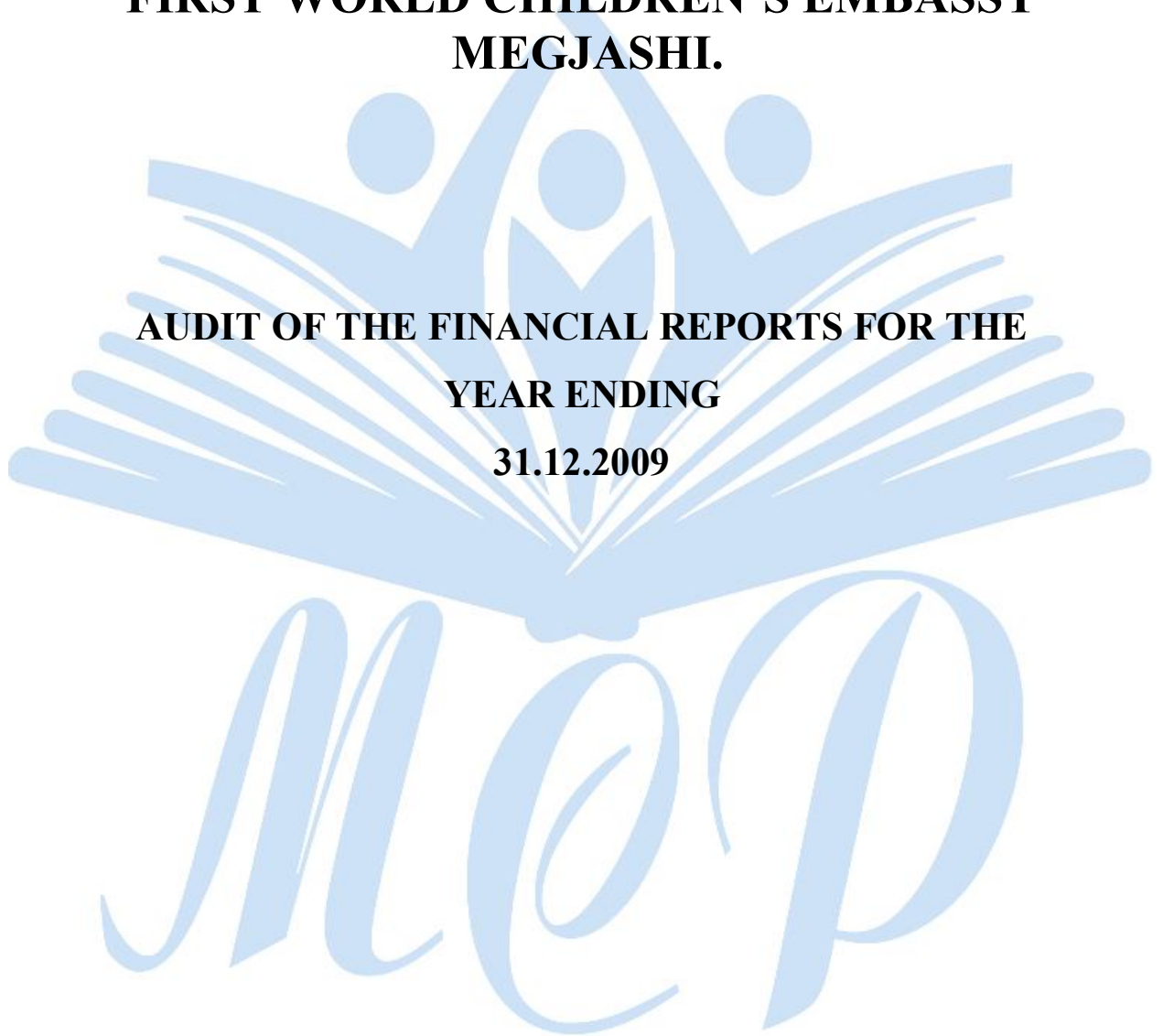


**FIRST WORLD CHILDREN'S EMBASSY
MEGJASHI.**

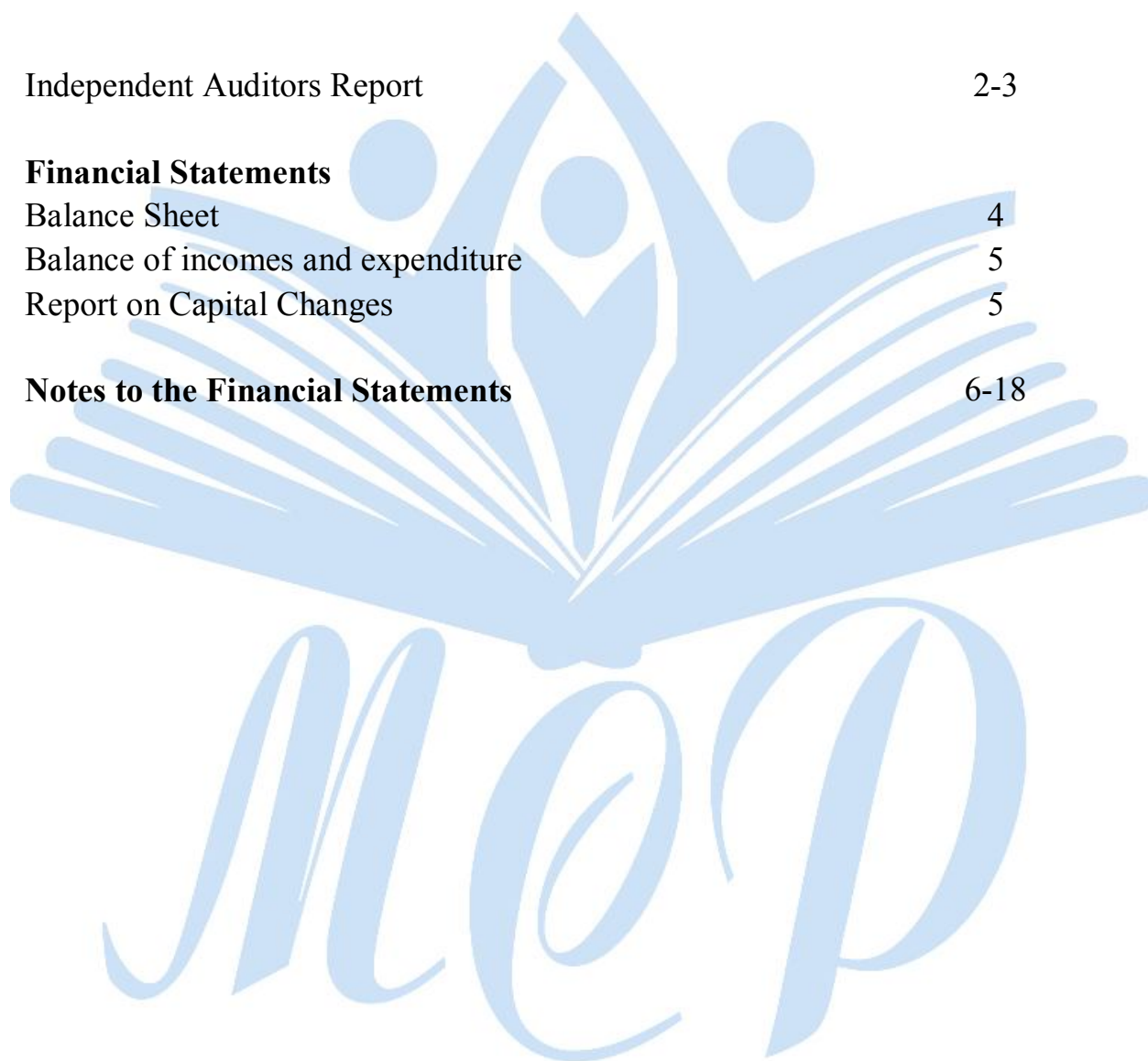
**AUDIT OF THE FINANCIAL REPORTS FOR THE
YEAR ENDING**

31.12.2009



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TO

**THE MANAGEMENT
OF
THE FIRST CHILDREN'S EMBASSY IN THE WORLD-MEGJASHI
Skopje**

INDIPENDENT AUDITORS REPORT

We have carried out an audit of the of the accompanying financial statements of the organization First World Children's Embassy MEGJASHI – Skopje, the balance sheet for the year 31 December 2009, as well as to the appropriate balance of incomes and expenditures, Cash flow Report and the Report on Capital Changes for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS

The management of the organization is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: preparation, implementation and maintaining internal control which is relevant for the preparation and fair presentation of the 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.

