

**FIRST WORLD CHILDREN'S EMBASSY
MEGJASHI**

**AUDIT OF THE FINANCIAL REPORTS FOR THE
YEAR ENDING
31.12.2010**

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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 accompanying financial statements of the organization First World Children's Embassy MEGJASHI – Skopje, including the balance sheet for the year 31 December 2010, as well as to the appropriate balance of incomes and expenditures, Cash flow Report and the Report on Capital Changes for the year ending 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 released from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable according the circumstances.

THE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion for this financial statements based on our Audit. The Audit is implemented in accordance with International Financial Reporting Standards. Those standards require we to comply with the ethical requirements, to plan and perform the audit in order 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 the purpose of expressing an opinion on the effectiveness of internal control.

An audit also includes evaluating the appropriateness of the accounting policies that are used and the reasonableness of accounting estimates made by the 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 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 state of the Association on 31.12.2010, and changes in the equity for the year ending on that date in accordance with the Law on Accounting for Nonprofit Organizations and generally accepted accounting principles for presentation of the financial statements in Macedonia.

Skopje, 15.11.2010 year

Menka Markovic,
Authorized auditor

Menka Markovic,
Manager



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

	Note	2010	2009
ASSETS			
CURRENT ASSETS			
Funds	4	134.752	83.888
Receivables	5	514.600	55.830
Reserves		0	0
Prepayments and accrued income	6	57.860	87.223
Total current assets		707.212	226.941
Fixed Asset			
Properties, plant and equipment	7	146.156	146.156
Total fixed assets		146.156	146.156
Non-current liabilities			
TOTAL ASSETS		865.345	373.097
LIABILITIES			
LIABILITIES AND EQUITY			
Liabilities to suppliers	9	124.768	129.202
Short time liabilities	8.9	516.696	22.299
PVR – deferred income	10	65.748	75.440
Short time liabilities and PVR		707.212	226.941
Assets Resources			
Business fund	11	146.156	146.156
Fund for shared expenditure			
Total assets recourses		146.156	146.156
TOTAL liabilities and recourses		863.345	373.097

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

STATEMENT OF INCOME AND EXPENDITURES

for year ending 31st December 2010
(in Macedonian Denars – MKD)

	NOTE	2010	2009
Total income	12	5.340.804	7.783.551
Total expenditures	13	5.275.056	7.705.476
Difference between income and expenditures	8	78.705	78.705
Other income			
Previous year carried over balance		75.440	141.146
Surplus value for the following year	10	65.748	78.705
Profit taxation	9	0	2.635
Total surplus value for the following year	10	65.748	75.440

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

STATEMENT FOR CAPITAL CHANGES
for year ending 31st December 2010
(in Macedonian Denars – MKD)

	Business Fund	Fund for shared expenditure	Total capital and funds
Balance on 01.01.2010	146.156	0	146.156
Supply of fixed assets	43.015	-	43.015
Covering losses from previous year			
Amortization	43.035	-	43.035
Basic assets revaluation	11.997	-	11.997
Balance as of 31st December 2010	158.133	0	158.133

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

The business fund has been decreased by the value of amortization and increased by 43.015 denars which is the amount of newly supplied fixed assets and the revaluation of basic assets in the amount of 11.997 denars.

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 protecting the children's rights and strengthening the NGO movement for the rights of the child in the Republic of Macedonia. During the year 2010 changes have been made to the expansion of activities of the Organization.

NOTE 2. BASIS FOR PREPARING AND PRESENTING FINANCIAL STATEMENTS

The financial statements of the Organisation are prepared in accordance with the legislation applicable in the Republic of Macedonia for non-profit organisations as:

Law on accounting for non-profit organisations, Law on personal income 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.

The financial statements are shown in value – Macedonian denar in denars, 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 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 sheet are presented according to their purchasing value, reduced by the accumulated depreciation and losses due to damages.

In the moment of acquirement, the current assets are registered according to their purchasing value, which consist of invoice value of the asset increased for the dependent costs of the purchase. The material and non material investments are expensed at their purchase value while also increasing the business fund which is a part of the capital assets and decreasing the business fund for the amount of the amortization and transferring the means to the current year. The current assets and the impairment during 2010 are revaluated.

