

**THE AUDITOR'S REPORT  
FINANCIAL STATEMENTS  
For 2007  
NANSEN DIALOGUE CENTRE  
Skopje**



**DFK**  
INTERNATIONAL

**ДИМИТРОВ РЕВИЗИЈА**

Друштво за ревизија

**THE AUDITOR'S REPORT  
FINANCIAL STATEMENTS  
For 2007  
NANSEN DIALOGUE CENTRE  
Skopje**

**Skopje, February 2008**

**DIMITROV REVIZIJA DOOEL**

*Correspondent member of DFK International London*

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**To the Management of  
Association of Citizen "Nansen Dialogue Centre"  
Skopje**

## AUDITOR'S REPORT

We have audited the accompanying financial statements of the Association of Citizen "Nansen Dialogue Centre" - Skopje which comprise of the Balance Sheet as of 31<sup>st</sup> December 2007, and the related Statement of Revenues and Expenses, Cash Flow Statement and Statement of Changes in Funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

The Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining of the internal control relevant to 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards. These standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

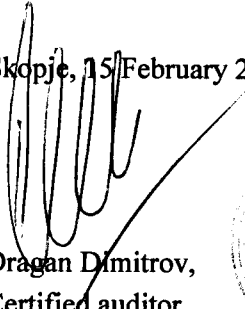
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's 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 the financial statements.

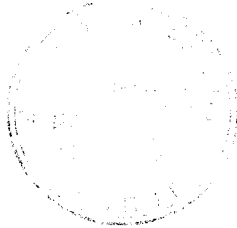
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Auditor's opinion*

In our opinion the financial statements of the Association of Citizen "Nansen Dialogue Centre" Skopje give a true and fair view of the financial position of the Association as of 31 December 2007, and the results of its operations, its cash flows and changes in funds for the year then ended, in accordance with the Accounting Law for Non-Profit Organizations and accounting standards and principles that apply for the non-profit organizations and associations in Republic of Macedonia.

Skopje, 15 February 2008

  
Dragan Dimitrov,  
Certified auditor



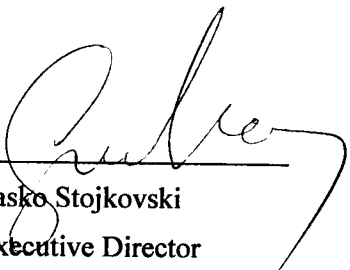
  
Dragan Dimitrov,  
Manager

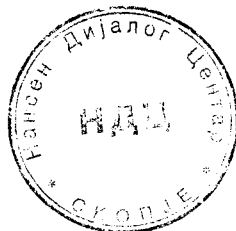
## MANAGEMENT RESPONSIBILITY

The accompanying financial statements as of and for the period 1 January 2007 to 31 December 2007 of the NGO Nansen Dialogue Centre – Skopje, on pages 4 to 14 are the responsibility of, and have been approved by the management.

The accompanying financial statements have been compiled by the NGO management, in conformity with the Accounting Law for Non-Profit Association and the accepted accounting principles, practice and accounting standards for a financial reporting.

Management, in furtherance of the integrity and objectivity of the financial statements, is also responsible for the internal financial control, for keeping the granted funds and prevention and detection of abuse and other irregularities.

  
Sasko Stojkovski  
Executive Director



**NANSEN DIALOGUE CENTRE - Skopje**

**BALANCE SHEET**  
As of 31 December

(In thousands of MKD)

	Note	2006	2007
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	258	1.216
Prepayments and accrued income	5	-	47
<b>Total current assets</b>		<b>258</b>	<b>1.263</b>
<b>NON-CURRENT ASSETS</b>			
Property, plants and equipment	6	1.419	1.055
<b>Total non-current assets</b>		<b>1.419</b>	<b>1.055</b>
<b>TOTAL ASSETS</b>		<b>1.677</b>	<b>2.318</b>
<b>LIABILITIES AND OPERATING FUND</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	7	103	98
Other short-term liabilities		4	31
Accrued expenses and deferred income	8	151	1.134
<b>Total liabilities</b>		<b>258</b>	<b>1.263</b>
<b>OPERATING FUND</b>			
Operating fund	9	1.419	1.055
<b>Total operating fund</b>		<b>1.419</b>	<b>1.055</b>
<b>TOTAL LIABILITIES AND OPERATING FUND</b>		<b>1.677</b>	<b>2.318</b>