THE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion for this financial statements based on our Audit. The Audit is conducted in accordance with International Financial Reporting Standards. 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 of material misstatement.

The Audit includes performing procedures for obtaining audit evidence for the amounts and disclosures of the financial statements. The selected procedures depend on the auditor's reasoning, including the assessment of the risks of material misstatement in the financial reports, whether due to fraud or error. When the Auditor makes those assessments of the risks, the Auditor considers the internal control which

is relevant for preparation and fair presentation of the financial statements in order to prepare the Audit procedures which are appropriate to the circumstances, but not for purpose of expressing an opinion on the effectiveness of 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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITOR'S OPINION

In our opinion, the financial statements of the organization First World Children's Embassy MEGJASHI – Skopje, present fairly and objectively, in all significant respects, the financial condition of the Association on 31.12.2009, cash flows and capital changes for the year ended on that date in accordance with company law and generally accepted accounting principles for publication financial reporting in Macedonia.

Skopje, 27.10.2010 year

Menka Markovic,
Authorized auditor

Menka Markovic,
Manager



BALANCE SHEET
As of 31st December 2009
(in Macedonian Denars – MKD)

	Note	2009	2008
ASSETS			
CURRENT ASSETS		226.941	696.390
Funds	4	83.888	88.063
Receivables	5	55.830	4.164
Reserves		0	0
Prepayments and accrued income	6	87.223	604.163
Total current assets		226.941	696.390
Fixed Asset			
Properties, plant and equipment	7	146.156	431.137
Total fixed assets		146.156	431.137
Non-current liabilities			333.554
TOTAL ASSETS		373.097	1.461.081

LIABILITIES			
LIABILITIES AND EQUITY			
Liabilities to suppliers	8	129.202	327.864
Short time liabilities	9	22.299	288.528
PVR – deferred income	10	75.440	144.896
Short time liabilities and PVR		226.941	761.288
Assets Resources			
Business fund	11	146.156	699.793
Fund for shared expenditure			
Total assets recourses		146.156	699.793
TOTAL liabilities and recourses		373.097	1.461.081

The accompanying notes are an integral part of the Financial Reports.

STATEMENT OF INCOME AND EXPENDITURES
for year ending 31st December 2009
(in Macedonian Denars – MKD)

	NOTE	2009	2008
Total income	12	7.642.405	4.692.628
Total expenditures	13	7.705.476	4.551.482
Difference between income and expenditures	8	78.705	141.146
Other income			
Previous year carried over balance		141.146	
Surplus value for the following year	10	78.705	141.146
Profit taxation	9	2.635	
Total surplus value for the following year	10	75.440	141.146

The notes to the Financial statements are part of the Financial Statements.

STATEMENT FOR CAPITAL CHANGES
for year ending 31st December 2008
(in Macedonian Denars – MKD)

	Business Fund	Fund for shared Expenditure	Total capital and funds
Balance as of 01.01.2009	699.793	0	699.793
Supply of fixed assets	35.738	-	35.530
Covering losses from previous years	286.530		286.530
Amortization	302.845	-	302.845
Basic assets revaluation	0	-	0
Balance as of 31st December 2009	146.156	0	146.156

The notes to the financial statements are part of the Financial Statements.

The business fund has been increased by 35.738 denars, and the fixed assets have increased by 17.864 denars. During the recording of the fixed assets, it is twice

recorded in favour of the Business fund in procurement Capital assets. With that the costs and the business fund are overvalued for 17,874 denars. Business fund is reduced by the amount of depreciation calculated and covering the uncovered costs from previous years.

NOTE 1. GENERAL INFORMATION FOR THE ASSOCIATION

The Organization First World Children's Embassy MEGJASHI – Skopje, hereinafter (The Organization) is founded on 29.04.1992, as a non profit organization in accordance with the Law on associations and foundations.

Address: "Kosta Novakovic" no.22 Skopje

Account: 200000010722372

Tax number: 4030995179890

Activities of the Organization is to protect children's rights and strengthening the NGO movement for child rights in the Republic of Macedonia.