3.4 Depreciation

Material and nonmaterial investments (current assets) are depreciated using the proportional method, so that purchasing value of the fixed assets are depreciated in equal amounts by year during the prescribed period of use of the fixed assets. The calculation of the depreciation is conducted separately for each asset.

Prescribed rate for depreciation:

Name of the asset	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 to suppliers and other commitments

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

3.6 Incomes registering policy

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

3.7 Expenditure registering policy

According to the legislation in R.M. non profit organizations apply the principle tenet of monetary, or as expenditures are recognised only expenses of the current year, only 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 statement of incomes and expenditures as other financial income or expenditure for the estimated period.

The official exchange rates on 31.12.2010 were as followed.

Currency	2010	2009
EUR	61.5050	61.1732
USD	43.3140	42.6695
CHF	49.3026	41,1165

3.9 Tax and Contributions

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

In accordance with the VAT regulations the activities of the Organisation are exempt from 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>2010</u>	<u>2009</u>
Denary Bank Account	53.595	25.994
Treasury	81.157	57.894
Total Cash Capital	<u>134.752</u>	<u>88 063</u>

Financial means refers to the capital in the bank account and the treasury, and they comply with the bank statement of 31.12.2010 and the log of cash.

NOTE 5 RECEIVABLES

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

	<u>2010</u>	<u>2009</u>
Claims of the work	514.600	55.417
Claim for overpaid personal tax		413
Total claim	<u>514.600</u>	<u>55.830</u>

Claims of work are claims from donors in amount of 435.420 denars, and claims from clients in amount of 79180.

NOTE 6 ACTIVE TIME LIMITATIONS

The legislation of Republic of Macedonia of non profit organizations use the Principle of monetary tenet, or as expenditures are recognized only the expenditures that are made during the current year if paid until 31 of January next year, while unpaid consumption recorded by the analytical accounts of the bill – other active time limitations. On the accounts of active time limitations at the end of the accounting period were recorded:

	2010	2009
a) Unpaid wages		18.157
б) Other active time limit.	57.860	69.066
Total	<u>57.860</u>	<u>87.233</u>

Other active time limitations refer to expenses paid in advance for a business trip made in 2011 in the amount of 55.427 denars, overpaid gain tax in the amount of 2020 denars and overpaid personal tax in the amount of 413 denars.

NOTE 7 BASIC ASSETS

The movement and condition of the components for the year ending December 31, 2010 are the following :

Revalue cost	Land	Build.	Equip.	Int. Assets	Total	
Balance at 01.01.2010	0	0	0	3.062.877	0	3.062.877
New procurment	0	0	0	43.015	0	43.015
Decrease	0	0	0	2.680.013	0	2.680.013
Revaluation	0	0	0	37.039	0	37.039
Other assets	0	0	0		0	
Balance at 31.12.2010	0	0	0	3.062.877	0	3.062.877

Reavlue impairment						
Balance at 01.01.2010	0	0	0	2.916.721	0	2.916.721
Depriciation of the year	0	0	0	43.035	0	43.035
Revaluation of corrections	0	0	0	25.041	0	25.041
Decrease	0	0	0	2.680.013	0	2.680.013
Other changes	0	0	0	0	0	0
Balance at 31.12.2010	0	0	0	304.784	0	304.784
Nett acounitng value 01.01.2010	0	0	0	146.156	0	146.156
Nett accounting value 31.12.2010	0	0	0	158.133	0	158.133

During the year 2010 the basic assets have been increased in the amount of 11.997 which is the difference between the revalorized value of basic assets and the revalorized correction. A new basic asset has been acquired, a computer in the amount of 43.015 denars which is the amount of the increase of basic assets, also amortization of assets has been calculated in the amount of 43.035 which is the same amount the basic assets have been reduced. During 2010 a vehicle in the amount of 2.340.013 and computers which costs and write-offs amount to 340.000 have been set out of use. Entries have been conducted with which the impairment and the nominal value have been closed for which amount the same are reduced. The vehicle has been sold in 2011.

