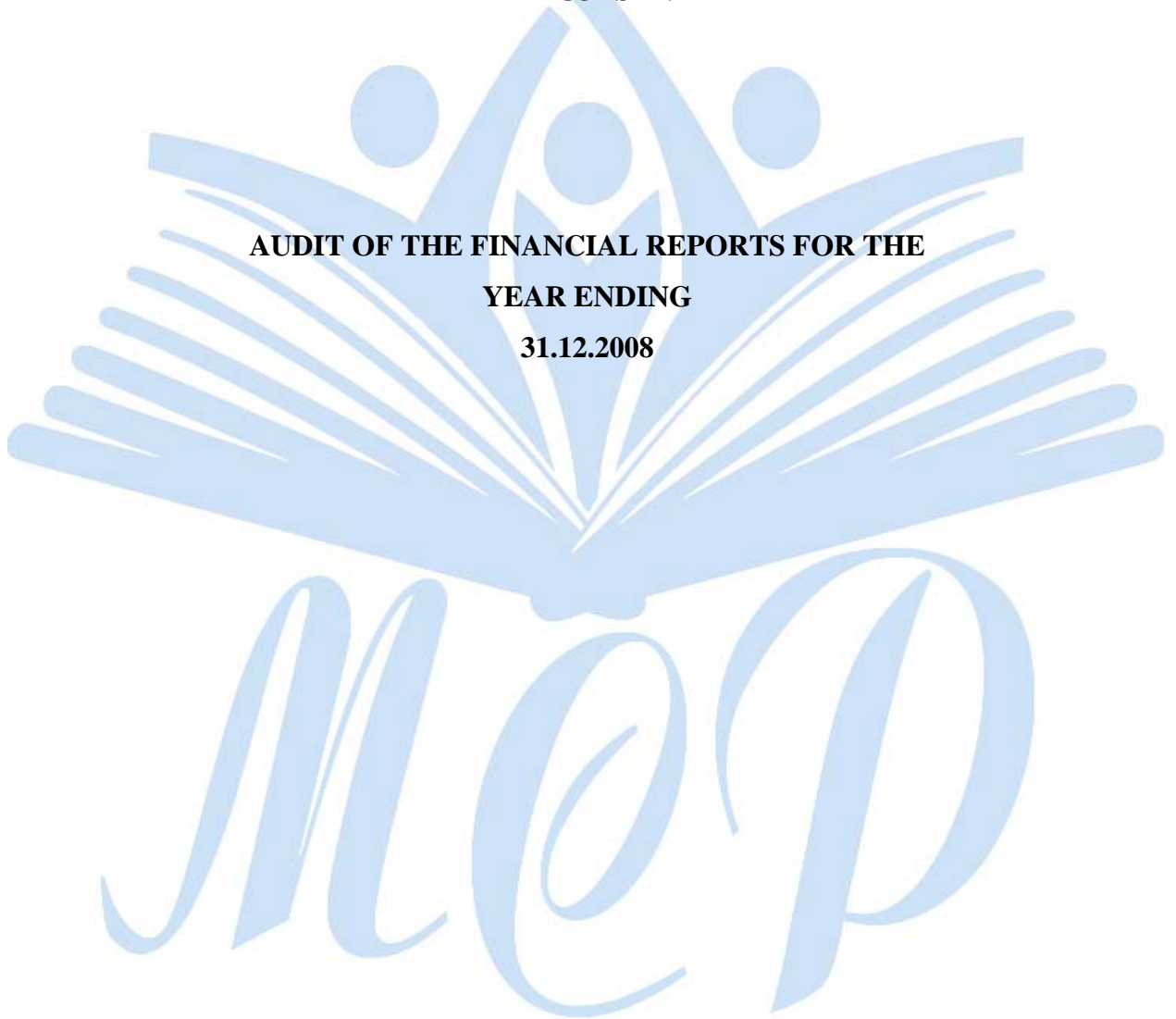


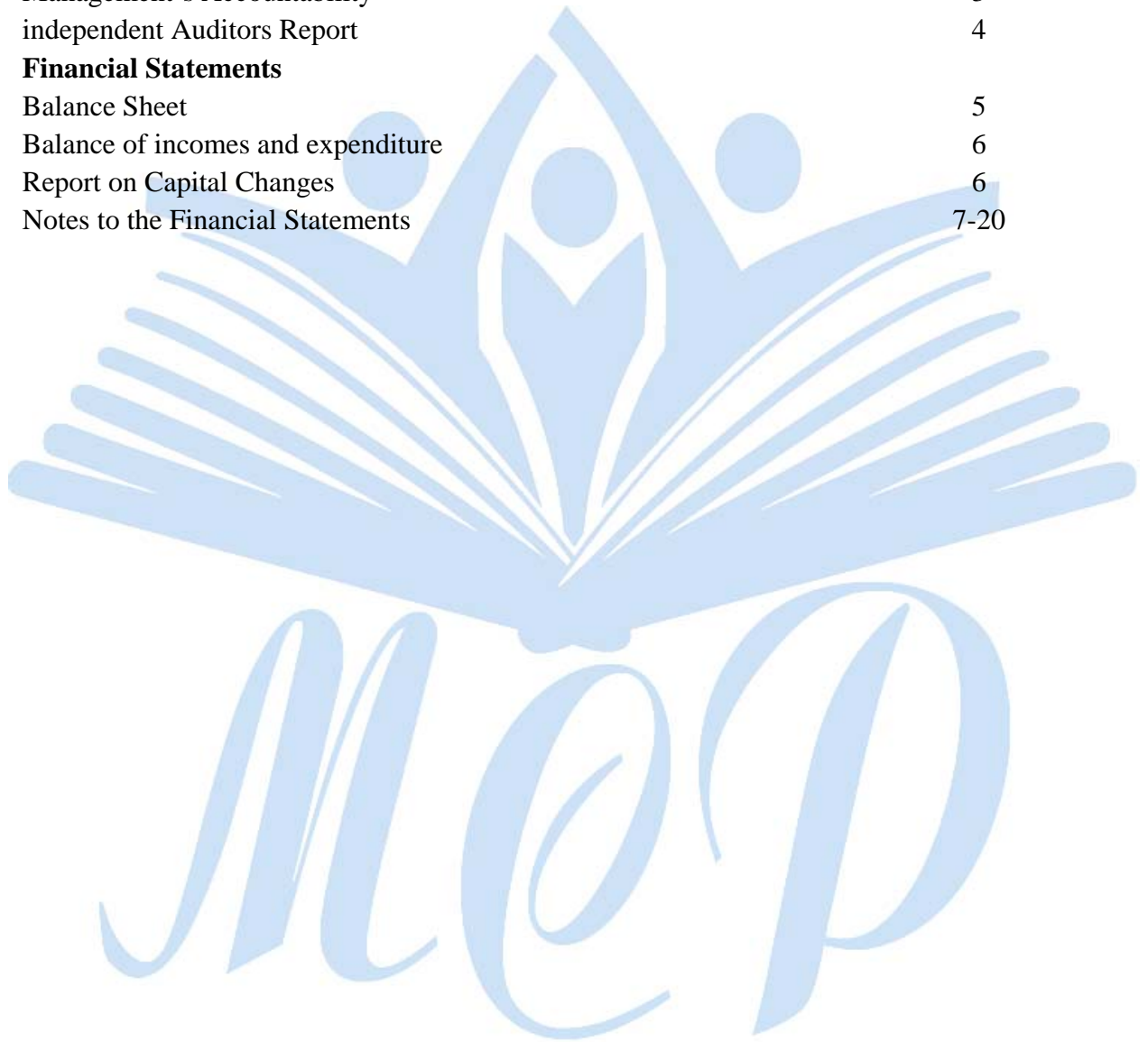
**FIRST WORLD CHILDREN'S EMBASSY  
MEGJASHI.**

**AUDIT OF THE FINANCIAL REPORTS FOR THE  
YEAR ENDING  
31.12.2008**



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## **MANAGEMENT'S ACCOUNTABILITY CONCERNING THE FINANCIAL STATEMENTS**

The financial reports of the association First World Children's Embassy MEGJASHI. – are responsibility and are approved by the association's management

The enclosed financial statements are prepared by the management of the association.

Based of the authenticity and objectivity of the financial statements, the management has developed a sustained internal control structure, which includes appropriate controlling environment and control procedures. The management believes that internal controls represent an appropriate foundation for development of financial statements. However, there are internal limitations that need to be taken into consideration when reviewing the security provided by the internal control structure.

Independent auditors were engaged to carry out an audit of the financial statements for the ending year on the 31.12.2008 in line with the International Auditing Standards and International standards for financial reporting.

Their report is presented on Page 3.

For the First World Children's Embassy MEGJASHI.

