

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

**Financial Statements
For the year ended
31 December 2004
With Independent Auditor's
Report**

Contents

Auditor's Report

Financial Statements

| | |
|-----------------------------------|----|
| Income Statement | 1 |
| Balance Sheet | 2 |
| Statement of fund balance | 3 |
| Notes to the financial statements | 4 |
| Appendix | 10 |



KPMG Macedonia Ltd.
28, Dame Gruev Street, 4th floor
Skopje 1000
Republic of Macedonia

tel: + 389 (2) 3135 220
fax: + 389 (2) 3111 811
E-mail: kpmg@kpmg.com.mk
www. kpmg.com.mk

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 at 31 December 2004, 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 Organisation as at 31 December 2004, and of the results of its operations for the year then ended in accordance with Macedonian Legislation.

7 June 2005
Skopje

KPMG KPMG

Income Statement

For the year ended 31 December 2004

In MKD

| | Note | 2004 | 2003 |
|---------------------------------------|-------------|---------------------------|-----------------------|
| Income from donations | 1 | 11,088,188 | 22,085,574 |
| Income from self-financing | | <u>296,608</u> | <u>175,623</u> |
| Total contribution income | | <u>11,384,796</u> | <u>22,261,197</u> |
| Program expenses | 2 | <u>12,861,211</u> | <u>21,854,273</u> |
| Program expenses | | <u>12,861,211</u> | <u>21,854,273</u> |
| (Deficit)/surplus for the year | | <u><u>(1,476,415)</u></u> | <u><u>406,924</u></u> |

Balance Sheet

As at 31 December 2004

| <i>In MKD</i> | Note | 2004 | 2003 |
|---|-------------|------------------|------------------|
| Assets | | | |
| Property, plant and equipment | 3 | <u>1,631,868</u> | <u>2,359,883</u> |
| Total non current assets | | <u>1,631,868</u> | <u>2,359,883</u> |
| Cash and cash equivalents | 4 | 596,138 | 1,884,410 |
| Receivables | 5 | <u>208,400</u> | <u>208,400</u> |
| Total current assets | | <u>804,538</u> | <u>2,092,810</u> |
| Total assets | | <u>2,436,406</u> | <u>4,452,693</u> |
| Liabilities and fund balance | | | |
| Fund balance | | <u>2,400,920</u> | <u>4,315,958</u> |
| Total fund balance | | <u>2,400,920</u> | <u>4,315,958</u> |
| Payables | 6 | <u>35,486</u> | <u>136,735</u> |
| Total current liabilities | | <u>35,486</u> | <u>136,735</u> |
| Total liabilities and fund balance | | <u>2,436,406</u> | <u>4,452,693</u> |

The financial statements set out on pages 1 to 9 were approved by the Organization's Collegium on 7 June 2005 and signed on its behalf by:


M.Sc. Dragi Zmijanac
Executive Director

Statement of fund balance

For the year ended 31 December 2004

| | Fund Balance |
|--|-------------------------|
| <i>In MKD</i> | |
| 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> |
| At 1 January 2004 | 4,315,958 |
| Additions of property, plant and equipment | 330,495 |
| Write off of property, plant and equipment | (659,744) |
| Depreciation charge for the year | (109,374) |
| Deficit for the year | <u>(1,476,415)</u> |
| At 31 December 2004 | <u>2,400,920</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 and depreciation charge.

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:

| | 2004 | 2003 |
|-------------------------|-------------|-------------|
| | % | % |
| 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> | 2004 | 2003 |
|--|-------------------|-------------------|
| USAID – Community Self-Help Initiative | 3,730,473 | 14,557,274 |
| Ministry of Labour and Social Policy | 2,342,400 | 2,150,000 |
| PRiSMa | 1,924,000 | - |
| Macedonian Centre for International Cooperation | 639,115 | 576,521 |
| Balkan Children and Youth Foundation | 626,060 | 333,134 |
| Institute for Sustainable Communities | 412,861 | 716,494 |
| Holland Embassy | 363,260 | - |
| Donations from employees | 258,545 | 325,945 |
| USAID – World Learning | 253,031 | - |
| OSCE | 229,729 | - |
| Government of the Republic of Macedonia | 150,000 | 100,000 |
| CRIC – Centro Regionale di Intervento per la Cooperazione | - | 2,410,304 |
| World Bank | - | 398,470 |
| Embassy of Switzerland | - | 243,097 |
| Equal in Development, Brussels | - | 109,445 |
| Global March for Children | - | 52,510 |
| Other | 158,714 | 112,380 |
| | <u>11,088,188</u> | <u>22,085,574</u> |