NOTE 2. BASIS FOR PREPARING AND PRESENTING FINANCIAL STATEMENTS

The financial statements of the organisation are prepared in line with legal provisions applicable in the Republic of Macedonia for non-profit organisations as:

Law on accounting for non-profit organisations, Law on personal tax, Law of capital gain tax, and the Accounting Rulebook for non-profit organisations, the Rulebook for the content of certain invoices in the accounting plan for non-profit organisations, and generally accepted accounting principles on publishing financial statements. During the preparation of the financial statements for the aims of this report, the yearly statement of the association is reclassified.

The financial statements are shown in value – Macedonian denar in denar, unless otherwise stated.

NOTE 3. IMPORTANT ACCOUNTING POLICIES

3.1 Financial means and financial equivalents

Financial means and financial equivalents include cash in the treasury, financial assets in the bank account and foreign currency account in the commercial banks. Many financial means and equivalents are registered according their nominal value.

3.2 Claims

The claims are registered according to their purchasing value. On the balance sheet they are presented according to their net realisation value, which is the result after correction of the value for writing off non qualitative claims and claims which are hard to be paid.

3.3. Material and non material means

Material and non material investments (current means) in the balance of the situation are presented according to their purchasing value, reduced by the accumulated depreciation and losses due to damages.

In the moment of acquirement, the current means are registered according to their purchasing value, which consist of invoice value of the means increased for the depending expenses of the purchase. The material and non material investments are expensed at their purchase value with same time increases to the business fund which is a part of the capital means and decrease of the business fund for the amount of the amortization and transferring the means to the current year. Existing funds are not revalued.

3.4 Depreciation

Material and nonmaterial investments (current means) are depreciating with applying of a proportional method, so purchasing value of the basic means are derpicaited in equal amounts by year during the prescribed period of use of the basic means. The calculation of the depreciation is conducted separately for each mean.

Prescribed rate for depreciation:

Name of the mean year	prescribed rate per
Furniture and business equipment	12%
Computer equipment and software	20%
Telecommunication equipment and motor vehicle	14%
Other of the non-specified equipment	10%

3.5 Responsibilities to suppliers and other commitments

Responsibilities towards suppliers are registered according to their purchasing (nominal) value.

3.6 Incomes registering policy

The acceptance of the incomes and expenditures at non profit organisations is conducted according to the principle of appearance, in other words the incomes and expenditures are recognised in the moment of their appearance for the appropriate period or 30 days after the financial period if they are referring to the same period and covering the obligations of that financial period, according to the criteria of measurable and availability.

3.7 Expenditure registering policy

According to the legal provisions in the R.M. non profit organizations apply the cash principal, with other words as expenditure are recognised only expenses of the current year, but if they are paid until 31 of January next year, however unpaid expenses are registered through the analytic accounts from the accounts– other active time restrictions.

3.8 Transactions in foreign currencies

Transactions denominated in foreign currencies are shown through the application of the official middle foreign currency exchange rate on transaction day. Assets and liabilities denominated in foreign currency are shown in Denars at the middle exchange rate of the National Bank of the Republic of Macedonia on the last day of the estimated period. All profits and losses deriving from the exchange rate discrepancies are shown in the balance of profit and loss as other financial income or expenditure for the estimated period.

The official exchange rates on 31.12.2009 were as followed.

Currency	2009	2008
EUR	61.1732	61.4123
USD	42.6695	43.5610
CHF	41.1165	41,0427

3.9 Tax and Contributions

The organisation calculates the taxation contributions upon the relevant basis in accordance with the current regulations of the Republic of Macedonia and in compliance with VAT regulations.

In accordance with the VAT regulations the activities the organisation is not liable for VAT and as such has no right to claim deductions based upon this form of taxation.

Income tax is calculated and paid to the unrecognized tax expenses in the tax balance.

NOTE 4 CASH ASSETS

Cash capital components:

	<u>2009</u>	<u>2008</u>
Denary Bank Account	25 994	50 726
Treasury	57 894	37 337
Total Cash Capital	83 888	88 063

Cash capital refers to the capital in the bank account and the treasury, and they comply with the bank statement of 31.12.2009 and the log of cash.