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## INDEPENDENT AUDITORS REPORT

### **TO THE MANAGEMENT OF: FIRST WORLD CHILDREN'S EMBASSY MEGJASHI.**

We have carried out an audit of the balance sheet of the organization First World Children's Embassy MEGJASHI as well as to the appropriate balance of incomes and expenditure ,for the year ending 31 December 2008, presented on Pages 4-12. These financial statements are under the accountability of the association's management. It is our responsibility to provide an opinion on these financial statements on the basis of the executed audit.

We have conducted the audit in line with international auditing standards. Those standards require for planning and executing of the audit in a way that would reasonably convince us that financial statements are free of incorrect material. The audit includes a check-up, by way of testing, of amounts and reporting of financial statements. The audit is also comprised of evaluation of applied accounting principles and valuation of significant assessments made by the management, as well as evaluation of the general presentation of financial statements. We believe that the audit provides a reasonable basis for our opinion.

We believe that the enclosed balances present, from all material aspects, the company's financial state on 31 December 2008, results from operations, in line with the International Auditing Standards for reporting of the financial statements.

Skopje, June 2009.

For and on behalf of MSR-REVIZIJA

**BALANCE SHEET**  
**As of 31<sup>st</sup> December 2008**  
**(in Macedonian Denars – MKD)**

<b>ASSETS</b>			
<b>CURRENT ASSETS</b>		<b>696390</b>	<b>313472</b>
Cash and cash equivalents	5	88063	38415
Receivables		4164	128040
Reserves		0	0
Prepayments and accrued income	4	604163	147017
<b>Total current assets</b>		<b>696390</b>	<b>313472</b>
<b>Fixed Asset</b>			
Properties, plant and equipment		431137	684301
<b>Total fixed assets</b>		<b>431137</b>	<b>684301</b>
<b>Non-current liabilities</b>		<b>333554</b>	<b>333564</b>
<b>TOTAL ASSETS</b>		<b>1461081</b>	<b>1331337</b>

**LIABILITIES**

<b>LIABILITIES AND EQUITY</b>			
Liabilities towards customers		327864	157052
Short time liability's		288528	121042
PVR – deferred income		144896	50605
<b>Short time liabilities and PVR</b>		<b>761288</b>	<b>328699</b>
<b>Assets Resources</b>			
Business fund		699793	1002638
Fund for shared expenditure			
<b>Total assets recourses</b>		<b>699793</b>	<b>1002638</b>
<b>TOTAL liabilities and recourses</b>		<b>1461081</b>	<b>1331337</b>

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

**STATEMENT OF INCOME AND EXPENDITURES**  
**for year ending 31<sup>st</sup> December 2008**  
**(in Macedonian Denars – MKD)**

<b>Total income</b>	<b>8</b>	<b>4692628</b>	<b>7054121</b>
<b>Total expenditures</b>	<b>10</b>	<b>4551482</b>	<b>7554123</b>
<b>Balance from income and expenditure</b>	<b>8</b>	<b>141146</b>	<b>-333564</b>
<b>Other income</b>			
<b>Previous year carried over balance</b>			<b>166441</b>
<b>Surplus value for the following year</b>	<b>8</b>	<b>141146</b>	
<b>Profit taxation</b>			<b>0</b>
<b>Total surplus value for the following year</b>	<b>8</b>	<b>141146</b>	

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

**STATEMENT FOR CAPITAL CHANGES**  
**for year ending 31<sup>st</sup> December 2008**  
**(in Macedonian Denars – MKD)**

	<b>Business Fund</b>	<b>Fund for shared Expenditure</b>	<b>Total capit. and funds</b>
<b>Balance as of 01.01.2008</b>	<b>1002638</b>	<b>0</b>	<b>1002638</b>
Write-off of asset and materials	0	-	0
Amortization	302845	-	302845
Basic assets revaluation	0	-	0
<b>Balance as of 31<sup>st</sup> December 2008</b>	<b>699793</b>	<b>0</b>	<b>699793</b>

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

The business fund has not been increased by 49682 this amount was used to purchase new basic assets and also an amount for which the expenditure was underestimated in the financial period.

**NOTE 1. GENERAL INFORMATION FOR THE ASSOCIATION**

The organization First World Children's Embassy MEGJASHI is founded on the 29.04.1992 as non-profit organization in line with the Law on associations of the citizens and foundations.

Address Kosta Novakovik no.22a Skopje

Account number 200000010722372

Tax number 4030995179890

Activity of the organisation is the protection of children's rights and strengthening of the NGO movement for the children's 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.