2. Program expenses

| <i>In MKD</i> | 2004 | 2003 |
|---|-------------------|-------------------|
| Honoraria | 2,874,735 | 4,018,444 |
| Salaries | 2,170,280 | 2,658,553 |
| Program materials | 2,059,307 | 4,045,476 |
| Non-production expenses | 1,014,857 | 4,432,657 |
| Transportation | 999,102 | 1,272,510 |
| Printing services | 779,832 | 1,584,066 |
| Maintenance | 637,794 | 812,896 |
| Telephone and postal services | 624,868 | 914,458 |
| Purchased property, plant and equipment | 330,495 | 735,829 |
| Depreciation | 289,392 | 159,321 |
| Fuel | 245,536 | 286,432 |
| Representation | 22,696 | 20,838 |
| Other | 812,317 | 912,793 |
| | <u>12,861,211</u> | <u>21,854,273</u> |

Notes to the financial statements

2. Program expenses (continued)

The main project activities implemented by the Organisation during 2004 were as follows:

- SOS Phone for Children and Young financed by the Balkan Children and Youth Foundation and Netherlands Embassy. The SOS Phone replied to 414 calls during 2004 and realise 23 meetings with children, young and parents. 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 for improvement of the team work in organisation of SOS Phone. In 2004 SOS Phone for Children and Young become a member of the Child Helpline International;
- 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 2004. Its mission is to stimulate volunteerism and aid in the community through informal training and minimum financial support to the volunteers. The USAID – the Community Self-Help Initiative, PRiSMa and OSCE were the financiers of the project;
- 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 project was financed by the Institute for Sustainable Communities;
- Action plan – In the scope of the project for improved protection of the children, financed by the USAID – World Learning was prepared brochure which consist suggestions and recommendation regarding social and other rights of the children in the Republic of Macedonia;
- Besides the above activities the Organization realized its regular activities such as children's workshops, 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

| | Furniture and equipment |
|--|--|
| <i>In MKD</i> | |
| Cost or valuation | |
| At 1 January 2004 | 3,671,935 |
| Additions | 330,495 |
| Write off | <u>(842,841)</u> |
| At 31 December 2004 | <u><u>3,159,589</u></u> |
| Depreciation | |
| At 1 January 2004 | 1,312,052 |
| Charge for the year in income statement | 109,374 |
| Depreciation for donated property, plant and equipment | 289,392 |
| Write off | <u>(183,097)</u> |
| At 31 December 2004 | <u><u>1,527,721</u></u> |
| Carrying amount | |
| As at 1 January 2004 | <u><u>2,359,883</u></u> |
| As at 31 December 2004 | <u><u>1,631,868</u></u> |

Equipment in the amount of MKD 712,925 was written off after the donor USAID – Community Self-Help Initiative has withdrawn the assets at the end of the project Macedonian Volunteers in Action in August 2004.

4. Cash

| <i>In MKD</i> | 2004 | 2003 |
|---------------|-----------------------|-------------------------|
| Cash at bank | 565,720 | 1,846,399 |
| Cash on hand | <u>30,418</u> | <u>38,011</u> |
| | <u><u>596,138</u></u> | <u><u>1,884,410</u></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 2004 (2003: MKD 198,400 for December 2003) and MKD 10,000 from the Young European Federalists of Macedonia (2003: MKD 10,000).

Notes to the financial statements

6. Payables

Payables in 2004 are consisted of MKD 24,908 toward Makedonski Telekomunicacii and MKD 10, 578 toward Mobimak.

7. Subsequent events

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

