

**FIRST CHILDREN'S EMBASSY IN
THE WORLD MEGJASHI**

Financial statements for the year
ended December 31, 2012 and
Independent Auditors' Report

Skopje, October 2013

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INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT OF FIRST CHILDREN'S EMBASSY IN THE WORLD - MEGJASHI Skopje

INDEPENDENT AUDITOR'S REPORT

We have made audit of financial statements submitted by First Children's Embassy in the World –Megjashi-Skopje that includes Balance sheet for the year ended 31st of December 2012 as well as Balance of incomes and expenditures and Report on changes in capital and Cash flow statement for the year ended 31st of December 2012 and review of significant accounting policy and other Notes for explanation.

Management's Responsibility about the financial statements

Organization's Management is responsible to prepare and reasonably disclose the financial statements in compliance with the International Standards on audit. This responsibility includes: modelling , implementation and maintenance of internal audit relevant for preparation and reasonable disclosure of financial statements that are free of material misstatements, whether caused by fraud or error, selection and application of particular accounting policies and making reasonable accounting.

Auditor's responsibility

Our responsibility is to report to you our opinion about these financial statements on the basis of our audit. We have carried out our audit in compliance with the International Standards on Audit. According to these standards, we have to comply with ethic requirements and plan and carry out our audit to make sure that the financial statements are free of material misstatements.

Audit includes examination of evidence relevant to the amounts and disclosures in the financial statements. It also includes assessment of the significant estimates and judgments of auditor, including the assessment of risks of material misstatements of financial statements whether caused by fraud or error. While making these assessments of risk, the auditor takes into consideration the internal audit relevant to preparation and reasonable disclosure of financial statements to establish the audit procedures relevant to circumstances, but not for the purpose of reporting the opinion on the effectiveness of the internal audit.

Audit also includes and evaluation of appropriateness of applied accounting policies and reasonability of accounting estimates made by the Manager including the evaluation of total disclosure of the financial statements.

We believe that the audit evidence that we have acquired is sufficient and appropriate to provide basis for our audit opinion.

Auditor's opinion

In our opinion, the financial statements of First Children's Embassy in the World – Megjashi Skopje reasonably disclose all aspects of financial statement of the above said Association for the year ended 31st of December 2012 and the changes in the capital for the year ended the same day in compliance with the Law on accounting of non-profit organizations and generally accepted accounting principles for disclosure of financial statements in the Republic of Macedonia.

Skopje, 20.11.2013

IFRS AUDIT TP – SKOPJE
Certified Auditor
Zarko Mihajlovski



BALANCHE SHEET
as of December 31, 2012 and 2011
(in Denars)

	Note	December 31 2012	December 31 2011
ASSETS			
Total current assets		2.444.225	1.343.401
Non-current assets			
Property, plant and equipment	7	548.081	258.389
<i>Total non-current assets</i>		<u>548.081</u>	<u>258.389</u>
TOTAL ASSETS		<u>2.992.306</u>	<u>1.601.790</u>
LIABILITIES AND CAPITAL			
Liabilities toward suppliers	9	1.252.513	49.997
Other short-term liabilities	9	12.877	864
PTA-Passive time appropriations	10	1.178.835	1.413.836
<i>Current liabilities and PTA</i>		<u>2.444.225</u>	<u>1.464.697</u>
RESOURCES OF FUNDS			
Business fund	11	548.081	137.093
Fund for common expenses		-	-
<i>Total resources of funds</i>		<u>548.081</u>	<u>137.093</u>
TOTAL LIABILITIES AND RESOURCES		<u>2.992.306</u>	<u>1.601.790</u>

The notes to the financial statements are an integral part of the financial statements

Executive director

M. Sc. Dragi Zmijanac

BALANCE OF INCOMES AND EXPENDITURES
for the years then ended as of
December 31, 2012 и 2011
(in Denars)