Financial statements are shown in Macedonian Denars. If not implied otherwise.

**NOTE 3. IMPORTANT ACCOUNTING POLICIES**

**3.1 Financial means and financial equivalents**

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

**3.2 Claims**

The claims are registered according to their purchasing value. On the balance 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. .

The current means can not be revaluated

### 3.4 Amortization

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

Prescribed rate for amortization:

Name of the mean	Prescribed rate per year
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 towards suppliers and other commitments

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

### 3.5 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.



### 3.6 Expenditure registering policy

According to the legal provisions in the RM 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.

### 3.7 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 revenues or expenditure for the estimated period.

The official exchange rates on 31.12.2008 were as followed.

	2008	2007
EUR	61.4123	60.2016
USD	43.5610	41.6464
CHF	41.0427	36.8595

### 3.8 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.

The organisation is not liable for VAT and as such has no right to claim deductions based upon this form of taxation.

Capital gains taxation is not payable as a result of revenues generated upon capital balances when measured against expenditure.

**NOTE 4. CASH ASSETS**

Cash capital components:

	<u>2008</u>	<u>2007</u>
Denary Bank Account	50726	19171
Treasury	37337	19244
<b>Total Cash Capital</b>	<b><u>88063</u></b>	<b><u>38415</u></b>

Cash capital refers to the capital in the bank account and the treasury.

**NOTE 5. RECEIVABLES**

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

Buyers claim	3750
Claim for overpaid personal tax	413
<b>Total claim</b>	<b><u>4163</u></b>

The balance from the account claim from the buyers shows an outstanding balance on both the payable and receivable pages. Paid invoices for which there are not evidenced claims for the sum of 110170 Denars (in the receivables for which there is not evidence) and claims which are invoiced and unpaid total 113920 (in the payable where income is evidenced)

In respect of the cash principle the net results of this situation results in the cash claim from the buyers of 3750 Denars. The sum of 430 Denars refers to the over paid personal tax of 2007

**NOTE 6. PREPAYMENTS AND ACCRUED INCOME**

In line with the legal provisions of the Republic of Macedonia non profit organisations are enjoying the cash principal in other words the expenses are recognised only when incurred in the current year but only if paid until the 31<sup>st</sup> January the following year.

The unpaid expenses are evidenced via other analytic accounts from the account – Other timely active distinctions. The following was evidenced on the AVR at the end of the financial period.

a) Unpaid Salaries	289358
b) Other timely active distinctions	277472
c) Other timely active distinctions	37334
<b>Total:</b>	<b><u>604164</u></b>

Unpaid salaries are accounted for but not paid at the end of the financial period.

Other timely active distinctions are referring to unpaid expenses incurred during 2007 and 2008

The balance of 33734 Denars refers too postponed expenses for union memberships outside the country.

**NOTES 7. PRIMARY ASSETS**

The following section illustrates the financials for the activities in the year ending 31<sup>st</sup> December 2008:

<b>Nominal revaluation of assets</b>					
<b>Balance as of 01.01.2008</b>	<b>0</b>	<b>0</b>	<b>2995331</b>	<b>0</b>	<b>299533</b>
New purchase	0	0	49682	0	49682
Write-off	0	0	0	0	0
Revaluation	0	0	0	0	0
Other assets	0	0		0	
<b>Balance as of 31.12.2008</b>	<b>0</b>		<b>3045013</b>	<b>0</b>	<b>3045013</b>

<b>Correction of revaluation error</b>					
<b>Balance as of 01.01.2008</b>	<b>0</b>	<b>0</b>	<b>2311031</b>	<b>0</b>	<b>2311031</b>
Amortization for year	0	0	302845	0	302845
Revaluation and corrections	0	0	0	0	0
Write-off	0	0	0	0	0
Other changes	0	0	0	0	0
<b>Balance as of 31.12.2008</b>	<b>0</b>	<b>0</b>	<b>2613876</b>	<b>0</b>	<b>2613876</b>
<b>Net accounts asset 01.01.2008</b>	<b>0</b>	<b>0</b>	<b>684301</b>	<b>0</b>	<b>684301</b>
<b>Net accounts asset 31.12.2008</b>	<b>0</b>	<b>0</b>	<b>431137</b>	<b>0</b>	<b>431137</b>

**NOTES 8. SHORT TERM LIABILITIESL -SALARIES**

	<b>2008</b>	<b>2007</b>
	-----	-----
Net salary	831060	776310
Tax from salary	76233	87516
Salary contribution	428311	427009
Tax and contributions which are not depending on reserves.		1596
<b>Total:</b>	<b>1335604</b>	<b>1292431</b>

The total payable salary for year 2008 has not been paid in full. From the total revenue and expenditure balance, 1046246 Denars were evidenced as an expense while 289358 thousand Denars were evidenced as postponed expenditure as stated in Notes 6.