NOTE 5 RECEIVABLES

The total claims at the end of the financial period are:

	<u>2009</u>	<u>2008</u>
Claim of the work	55 417	3 750
Claim for overpaid personal tax	413	413
Total claim	55 830	4 613

Claims of work are claims from employees for certain advances for material expenditures. Claim for overpaid personal tax is paid balance from previous years.

NOTE 6 ACTIVE TIME LIMITATIONS

The legal framework in Macedonia, non-profit organizations apply principles of monetary principle, i.e. expenditures are recognized only expenditures that are made for the current year, while unpaid consumption recorded by the analytical accounts of the bill- other active time limitations. Accrued interest on the accounts at the end the accounting period were recorded :

	<u>2009</u>	<u>2008</u>
a) Unpaid wages	18.157	289358
б) Other active time limit.		277472
в) Other active time limit.	69.066	37334
Total	87.223	604.164

Unpaid wages refers to calculated and unpaid wages for December of 2009.

Other active time limitations refer to travel costs (paid in advance) for plane ticket and hotel accommodations for a business trip made in 2010.

NOTE 7 BASIC ASSETS

The movement and condition of the components for the year ended December 31, 2009 are the following :

Revalue cost	Land	Build.	Equip.	Int. Assets	Total
Balance at 01.01.2009	0	0	3.045.013	0	3.045.013
New procurment	0	0	17.864	0	17.864
Decrease	0	0	0	0	0
Revaluation	0	0	0	0	0
Other assets	0	0		0	
Balance at 31.12.2009	0		3.062.877	0	3.062.877

Reavluie impairment					
Balance at 01.01.2009	0	0	2.613.876	0	2.613.876
Depreciation of the year	0	0	302.845	0	302.845
Revaluation of corrections	0	0	0	0	0
Decrease	0	0	0	0	0
Other changes	0	0	0	0	0
Balance at 31.12.2009	0	0	2.916.721	0	2.916.721
Nett acounting value 01.01.2009	0	0	413.137	0	413.137
Nett accounting value 31.12.2009	0	0	146.156	0	146.156

During the year 2009 a basic asset(a PC) was purchased in the amount of 17.864 denars, which is the amount of the increase in basic assets

NOTE 8 SHORT TERM LIABILITES- SALARIES

	2009	2008
	-----	-----
Net salaries	441.177	831.060
Salaries taxis	30.413	76.233
Taxes and deductibles that don't depend on results	168.820	428.311
Total	640.410	1.335.604

Total estimated gross salaries for 2009 amounted to 640,140 denars. For all of the accounted salaries ,salaries for the month of December 2009 are not paid, which is recorded as deferred expenditure as indicated in Note 6 you the amount of 18,157 denars.

NOTE 9 OTHER SHORT-TERM LIABILITIES

Obligations to the suppliers	2009	2008
Suppliers in the country	129202	327.864
Obligations to the employees	15296	288.528
Obligations to tax payments	7003	0
TOTAL	151501	616392

Total liabilities to suppliers relating to the obligations to suppliers who are not paid in the accounting period.. Obligations towards employees include obligations for wages and benefits that are deferred for the next accounting period, as commented in note 8.

NOTE 10 PASSIVE TIME LIMITATIONS

	2009	2008
Surplus revenues for next year	75.440	144.896
Total	75.440	144.896

On the account of PTL there are surplus revenues accounted for next year.

NOTE 11. BUSINESS FOND

	2009	2008
	699.793	146.150
Total	699.793	146.150

The business fond has been significantly reduced, on account of covering of uncovered costs from previous years.

NOTE 12. OPERATING INCOME

	2009	2008
Income from donations	6.232.557	3.145.767
Income form Voluntary contribution	260.910	308.068
Income from subscriptions	600	12.450
Income from greeting cards	656.195	813.837
Income from artisan products	670	14.423
Income from services		2.000
Income from subscriptions	600	5.900
Income from voluntary contributions	336.302	327.643
Income from interests and exchange rate difference	10.168	183
Income from VAT refund	60.617	8.002
Income from other sources	58.503	54.355
Income from write-off of liabilities	23.282	
Transferred part of excess revenues		
Previous year	141.146	
Total income	7.783.550	4.692.628

The organization achieves its revenue from grants and own revenue provided by its activities. Donations by their purpose are unintended for the implementation of program activities of the organization or strictly earmarked for implementation of specific project. As donors in 2009 appear commercial entities, individuals, NGOs, domestic and abroad.