	Note	December 31 2012	December 31 2011
Total incomes	12	9.784.552	7.511.276
Total expenditures	13	(10.011.409)	(6.162.324)
<i>Difference between incomes and expenditures</i>	11	(226.857)	1.348.952
Other incomes		-	-
Part of surplus of incomes from previous year brought forward		1.413.836	65.748
<i>Surplus of incomes for next year</i>	10	1.186.979	1.414.700
Taxes and contributions from profit		(8.144)	(864)
<i>TOTAL SURPLUS OF INCOMES FOR NEXT YEAR</i>	10	1.178.835	1.413.836

The Notes to the financial statements are an integral part of the financial statements

Executive director

M. Sc. Dragi Zmijanac

STATEMENT OF CHANGES IN CAPITAL
for the years then ended as of December 31, 2012 and 2011
(in Denars)

2012	Business fund	Fund for common expenses	Total
<i>Balance at January 1, 2012</i>	137.093	-	137.093
Purchase of fixed assets	492.070	-	492.070
Covering the losses from previous year	85.731	-	85.731
Depreciation	(174.926)	-	(174.926)
Revaluation of fixed assets	8.113	-	8.113
<i>Balance at December 31, 2012</i>	548.081	-	548.081

The Notes to the financial statements are an integral part of the financial statements

During 2012 year business fund is increase by the value of newly acquired assets of 492.070 denars , for net effect of revaluation in amount of 8.113 denars and by corrections from last year in amount of 85.731 denars but decrease by the value of depreciation in amount of 174.926.

Correction from previous years related to inappropriate booked depreciation, revaluation and purchase of fixed assets in the past year (which were noted in the audit report of 2011) as corrections made in 2012.

STATEMENT OF CASH FLOWS
for the year then ended as of December 31, 2012
(in Denars)

	31st of December 2012
Cash flow from operating activities	
Corrected by	
Depreciation	174.926
Stocks	
Receivables from customers	(136.712)
Other receivables	24.662
Active time appropriations	(1.181.125)
Financial investments	
Liabilities toward the suppliers	1.202.516
Liabilities for advance payments, deposits and bails	
Other short term liabilities	12.013
Passive time appropriations	(235.001)
<i>Net cash from operating activities</i>	(138.721)
Cash flow from investment activities	
Purchase of fixed assets	(492.070)
Investments	
Other Changes	27.452
<i>Net cash from investment activities</i>	(464.618)
Cash flow from financial activities	
Long term financial credits-net	
Business fund	410.988
<i>Net cash from financial activities</i>	410.988
Net increase (decrease) in cash and cash equivalents	(192.351)
Cash and cash equivalents at the beginning of the accounting period	710.820
Cash and cash equivalents at the end of the accounting period	518.469

The Notes to the financial statements are an integral part of the financial statements

NOTE 1. GENERAL INFORMATION FOR THE ASSOCIATION

Organization First Children Embassy in the World-Megjashi hereinafter referred as to (Organization) was established on 29.04.1992 as non-profit organization in compliance with the Law on associations of citizens and foundations.

Address: Kosta Novakovikj no. 22a Skopje
Account no: 200000010722372
Tax no: 4030995179890

Activity of the above mentioned organization is protection of children's rights and enhancement of HBO movement for child's right in the Republic of Macedonia. During the year 2010, changes have been made by extension of the organization's activities.

NOTE 2. BASIS FOR MAKING AND DISCLOSURE OF FINANCIAL STATEMENTS

Financial statements of above mentioned organization are made in compliance with the legislation of the Republic of Macedonia applicable to non-profit organizations as follows:

Law on accounting and non-profit organizations, Law on personal tax, Law on tax on profit as well as the Rulebook about the accounting of non-profit organizations, Rulebook about the contents of particular accounts in accounting plan of non-profit organizations and generally accepted accounting principles for disclosure of financial statements.

Financial statements are expressed in MKD, unless otherwise indicated.

