</u>
At 31 December 2002	<u>2,402,034</u>
At 1 January 2003	2,402,034
Additions of property, plant and equipment	1,635,929
Depreciation charge for the year	(128,930)
Surplus for the year	406,924
At 31 December 2003	<u>4,315,958</u>

Notes to the financial statements

Significant accounting policies

The First Children's Embassy of the World – Megjashi ("the Organisation") was established in Skopje, Republic of Macedonia, on 29 April 1992. It was registered as a not-for profit organisation in accordance with the Law for Citizens Associations and Foundations. It operates on national level with funds received from various donors. The main activities relate to protection of children's rights.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Macedonian Legislation.

(b) Basis of preparation

The financial statements are presented in Macedonian Denars. They are prepared on historical cost basis except for revaluation of certain property, plant and equipment.

The accounting policies are consistent with those used in the previous years.

(c) Property, plant and equipment

Items of property, plant and equipment paid are stated at cost or valuation less accumulated depreciation (see below).

Additions of property, plant and equipment paid in cash during the year are recorded as assets and liability to the vendor and at the same time as expense and increase of fund balance. Additions of property, plant and equipment donated as contribution in-kind to the Organization are recorded as increase of assets and fund balance.

Depreciation of property, plant and equipment is designed to write off the cost of property, plant and equipment on a straight-line basis over their prescribed useful lives:

	2003	2002
	%	%
Furniture and equipment	12-20	12-20

The depreciation charge for the year for property, plant and equipment paid in cash is recorded as decrease of fund balance and increase of the accumulated depreciation. The depreciation charge for the donated property, plant and equipment in kind is recorded as expense and increase of accumulated depreciation.

Assets are not depreciated until they are brought into use.

Notes to the financial statements

Significant accounting policies (continued)

(d) Income from donations

Income is recognized in the period when occurred according to the criteria of measurability and availability. The income is measurable when it can be expressed in values. The income is available if it occurred within or 30 days after the reporting period end and if it is used for settlement of liabilities arised in the reporting period.

(e) Expenses

Expenses are recognized in the period when incurred or within 30 days after the end of the reporting period if the liability arised in the reporting period.

(f) Foreign currency

There are no transactions in foreign currency.

(g) Taxation issues

The corporate tax is fixed for all taxpayers in amount of 15% on taxable income but as a not for profit organization the Organization is not liable for corporate tax.

Notes to the financial statements

1. Income from donations

<i>In MKD</i>	2003	2002
USAID – Community Self-Help Initiative	14,557,274	779,990
CRIC – Centro Regionale di Intervento per la Cooperazione	2,410,304	-
Ministry of Labour and Social Policy	2,150,000	2,410,800
Institute for Sustainable Communities	716,494	484,218
Macedonian Centre for International Cooperation	576,521	880,933
World Bank	398,470	-
Balkan Children and Youth Foundation	333,134	457,116
Donations from employees	325,945	-
Embassy of Switzerland	243,097	-
Equal in Development, Brussels	109,445	-
Government of the Republic of Macedonia	100,000	200,000
Global March for Children	52,510	-
British Embassy	-	418,582
Wustrow	-	284,622
OSCE	-	30,745
Other	112,380	312,333
	<u>22,085,574</u>	<u>6,259,339</u>

2. Program expenses

<i>In MKD</i>	2003	2002
Non-production expenses	4,432,657	473,791
Program materials	4,045,476	913,006
Honoraria	4,018,444	1,254,162
Salaries	2,658,553	997,074
Printing services	1,584,066	144,454
Transportation	1,272,510	319,561
Telephone and postal services	914,458	304,705
Maintenance	812,896	345,326
Purchased property, plant and equipment	735,829	-
Fuel	286,432	130,714
Depreciation	159,321	137,593
Representation	20,838	468,744
Other	912,793	199,908
	<u>21,854,273</u>	<u>5,689,038</u>

The main project activities implemented by the Organisation during 2003 were as follows:

- Accommodation of Internally Displaced Persons, financed by the Ministry of Labour and Social Policy, as well as other humanitarian institutions and companies.