NOTE 8 SHORT TERM LIABILITES- SALARIES

	2010	2009
	-----	-----
Net salaries	206.882	441.177
Salaries taxes	10.447	30.413
Contributions from wages of the employees	72.445	168.820
Total	280.314	640.410

Total estimated gross salaries for 2010 amounted to 280.314 denars. From the estimated total wages, salary for the month of December 2010 in the amount of 40.928 denars is unpaid.

NOTE 9 OTHER SHORT-TERM LIABILITIES

	2010	2009
Obligations to the suppliers		
Suppliers in the country	124.768	129.202
Obligations to the employees	40.928	15.296
Obligations to tax payments		7.003
Short term loans	475.768	
TOTAL	641.464	151.501

Total liabilities to suppliers relating to the obligations to suppliers which are not paid in the accounting period.

Obligations towards employees including obligations for wages and contributions which are deferred for the next accounting period, as commented in note 8.

Liabilities for short term loans refer to received short-term loans from employees in the amount of 79.910 denars and 395.858 from entities.

NOTE 10 PASSIVE TIME LIMITATIONS

	2010	2009
Surplus revenues for next year	65.748	75.440
Total	65.748	75.440

On the item is recorded the surplus revenues accounted for the next year.

NOTE 11. BUSINESS FOND

	2010	2009
Business fond	158.133	146.150
Total	158.133	146.150

The business fond is in the amount of the value of the fixed assets.

NOTE 12. OPERATING INCOME

	2010	2009
Income from donations	3.085.770	6.232.557
Income from Voluntary contribution	213.403	260.910
Income from subscriptions	600	1.200
Income from greeting cards	842.930	658.195
Income from artisan products	0	670
Income from individuals	51.176	
Income from legal entities	582.297	
Income from voluntary donations	200.881	336.302
Income from interests and exchange rate difference	224	10.168
Income from VAT refund	57.557	60.617
Income from other sources	0	58.503
Income from write-off of liabilities	230.527	23.282
Transferred part of the surplus of revenues from previous year	75.439	141.146
Total income	5.340.804	7.783.550

The organization accomplishes its revenues from donations 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 2010 appear commercial entities, individuals, domestic organizations and abroad.

12.1 Income from donations

Income from donations during 2010 were paid on the account of the organization for the realization of the project activities of the association from the following donors:

	2010	2009
Kingdom of the Netherlands	1.200.000	
Swiss embassy -		263.945
Nobody's Children Foundation of Poland		957.111
CIRA		109.549

Audit company "MSR" LTD. – Skopje

Agency of youth and sports		20.000
Individuals		33.798
Commercial entities		188.700
Association of work Osijek		18.399
Ministry of labor and social politics	60.000	422.219
European commission	1.460.739	2.891.479
UNICEF		1.071.954
Government of the R. Macedonia		200.000
MWD(Macedonia without discrimination)		73.800
Coalition,, All for fair trails,,	130.500	
Association Mesecina (Moon)	92.250	
GAW Brussels	61.658	
Own revenues another income from others. subjects and individuals	80.623	
Total	3.085.770	6.232.557

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

12.2Revenue by project

	2010	2009
Building the culture of children's participation	1.829.640	4.011.100
Fighting against pedophilia	185.000	407.118
Global week of action	72.258	100.000
Children workshops	80.000	121.200
SOS telephone	500.000	223.980
Free legal and social care	95.000	161.413
Day-care centre for children who don't go to elementary school	180.000	493.194
Activities for fighting against children's discrimination	233.131	73.800
Violence free childhood	82.679	1.138.813
Responsible parenting campaign	80.000	253.202
Children and modern Communication technologies		200.000
Human rights support project	210.500	130.500
Own revenues and other income for implementation of project activities	1.792.596	599.730
TOTAL	5.340.804	7.783.550