Notes to the financial statements on pages 8 - 14 are part of the financial statements

**STATEMENT OF REVENUES AND EXPENSES**  
For 2006 and 2007

(In thousands of MKD)

	Note	2006	2007
Granted donations	10	16.467	8.726
Operating expenses	11	(16.649)	(9.454)
<b>OPERATING INCOME (LOSS)</b>		<b>(182)</b>	<b>(728)</b>
<i>Other revenues:</i>			
Surplus of revenues from previous year		-	151
Financial revenues		3	34
Other revenues	12	179	543
<b>Total other revenues</b>		<b>182</b>	<b>728</b>
<b>Surplus of revenues over expenses</b>	13	-	-

Notes to the financial statements on pages 7 - 13 are part of the financial statements



**CASH-FLOW STATEMENT**

**For 2006 and 2007**

(In thousands of MKD)

	<b>2006</b>	<b>2007</b>
<b>Cash flow from operating activities</b>		
<i>Adjusted for:</i>		
Surplus of revenues over expenses	-	-
Additions of fixed assets	631	494
Revenues from fixed assets sold	(153)	(588)
Liabilities write-off	(141)	-
<i>Increases (decreases) in current assets</i>		
Prepayments and Accrued Income		(47)
Other receivables	171	-
<i>Increases (decreases) in current liabilities</i>		
Accounts payable	35	(5)
Other short term liabilities	4	26
Surplus of revenues over expenses	-	983
<b>Net cash from operating activities</b>	<b>547</b>	<b>863</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(631)	(493)
Sale of property, plant and equipment	153	588
<b>Net cash from investing activities</b>	<b>(478)</b>	<b>94</b>
<b>Net increase (decrease) in cash</b>	<b>69</b>	<b>958</b>
<b>Cash at the beginning of the year</b>	<b>189</b>	<b>258</b>
<b>Cash at the end of the year</b>	<b>258</b>	<b>1.216</b>

Notes to the financial statements on pages 7 - 13 are part of the financial statements

**NANSEN DIALOGUE CENTRE - Skopje**

**STATEMENT FOR CHANGES IN FUNDS**  
For 2006 and 2007

(In thousands of MKD)

	<b>Operating Fund</b>	<b>Total</b>
	<b>Fixed Assets</b>	
<b>Balance as of 01.01. 2006</b>	1.108	<b>1.108</b>
Additions of equipment	631	<b>631</b>
Sold vehicle	(320)	<b>(320)</b>
<b>Balance as of 31.12.2006</b>	<b>1.419</b>	<b>1.419</b>
Correction by audit 2006	162	<b>162</b>
<b>Balance after correction</b>	<b>1.581</b>	<b>1.581</b>
Additions of equipment	494	<b>494</b>
Sold vehicle	(588)	<b>(588)</b>
<b>Balance as of 31.12.2007</b>	<b>1.487</b>	<b>1.487</b>

Notes to the financial statements on pages 7 - 13 are part of the financial statements

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1. ESTABLISHMENT AND ACTIVITY OF THE ASSOCIATION**

Nansen Dialogue Center - NDC is association of citizens established at 17.01.2000 according to the Law of Associations of Citizens and Foundations (Official Gazette of RM No.31/98). The Association is registered in the register of the Association of Citizens and Foundations with Registration No. 01/ZG.956/2000.

The Association operates in accordance with the Law of Associations of Citizens and Foundations and a Statute. According them, the Association is non-governmental, non-party and non-profit association of citizens, which operates in the field of strengthening the democratic consciousness, peace, mutual tolerance, dialogue and cooperation in the society, as well as giving basic assistance to those who need it. The Association's management bodies are Assembly, Executive Body - Board, Manager of the Executive Body - Board and Council.

The Association is located in Skopje, with address 31-10 Naroden Front Street – Centre.

**NOTE 2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

The financial statements of the Association are conducted in accordance with the Non-Profit Association Accounting Law ("Official Gazette of RM" No. 24/2003) and the accepted accounting principles, practice and accounting standards for a presentation of the balance sheet items, balances of the assets, liabilities, sources of the assets, revenues and expenses, and the operating results on true, fair, confidential, complete, punctual basis.

The amounts in the statements and the notes are stated in thousands of MKD, except when otherwise indicated in the text.