NOTE 3. SIGNIFICATN ACCOUNTING POLICIES

3.1. Cash assets and cash equivalents

Cash assets and cash equivalents include cash in bank, on gyro account and foreign currency accounts in commercial banks. Cash and cash equivalents are given in their procurement (nominal) value.

3.2. Receivables

Receivables are given in their procurement value. In the balance sheet they are in their net effectuating value, that is obtained after the correction of the value or writing off the inequivalent and hardly payable receivables.

3.3. Tangible and intangible assets

Tangible and intangible assets (fixed assets) are given in the balance sheet in their original value decreased by the correction of value (depreciation) and losses due to damages.

At the moment of their acquiring, the fixed assets are recorded in their original value that consists of invoice value of fund increased by dependable costs of purchase. Tangible and intangible assets are recorded as expenditures in the period after their original value with concomitant increase of business fund.

The business fund is decreased by the amount of depreciation and sold assets during the current year.

Fixed assets and Accumulated depreciation are revaluated.

3.4. Depreciation

Tangible and intangible assets (fixed assets) are depreciated by use of proportional method, so that the procurement value of fixed assets is depreciated in equal annual amounts during the anticipated term of use of fixed assets. Depreciation is calculated for any assets individually. Prescribed depreciation rates are the following:

Title of assets	Prescribed annual rate
Furniture and premises inventory	12%
Computer equipment and software	20%
Telecommunication equipment and motor vehicles	14%
Other non mentioned equipment	10%

3.5. Liabilities toward suppliers and other liabilities

Liabilities toward suppliers are given in their original (nominal) value.

3.6. Policy of incomes recording

Recognition of incomes and expenditures in nonprofit organization is carried out on the basis of the principle of creation, i.e. incomes and expenditures are recognized at as they are incurred only for the appropriate accounting period or 30 days after the expiration of accounting period if they apply to the accounting period and are intended to cover the liabilities from that accounting period, in compliance with the criteria of measurability and availability.

3.7. Policy of recording the expenditures

In compliance with the legislation of the Republic of Macedonia, the non-profit organizations apply cash principle, i.e. they recognize the expenditures as costs for the current year, if they are paid until 31st of January the next year, while they record the outstanding expenditures under analytical accounts- other active time appropriations.

3.8. Amounts expressed in foreign currencies

Transactions are expressed in foreign currency according the exchange rate applicable on the day of any particular transaction. Assets and liabilities given in foreign currency are expressed according to middle exchange rate of NBRM on the last day of accounting period. All profits and losses coming out from the exchange rate differences are included in the profit and loss account as other incomes and expenditures in accounting period.

Exchange rates of more significant currencies on 31.12.2012 are the following:

Currency	December 31, 2012		December 31, 2011	
1 EUR	61,500	Denars	61,505	Denars
1 USD	46,651	Denars	47,534	Denars
1 CHF	50,910	Denars	50,596	Denars

3.9 Taxes and contributions

Organization calculates taxes and contributions on different basis and types pursuant to the legislation of the Republic of Macedonia.

In compliance with the Law on VAT, the activities of the organization are free of VAT without any right to deduction of previous tax.

Tax on profit is calculated and payable on expenditures not recognized from the point of view of the tax in the tax balance.

NOTE 4. CASH ASSETS

Cash assets consist of the following (in denars):

	December 31, 2012	December 31, 2011
Cash on denar accounts	511.667	697.225
Petty cash	6.766	13.595
Cash on foreign currency accounts	36	-
<i>Total cash assets</i>	<u>518.469</u>	<u>710.820</u>

Cash assets include cash assets in the accounts and petty cash. They are reconciled with bank statements dated 31.12.2012 and petty cash accounting dated 31.12.2012.