12.1 Income from donations

Income from donations during 2009 were paid on the account of the organization for the realization of the project activities of the association from the following donors:

2009	2008
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Audit company "MSR" LTD. – Skopje

Swiss embassy -	263.945	969.180
Fondation Metamofosis-	0	214.954
Nobody's Children Fondation of Poland	957.111	815.751
MCMS	0	284.500
CIRA	109.549	177.812
Center for nonviolent action Beograd	0	61.350
Action Aid International	0	61.330
Agency of youth and sports	20.000	30.000
Individuals	33.798	7.500
Eurichild AISBL		40.698
Commercial entities	188.700	77.937
Association of work Osijek		18.399
Ministry of labor and social politics	422.219	
European commission	2.891.479	
UNICEF	1.071.954	
Government of the R. Macedonia	200.000	
MWD(Macedonia without discrimination)	73.800	
Own revenues and Other income from others. subjects and individuals		386.356
Total	6.232.557	3.145.767

Of the total revenues of the association on certain projects allocated following revenues:

12.2 Revenue by project

	2009	2008
Building the culture of children's participance	4.011.100	
Fighting against pedophilia	407.118	
Global week of action	100.000	284.500
Children workshops	121.200	100.000
SOS telephone	223.980	291.330
Free legal and social care	161.413	61.330
Daycare center for children who don't go to elementary school	493.194	769.180
Activities for fighting against children's discrimination	73.800	
Violence free childhood	1.138.813	744.717
Responsible parenting campaign	253.202	61.350

Children and modern Communication technologies	200.000	214.954
Own revenues and other income for implementation of project activities	599.730	2.148.785
TOTAL	7.783.550	4.692.628

The big difference between own revenues for the implementation of project activities compared to 2008 due to the different classification of revenues in 2008 and 2009.

NOTE 13 OPERATION EXPENSES

Expenses

	2009	2008
Material expenses	231.090	552.464
Electricity expenses	154.484	172.312
Other material expenses	31.795	85.628
Utilities	17.359	7.015
Postal services	292.417	213.928
Transportational services	842.062	127.009
Nonproduction services	843.416	343.785
Commercials for projects	33.386	74.133
Catering services for projects	496.916	
Rent	22.469	
Commissions	35.959	22.763
Judicial and administrative fees	13.100	5.000
Other material expenses	29.799	
Insurance expenses	29.775	47.659
Compensation for workers and citizens	245.134	357.502
Copyrights	2.900.321	1.266.614
Subscriptions	78.234	39.330
Other material expenses	97.632	137.826
Transferred assets to other entities	70.650	
Additional expenses set last year	651.336	
Gross wages	640.410	1.046.246

Total expenses	7.705.476	4.551.482
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All expenditures recorded and documented in accounting relating to the activities that were conducted in 2009.

The total realized expenditure in 2009 for implementation of specific projects are as follows:

13.1 Expenditure by project	2009	2008
Building the culture of children's participation	3.834.659	
Fundraising for supporting the activities of the Organization		766.485
Free SOS hotline	223.979	138.140
Children's workshops	121.200	128.681
Global week of action	100.002	284.500
Daycare center for children and youth	493.194	338.981
Abuse free childhood	1.138.814	952.097
Did you tell your child today how much you love it	253.204	61.350
Children and the Internet	200.000	420.470
Strengthening the capacities of the Organization		474.292
Training for non violent solution of conflicts		257.535
Fighting against pedophilia	407.111	
Free legal help and social support	161.414	
Activities for fighting against discrimination	73.801	
General expenses for the realization of project activities	698.098	728.951
Total	7.705.476	4.551.482

NOTE 14 REVIEW OF ACTIVITIES TAKEN PLACE

During 2009 the following project activities were realized :