Notes to the financial statements

2. Program expenses (continued)

- **SOS Phone for Children and Young** financed by the Balkan Children and Youth Foundation. The SOS Phone replied to 324 calls during 2003. Most common reasons for the calls were family problems and problems related to violence of various types (sexual abuse, psychic and physical abuse, abuse of child labour). The volunteers went through a series of trainings and strategic planning seminars.
- **Children Workshops** financed by the World Bank. There were 12 workshops in English, computers, art section, origami, German, French, literature and mathematics. Main purpose of the activities was to secure equal possibilities for the children with lower social status. 100 children were included 8 to 14 years of age.
- **Shelter for children in crisis.** 16 displaced persons from the village Arachinovo, out of which eight are children, are sheltered with financial support of the Ministry of Labour and Social Policy.
- **Macedonian Volunteers in Action - Mac Action** is the largest project that was undertaken by the Organization in 2003. Its mission is to stimulate volunteerism and aid in the community through informal training and minimum financial support to the volunteers. The project was financed by the United States Agency for International Development—the Community Self-Help Initiative.
- **Non-Violent Conflict Resolution - Initiative for better mutual understanding** was a project for improvement of the communication between the high school students of Macedonian and Albanian ethnic origin. The Institute for Sustainable Communities and the Embassy of Switzerland were the financiers of this project.
- **Campaign for Eliminating the Worst Types of Child Labour** - it was a one week campaign that was financed by the NGO Global March Against Child Labour.
- **Action for Citizenship through Theatre** is a project realized in cooperation with the NGO CRIC (Centro Regionale di Intervento per la Cooperazione) and financed by the European Union, through the European Agency for Reconstruction. 60 children participated in theatre, sports and art workshops. Within the workshops the participants prepared a theatre play that was performed in 16 towns around the country.
- **Workshops in Multiethnic Elementary Schools** - children with different ethnic background from 15 schools were involved in this project for understanding and cooperation improvement. The project was financed by the Belgian organization Equal in Development.
- **Action "Books for Weapons"** - more than 100 children surrendered their weapon-toys and received a book.
- **Besides the above activities the Organization realized its regular activities** such as legal representation and lobbying, social and humanitarian aid, publications, activities bulletin, participation in international seminars, trainings and conferences.

Notes to the financial statements

3. Property, plant and equipment

<i>In MKD</i>	Furniture and equipment
Cost or valuation	
At 1 January 2003	2,146,826
Additions	1,635,929
Write off	(110,820)
At 31 December 2003	<u>3,671,935</u>
Depreciation	
At 1 January 2003	1,134,621
Charge for the year in income statement	159,321
Depreciation for donated property, plant and equipment	128,930
Write off	(110,820)
At 31 December 2003	<u>1,312,052</u>
Carrying amount	
As at 1 January 2003	<u>1,012,205</u>
As at 31 December 2003	<u>2,359,883</u>

Out of the total additions of equipment in amount of MKD 900,100 represent a donations contributed in kind of CRIC.

4. Cash

<i>In MKD</i>	2003	2002
Cash at bank	1,846,399	1,219,435
Cash on hand	38,011	12,088
	<u>1,884,410</u>	<u>1,231,523</u>

5. Receivables

Receivables of the Organization are consisted of MKD 198,400 from the Ministry of Labour and Social Policy for the accommodation of temporary displaced persons for December 2003 (2002: MKD 198,400 for December 2002) and MKD 10,000 from the Young European Federalists of Macedonia (2002: MKD 10,000).

6. Payables

Payables for both 2003 and 2002 represent liabilities for utility services and other suppliers arising from the regular activities of the Organization.

Notes to the financial statements

7. Subsequent events

No material events subsequent to the balance sheet date have occurred which require disclosure in the financial statements.