NOTE 5. RECEIVABLES FROM THE OPERATION

Total receivables at the end of the accounting period amounted (in denars):

	December 31, 2012	December 31, 2011
Receivables from the operation	742.160	563.403
Receivables from overpaid taxes and contributions	2.471	13.338
<i>Total receivables from the operation</i>	<u>744.631</u>	<u>576.741</u>

Receivables from the operation in total amount of 744.631 denars are receivables from the donors in the amount of mkd 435.420, balance from the previous year and they refer to the receivables that are paid but account again as income. The incomes should be corrected by this amount and the receivable should be closed. This error was noted in Audit report for 2011 but was not corrected during 2012 and correction was made in 2013. Receivables from the customers in the amount of 248.102 consist of receivables for sold New Year greeting cards that haven't been paid until the end of the accounting period. Receivables amounting 58.638 denars are receivables for advance payment to the employees. The amount of 2.471 denars is result of overpaid profit tax.

NOTE 6. ACTIVE TIME APPROPRIATIONS

In compliance with the legislation of the Republic of Macedonia, non-profit organizations apply the cash principle, i.e. they recognize the costs for the current year as expenditures if they are not paid until 31st of January the next year. Outstanding expenditures are recorded under analytical accounts –other active time appropriations.

At the end of accounting period, on the account of active time appropriation the following was recorded:

	December 31, 2012	December 31, 2011
Other active time appropriations	1.181.125	55.840
<i>Total active time appropriations</i>	<u>1.181.125</u>	<u>55.840</u>

Other active time appropriations refer to the expenses for engagement contract accounted but not paid till the end of accounting period for which invoices were received. Costs that refer to this agreement are related to past year but they were accounted in 2012 that result with incorrect presentation of costs and financial result from previous years.

NOTE 7. PROPERTY PLANT AND EQUIPMENT

The amounts and the components of fixed assets for the year ended 31st of December 2011 are the following:

Revaluated original value	Land	Constr.	Equipment	intangible	total
Opening balance on 01.01.2012	-	-	587.783	-	587.783
New procurements	-	-	492.070	-	492.070
Out of use	-	-	-	-	-
Revaluation	-	-	27.368	-	27.368
Other assets	-	-	26.710	-	26.710
Closing balance on 31.12.2012	-	-	1.133.931	-	1.133.931
Revaluated correction of value	0	0	329.394	0	329.394
Opening balance on 01.01.2012	-	-	-	-	-
Depreciation for the year	-	-	174.926	0	174.926
Revaluation of corrections	-	-	19.225	0	19.227
Out of use	-	-	-	0	-
Other changes	-	-	62.275	0	62.275
Closing balance on 31.12.2012	-	-	585.850	0	585.850
Net accounting value 01.01.2012	-	-	258.389	0	258.389
Net accounting value 31.12.2012	-	-	548.081	0	548.081

During 2012, the fixed assets have been increased by 492.070 denars as a result of donation of two vehicles in amount of 455.100 denars and LCD projector in amount of 20.480 denars, and lap top in amount of 16.490 denars. In other assets is accounted revaluation on cost value from 2011. Depreciation and revaluation was calculated by Macedonian legislation for 2012.

In part other changes depreciation and revaluation is calculated on accumulated depreciation from 2011 that amount was not properly accounted in 2011.

NOTE 8. SALARIES

	December 31, 2012	December 31, 2011
Net salaries	1.708.505	609.499
Taxes from salaries	133.231	35.346
Social contributions on salaries	681.668	198.939
<i>Total salaries</i>	<u><u>2.523.404</u></u>	<u><u>843.784</u></u>

The number of employees was 4 at the end of the accounting period. Salaries and social contributions for employees were calculated and paid in compliance with the legislation of the Republic of Macedonia.

NOTE 9. SHORT TERM LIABILITIES

	December 31, 2012	December 31, 2011
Domestic suppliers	1.252.513	49.995
Liabilities toward the employees	-	-
Liabilities for taxes	12.877	864
Liabilities for short term loan	-	-
<i>Total other short term liabilities</i>	<u>1.265.390</u>	<u>50.861</u>

Total liabilities toward the suppliers that are not paid in the accounting period, apply to the liabilities from current operation of the organization.