- 1. Building the culture of children's participation**
- 2. Fundraising for supporting the activities of the Organization**
- 3. Free SOS hotline**
- 4. Children's workshops**
- 5. Global week of action**
- 6. Daycare center for children and youth**
- 7. Abuse free childhood**
- 8. Responsible Parenting campaign**
- 9. Children and the Internet**
- 10. Strengthening the capacities of the Organization**
- 11. Fighting against pedophilia**
- 12. Free legal help and social support**

13. Activities for fighting against discrimination

1. Building the culture of children's participation

The project is supported by the European Commission and co-financed by UNICEF, and it refers to the realization of activities that allow children to participate in creating social questions from different areas, that refer to child rights. In the realization of this project there are seven other NOGs also included, and the carrier of the project is the first Children's embassy in the world Megjasi.

2. Fundraising to support the organization's activities.

In order to sustain activities the organization carries out fundraising throughout the all year.

3. Free SOS telephone

The free telephone number 0800 1 2222 is the first free number for children and youths which has been continually operational for the past 16 years. The free SOS telephone number is a resource through which children and youths can turn to in order to get psychological and legal support when needed.

The most common problems for which children are calling about are family related, problems in connection with different kinds of abuse (psychological, physical, sexual and child slavery)

In cases where the organization has been protecting the children's rights the organization was collaborating with the public prosecutor, police, courts and social services. Collaboration with non-government organizations is also on a significant level.

The first children's Embassy Megjashi is a part of an international network called child helpline which unites the SOS services around the world to help children in need. Many of the people manning the telephones are voluntary and in most cases are child psychologist's social workers and pedagogue's.

The project's was financially supported by the Swiss embassy in Skopje, unconditional donations and the organisations own funds.

4. Children's workshops

Children's workshops present an opportunity for children of different ethnical and religious background and low economic status to develop their creativity and fantasy together. The activities that were realized in these workshops are of different areas in accordance with the interests of the children.

5. Global action week

Global Action Week is a worldwide campaign for including children in school and is an activity which has been carried out every year since 1999 with the aim of including children in the education system, providing access to free books, ensuring appropriate teaching resources, and offering obligatory and quality education for

everyone. This year the campaign focuses on the transmitting the message from the children, organizations and schools to politicians in order to eradicate illiteracy and the shutting out of children from the educational system. During the one week campaign that lasted from April 20th until April 26th multiple events such as The Big Reading, The Big Book and The March For Education. The project was supported by unproductional donations and own means of the Organization.

6. Daycare center for children and youth

The day centre for children and youths is organized as a priority for financially disadvantaged families which are living in poverty driven conditions. The children are aged from 5 to 14 years old and in the centre are provided with snacks, clean clothes, bathing facilities and the opportunity to attend workshops.

Despite not having secured support to fund this activity the organisation continues to support this project using the organisations funds alone.

7. Abuse free childhood

From September 2007 as part of the program VFC better system for the children of Eastern Europe. The Megjashi organisation was chosen to be national co-ordinator in Macedonia by Nobody's Children Foundation of Poland. Within this project in 2009 an Evaluation of the Campaign See, Hear, Tell was made, and the basis of this campaign is to encourage people to report child abuse.

8. Responsible Parenting campaign

This project is an extension of the project "Did you hug your child today" in order to encourage responsible parenting. Within this campaign a workshop named – Responsible parenting was held.

9. Children and the Internet

The project Protection and safety of child rights on the internet continues from the past year. This year the Organization had it's representative at the International conference referring the Safety of children and youth on the Internet. The purpose of the conference was to raise awareness of new challenges and opportunities in the fight against Internet threats and open a space for exchange of different practices between different sectors.

10. Fighting against pedophilia

In order to protect the children from this kind of violent behavior which is unfortunately on the rise, the Organization did such activates such as modifying the judicial system and active lobbying for changing of the Criminal Law. Within this activity two basic trainings from the area of child rights were held, with a special accent on the abuse of children and pedophilia.

11.Free legal help.

During 2009 the Organization had 140 official statements to the competent institutions in order to give legal aid to people who were victims of all kinds of violence.

12.Activities for fighting against discrimination

Realizing the need for more effective action in the fight against discrimination, the Alliance of Macedonia without discrimination was established, where an active member is the First Children's Embassy in the World Megjashi.