**NOTES 9. UNFINISHED SHORT TERM LIABILITIES**

	<b>2008</b>	<b>2007</b>
Traders in the country	327864	157.052
Liabilities towards employees	288528	121.042
Credit liability	0	0
<b>TOTAL</b>	<b>616392</b>	<b>278094</b>

The total obligations towards the traders are those obligations that they have not been paid for at the end of the financial period.

The obligations towards the employees are the salaries and the contributions which have not been postponed for the next financial period. The obligations to employees are commented in Notes 8.

**NOTES 10. BUSINESS INCOME**

	<b>2008</b>	<b>2007</b>
Income from donations	3145767	5487158
Free will donations	308068	513127
Membership income	12450	5905
Income from greeting cards	813837	255769
Income from handmaid (objects)	14423	70450
Income from services and (good turn)	2000	9300
Membership income	5900	0
Free will donations	327643	307139
Interest income (income from interest)	183	713
Income from VAT return	8002	0
Other means income	54355	24395
Uncommon (exceptional) income		380165
Balance carried over from previous year		166441
<b>Total Income:</b>	<b>4692628</b>	<b>7220562</b>

The organizations funding is generated by donations and the income of their own activities.

According to the assignment the donations can be unconditional for fulfilling organizations programs activities or strictly conditional for realization on a particular project.

As donators in year 2008 are stated economic corporations, individuals and nongovernmental organizations form the country and abroad.

**Income from conditional donations**

The incomes generated by donations which have been paid to the organization's account throughout year 2008 for realization on a particular project are from the following donators:

	<b>2008</b>	<b>2007</b>
Swiss Embassy	969180	-----
Metamorphosis Foundation	214954	-----
Nobody's Children Foundation from Poland	744717	513036
MCMS	284500	2177069
CIRa	177812	71592
Centre for unforced action from Belgrade	61350	-----
Action Aid International	61330	122700
Agency for youth and sport	30000	61350
Cosmofon		367024
Ministry of Labour and Social Policy		350000
ODZFD		61350
Macedonian telecommunication		369592
Ministry of culture		60000
Miramida Croatia		98260
<b>Total:</b>	<b>2543843</b>	<b>4251973</b>

The Swiss embassy's donation is strengthening the program activities and supports already running projects of the organization in year 2008 with budgeting propositions for their particular activities.

The donation from Metamorphosis Foundation supports the project "Protection and security of the children and their rights on internet"

The donation from Nobody's Children Foundation from Poland supports the project "Violence free childhood".

MCMS's donation is to support the project "Global action week".

The donation from CIRa supports the "Philanthropy project".

The donation from Action Aid International supports the "Global action week project".

The agency for youth and sport supports the "SOS telephone project".

The rest of the income from the donations in year 2008 in total of 601924 Denars are unconditional donations for realization of the organization's program of activities and they are donated by:

**Income from unconditional donations**

	<b>2008</b>	<b>2007</b>
Diletto Napoli	231601	266705
Individuals	7500	323098
Eurochild AISBL	40698	-----
Ivalio Francesco	154755	-----
Nobody's Children Foundation	71037	-----
Economic corporations	77937	548700
Udruga za rad Osijek	18399	-----
Bolton England	-----	96682
<b>Total:</b>	<b>601924</b>	<b>1235185</b>

**NOTE 11. ANNUAL EXPENSES**

<b>EXPENSES</b>	<b>2008</b>	<b>2007</b>
Stationary	552465	471687
Energy	172312	212863
Other material expenses	85628	105447
<b>Total direct expenses</b>	<b>810404</b>	<b>789997</b>
Telecommunications services	213928	252257
Transport	127009	203849
Non industrial services	343785	1632431
Representation	74133	78045
Rent	22469	27447
Commissions	22763	52762
Court and administrative taxes	5000	
Other material expenses	29799	142430
Insurance polices	47659	52340
Compensation for workers and citizens	357502	110529
Author's fee	1266614	2612922
Public utilities	7015	
Memberships	39330	30600
Other non-material expenses	137826	276086
Gross salaries	1046246	1292431
<b>Total indirect expenses</b>	<b>3741078</b>	<b>6764129</b>
<b>Total Expenses</b>	<b>4551482</b>	<b>7554126</b>



The divide between expenses of direct and indirect for the non-economic organizations is very specific. This is because this kind of divide can only be done based upon particular activities while the expenses for the economical organizations can be easily allocated per unit.