NOTE 10. PASSIVE TIME APPROPRIATIONS

	December 31, 2012	December 31, 2011
Surplus of incomes for the next year	1.178.835	1.413.836
<i>Total passive time appropriations</i>	<u>1.178.835</u>	<u>1.413.836</u>

Surplus of incomes recorded under this account is a result of received donations for the project implementation which shall continue the next year.

NOTE 11. BUSINESS FUND

	December 31, 2012	December 31, 2011
Business fund	548.081	137.093
<i>Total business fund</i>	<u>548.081</u>	<u>137.093</u>

Business fund is increased as a result of new purchased fixed assets in 2012 and correction from 2011 that are explained in statement of changes in capital.

NOTE 12. BUSINESS INCOMES

	December 31, 2012	December 31, 2011
Incomes from donations	7.688.026	5.572.452
Incomes from charity from physical persons	602.720	167.000
Incomes from sales of greeting cards	977.191	821.983
Incomes from membership fees of dipl. corps	-	408.912
Incomes from legal entities	-	-
Incomes from charity (cash boxes)	188.114	75.509
Incomes from interests and exchange rates differences	898	2.046
Incomes from VAT return	-	-
Incomes from other recourses	327.603	14.424
Incomes from writing off the liabilities	-	-
Incomes from sale of fixed assets	-	448.950
Surplus of incomes brought forward from the past year	1.413.836	65.748
<i>Total incomes</i>	<u>11.198.388</u>	<u>7.577.024</u>

The incomes of the organization are from donations and own incomes received from its activities. Donations according to the purpose are either non-dedicated for program activities implementation or strictly dedicated for concrete project implementation. Legal entities, physical persons, domestic and foreign organizations were donors in 2012.

12.1. Incomes from donations

Donations in 2012 on the account of the organization for implementation of its project activities were made by:

	2012	2011
Kingdom of Netherlands	-	297.123
Embassy of Switzerland	268.418	949.540
Commercial entities	606.540	56.000
Ministry of Economic development and cooperation of Germany	-	-
Ministry of Labor and Social Politics	3.476.000	2.553.492
European Commission	150.000	90.000
UNICEF	2.596.389	1.242.226
French Embassy	278.721	152.721
Australian Embassy	-	121.951
GAW Brussels	244.996	-
Daikin Aircond -Vienna	48.572	-
Eurochild	-	92.285
Mirovna akademija Sarajevo	-	17.114
	18.390	-
<i>Total incomes from donation</i>	<u>7.688.026</u>	<u>5.572.452</u>

Own incomes in amount of 3.510.361 are made by voluntary attachments of boxes, individuals and sales of Christmas greetings in total amount of 2.096.526 denars and part of surplus of incomes transferred from previous year in amount of 1.413.836 denars .

12.2. Incomes per project out of total gained incomes of the organization

The total revenues of the association allocated for certain projects following revenue:

	2012	2011
Program for peace education	3.508.338	2.675.443
Support to vulnerable groups of children	1.554.802	1.363.490
Protect own rights	849.481	-
Training for journalists	150.000	-
From orphanage to own dwelling	1.036.930	262.137
Monitoring of children's rights	374.672	169.835
Young people in action	1.710.507	762.536
Own incomes and other incomes for realization of project activities	1.036.467	2.343.583
Fund Christmas cards	977.191	-
<i>Total income per project</i>	<u>11.198.388</u>	<u>7.577.024</u>

Incomes allocated per particular activities are recorded in organization accounting by particular projects as separate costs units. Incomes for children's daily center are incorporated in the item SOS telephone line.