NOTE 13 OPERATION EXPENSES

Expenses

	2010	2009
Material expenses	115.786	231.090
Energy expenses	181.955	154.484
Other material expenses	132.912	31.795
Utilities	21.062	17.395
Postal services	299.354	292.417
Transport services	88.543	842.062
Non-production services	991.550	843.416
Commercials for projects	16.642	33.386
Catering services for projects	244.641	496.916
Negative exchange rate differences	3.797	
Commissions	32.411	35.959
Judicial and administrative fees		13.100
Other material expenses	43.015	
Insurance expenses		29.775
Compensation for workers and citizens	290.146	245.134
Copyright agreements	2.262.430	2.900.321
Subscriptions	19.775	78.234
Other material expenses	160.619	97.632
Transferred assets to other entities	33.810	70.650
Additional expenses set last year	56.294	651.336
Gross wages	280.314	640.410
Total expenses	5.275.056	7.705.476

13.1 Expenditure by project

The total realized expenditure in 2010 for implementation of specific projects are as follows:

Expenditure by project	2010	2009
Building the culture of children's participation	1.826.380	3.834.659
Responsible parenthood	39.337	
Free SOS telephone	326.721	223.979
Children's workshops	45.252	121.200
Global week of action	71.863	100.002
Daycare center for children and youth	152.651	493.194
Abuse free childhood	92.118	1.138.814
Did you tell your child today how much you love it		253.204
Children and the Internet		200.000
Fighting against pedophilia	95.602	407.111
Free legal help and social support	58.552	161.414
Activities for fighting against discrimination	249.550	73.801
Human rights	175.752	
General expenses for the realization of project activities	2.141.278	698.098
Total	5.275.056	7.705.476

NOTE 14 REVIEW OF ACTIVITIES TAKEN PLACE

During 2010 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 telephone
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. Strengthening the capacities of the Organization
10. Fighting against pedophilia
11. Free legal help and social support
12. 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 refers to the realization of activities that will 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 NGO's also included, and the carrier of the project is the first Children's embassy in the world Megjasi.

This project covered the preparation of four Alternative reports on the conditions of child rights in the Republic of Macedonia which were presented before the Committee of Rights of the Child in the United Nations in Geneva.

2. Fundraising to support the organization's activities.

Within the project the organization throughout the year is giving a range of activities to raise funds for the sustainability of the organization.

3. Free SOS telephone

The free telephone number 0800 1 2222 is first free number for children and youths which operates continuously for the past 17 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 associated with different kinds of abuse and violence (psychological, physical, sexual and child slavery)

In cases for which through the organization was requested support for protecting the rights of the children, the organization was collaborating with: the public prosecutor, the police, the courts and the social services. Collaboration with non-government organizations is also on a significant level.

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 and to get to know their rights. During Children week the First Children Embassy Megjashi was visited by 430 children who attended these workshops.

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 including children in the educational system. During the one week campaign which lasted from April 19th to April 27th multiple events were held- One goal- Education for everyone, a visit to the Minister of Education of the Republic of Macedonia, Public Debate- a Forum with the subject Educational inclusion of children that do not attend school.

6.Day-care centre for children and youth

The day-care centre for children living in the street is organized as a priority for financially disadvantaged families which are living in poverty driven conditions. The main goal of the Day-care centre is to enable the children from the streets to be included into society, to enable psychosocial support and intervention through social care outside of the institutions.

Despite not having secured support to fund this activity the organisation continues to support this project using own resources, resources from the business sector and resources from individuals.

7. Abuse free childhood

From September 2007 as part of the regional program for Abuse Free Childhood-better system of protection for the children of Eastern Europe. The Megjashi Organization was chosen to be national coordinator in Macedonia by Nobody's Children Foundation of Poland. Within this project in 2010 a Campaign was conducted "The violence should not be kept silent" which main message was aimed at informing the public about the violence to which children are exposed.

8. Responsible Parenting campaign

This project is an extension of the project "Did you hug your child today" in order to encourage responsible parenthood.

9. Fighting against pedophilia

In order to protect the children from this kind of violence which is unfortunately on the rise, the Organization takes range of activates such as modifying the judicial system and active lobbying for changing of the Criminal Law. Within this activity on the 21.12.2010 an International supervision - Case study was held on the subject The Child-witness and the sexual abuse against children as well as addressing the Assembly of the Republic of Macedonia about the protection of children from sexual abuse.

10. Free legal assistance

During 2010 the Organization had 105 written speeches to the competent institutions in order to give legal assistance and protection of children and their rights.

11. 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.