The criteria for the divide on direct and indirect expenses for the table above is based on the basic criteria (material and nonmaterial)

All expenses evidenced and documented in the accounts are referring to the activities carried out in year 2008.

**From the total materialized expenses carried out during 2008 the following was used for the realization of particular projects:**

<b>Expenses per projects</b>	<b>2008</b>	<b>2007</b>
Collecting means for supporting the Organization's activities	766485	787473
Free SOS telephone	138140	395000
Children's workshops	128681	188516
Global action week	284500	250000
Day centre for children and youth	338981	350000
Philanthropy	177812	16610
Violence free childhood	952097	630000
Did you tell your child today how much you love them	61350	165780
Children and internet	420470	-----
Straitening the organization's capacity	474292	621693
Training non-violent conflict resolution	257535	98260
National platform of Macedonia	-----	2177169
<b>Total:</b>	<b>4000343</b>	<b>5680501</b>

<b>Unconditional Expenses</b>	<b>2008</b>	<b>2007</b>
Non-production services (non industrial)	343785	1632431
Representation	74133	78045
Commissions	22763	52762
Court and administrative taxes	5000	-----
Rent	22469	27447
Insurance polices	47659	52340
Membership	39330	30600
<b>Total:</b>	<b>555139</b>	<b>1873625</b>

## **NOTE 12. REVIEW OF ACTIVITIES TAKEN PLACE**

The following projects activities have been carried out throughout year 2008.

### **Collecting means for supporting the organization's activities**

**Free SOS telephone**

**Children's workshops**

**Global action week**

**Day centre for children and youth**

**Philanthropy**

**Violence free childhood**

**Did you tell your child today how much you love them?**

**Children and internet**

**Strengthening the organization's capacity**

#### **1. Fundraising to support the organization's activities.**

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

#### **2. 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 organisation 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.

### **3. Children's workshops**

The children's workshops give children from different ethnic and religious backgrounds as well as financially disparate circumstances opportunity to explore creativity and the fantasies of childhood. In the first half term in 2008 the workshops had been attended by 115 children.

The workshop activities are from different fields such languages, IT and Information, Art, Origami, Drama, Letter writing, Journalism, Sport. Mathematics., Education for human values and chess.

The children's workshops are lead by volunteers specialised in the disciplines associated with the subject matter of the workshop. Within the frame of this program a new-year workshop was held in T C Ramstore where all interested children could participate in designing new-years decorations, greeting cards and other new year celebration paraphernalia. The handmade objects were used as new-year gift for the children participating as well as being on display for sale at the children's embassy together with hand made product produced by the members of the embassy and volunteers.

Financially the project was supported by the Swiss embassy and the organisations own funds.

### **4. 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.

The project was supported by unconditional donations and the organisations own funds.

### **6. Day Centre for children and youths**

The day centre for children and youths is organised 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. Philanthropy**

Philanthropy is a project started in 2007 with an objective to secure funds to allow social protection of children living on the streets by opening day centres to offer an alternative to the children roaming the streets.

This project is supported by the Centre for Institutional Development known as CIRA and the ministry of labour and social policy.

## **8. Violence 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 the project framework the posters for “Respectable Courts I am Scared” were adapted as well as the presentation of the brochure “I am going to Court”.

The project objective is working with child victim witnesses in order to protect their psychological well being The project organises training for professional Judges who are interviewing child witnesses.

This project was financially supported by the Nobody’s Children Foundation of Poland and the Swiss Embassy.

## **9. Did you tell your children today how much you love them?**

This project is an extension to the project “Did you hug child” in order to promote responsible parenting. Within this project billboards were made with five key messages around different family situations.

This project was supported by Acent Media with the donation of free billboard spaces and the Centre for Unforced Action in Belgrade.

## **10. Children and Internet**

The project Protection and security of children and their right on the internet is lead by metamorphosis foundation in partnership with First Children’s Embassy Megjashi with the financial support of the European Union. The purpose of this project is to raise awareness of the dangers existing to children using the internet. Educating children how to protect themselves as well as making available useful information to address the problem.