NOTE 13. BUSINESS EXPENDITURES

Expenditures

	2012	2011
Materials costs	304.890	215.704
Electricity costs	114.570	73.095
Other material costs	395.172	99.474
Communal services	26.692	14.113
PTT services	273.099	297.100
Transportation services (business trip allowances)	745.788	403.204
Printing services	165.830	283.900
Non-manufacturing services	459.614	542.428
Project advertising	198.799	8.000
Catering services for projects	1.500.285	548.072
Negative exchange rate differences	9.442	18.500
Fees for payment operations	52.805	28.491
Interests	-	1.468
Compensations for employees and citizens	-	1.192.562
Royalties	2.338.616	1.581.359
Membership fee	24.621	11.070
Other material costs	-	-
Assets assigned to other subjects	133.824	-
Additionally established expenditures from past year	130.592	-
Purchase of Equipment	613.366	-
Gross salaries	2.523.404	843.784
<i>Total expenditures</i>	<u>10.011.409</u>	<u>6.162.324</u>

1. Expenses for materials in the amount of	304.890
- Stationary	158.730
- Auxiliary material	114.945
- Cleaning agents-	1.252
- Writing off the small inventory	29.963
2. Electricity costs in the amount of	114.570
- Electricity costs	10.488
- Fuel	114.945
3. Investment Maintenance of assets	395.172
- Maintenance of assets	139.317
- Other services	255.855

4. Other tangible expenses-	<u>1.666.115</u>
- External services – printing/copying	139.317
- Expenses for motor vehicle	255.855
- Hotel and catering services	1.500.285
5. Communal services	<u>26.692</u>
- Water costs	26.692
6. Post costs	<u>273.099</u>
- expenses Telecom	208.663
- post costs	64.436
7. Travelling costs for project activities	<u>745.788</u>
-transportation services	619.969
-taxi transportation	125.819
8. Non-manufacturing services	<u>459.614</u>
-lease of motor vehicle	15.025
-lease of equipment	18.020
-lawyer's and legal services	42.244
-accounting services	279.756
-auditor's services	43.542
-other expenditures	61.027
9. Project advertising	<u>198.799</u>
-project advertising	198.799
10. Other expenses	<u>5.826.670</u>
- Negative exchange rate differences	9.442
- Fees for payment operations	52.805
- Service contract	2.338.616
- Membership fees	24.621
- Gross salaries	2.523.404
- Transferred assets to other entities	133.824
- Purchase of Equipment	613.366
- extraordinary expenses	130.592

The expenses paid to the participants during the realization of project activities such as gross salaries, service contracts and copy right contracts take largest part of 48% in the total expenses. The other expenses are made for common operation of the organization and project implementation in 2012.

13.1 Expenditures per project

For the realization of concrete projects, have been made the following expenditures out of the total expenditures in 2012:

Expenditures per projects	2012	2011
SOS telephone line free of charge	-	82.235
Global campaign for education	3.840.829	101.958
Daily center for children and young people and SOS telephone	143.213	2.132.855
Childhood without abuse	245.130	146.077
Youth in Action	823.880	-
Training for journalists	150.868	-
From orphanage to own dwelling	1.624.775	262.137
Activity against discrimination	-	605
Human rights support	845.377	1.168.692
New Year cards	781.560	611.179
General expenditures for project activities implementation	1.555.777	1.656.586
<i>Total expenditures per projects</i>	<u>10.011.409</u>	<u>6.162.324</u>

NOTE 14. REVIEW OF COMPLETED ACTIVITIES

The following project activities have been implemented throughout 2011:

- 1. SOS telephone line free of charge**
- 2. Legal service free of charge**
- 3. Fight against the violence, children abuse, pedophilia and incest**
- 4. Week of global action for inclusion of all children in education**
- 5. Daily center for children who are not attending a school**
- 6. Children's workshops for right of children**
- 7. Social service**
- 8. Lobbying, representation and monitoring the situation with children's right in the Republic of Macedonia**
- 9. Peace education**
- 10. Support to vulnerable group of children in Macedonia**
- 11. From orphanage to own dwelling**
- 12. Self sustainability and philanthropy**
- 13. Protect own rights- youth rights and active participation**
- 14. Celebrating 20 years of the existence of the Megjasi**

All activities carried out during 2012 are described more detail in final annual report for completed activities in 2012 published by the organization.