**NOTE 3. BASIC ACCOUNTING POLICIES**

The basic accounting policies used for preparation of the financial statements are listed in the following text. The accounting polices of the Association are being adequately applied from year to year.

**Cash and cash equivalents**

Cash flow Statement requires presentation of the Association's cash that comprises the cash on hand and the cash on bank account in the commercial banks.

Money at the cash account and at the bank accounts stated in domestic currency are presented in the general ledger at their nominal value, while the foreign exchange currency is stated according to the exchange rate of NBRM at the reporting date.

Cash-Flow Statement is prepared using the indirect method.

**Material and intangible assets**

Material and intangible assets (fixed assets) are stated at cost.

The operating fund of the Association increases for the amount of the value of fixed assets purchased. According to the accounting policy concerning fixed assets, they are all recognized as expenses for the period they are purchased, i.e. when the funds (in cash or non-current assets) are received from the donors.

The cost of the fixed assets comprise the purchasing price increased for the import customs, VAT, manipulative expenses and all other expenses that can be added to the cost, i.e. to the purchasing expenses.

#### **Depreciation**

Material and intangible assets (fixed assets) are depreciated using the straight-line method, by using the official depreciation rates prescribed in the Nomenclature for depreciable assets for non-profit association, so their cost and revaluation are depreciated in equal annual amounts during the estimated utilization period of the fixed assets.

The calculation of the depreciation is performed separately for each item, and not for groups of assets.

#### **Recognition of the revenues and expenses**

The recognition of the revenues and expenses for non-profit organizations is based upon the accounting principle for modified presentation of the operating transactions.

The accounting principle for modified presentation of the operating transactions means recognition of the revenues and the expenses during the period of their appearance according to the criteria of measurement and disposal. Revenues, i.e. expenses are measurable when they can be stated at value. Revenues, i.e. expenses are on disposal when they are realized, i.e. when they appear (when collected, i.e. paid) during the accounting period or within 30 days after this period, used for covering this period's liabilities, i.e. the payment liability arisen during this period.

#### **Amounts stated in foreign currency**

The transactions in foreign currency are stated in MKD according to the Official exchange rate of NBRM at the date of transaction.

Foreign exchange assets and liabilities of the balance sheet are stated in MKD according to the official exchange rates on the balance sheet date.

The Income Statement includes the net foreign exchange gains and losses that resulted from the conversion of the amounts in foreign currency in the period when they occur.

The average (closing) exchange rates of the denar related to the foreign exchange currencies (for one unit of foreign exchange currency) as of 31 December are as follows:

<b>Currency</b>	<b>2006</b>	<b>2007</b>
EUR	61,1741	61,2016
USD	46,4496	41,6564
CHF	38,0696	36,8595

**NANSEN DIALOGUE CENTRE - Skopje**

**NOTE 4. CASH AND CASH EQUIVALENTS**

(In thousands of MKD)

	2006	2007
Bank account	-	1.010
Cash	246	179
Foreign exchange cash	12	27
<b>Total</b>	<b>258</b>	<b>1.216</b>

Cash and cash equivalents stated in the preview above are the most liquid assets of the Association and they are comprised of cash and the bank account. The Association has no limitations in the continual usage of the cash.

**NOTE 5. OTHER RECEIVABLES AND PREPYMENTS AND ACCRUED INCOME**

(In thousands of MKD)

	2006	2007
Other receivables	-	24
Prepayments and Accrued Income	-	23
<b>Total</b>	<b>-</b>	<b>47</b>

**NOTE 6. PROPERTY, PLANTS AND EQUIPMENT**

(In thousands of MKD)

	Equipment	Total
<i>Cost</i>		
<b>Balance as of 31.12.2006</b>	<b>1.419</b>	<b>1.419</b>
Correction by auditors for 2006	162	162
<b>Balance after correction</b>	<b>1.581</b>	<b>1.581</b>
Additions for 2007	494	494
Disposals for 2007	(588)	(588)
<b>Balance as of 31.12.2007</b>	<b>1.487</b>	<b>1.487</b>
<i>Valuation allowance</i>		
<b>Balance as of 31.12.2007</b>	<b>333</b>	<b>333</b>
Depreciation for 2007	235	235
Decrease in accumulated depreciation	(136)	(136)
<b>Balance as of 31.12.2007</b>	<b>432</b>	<b>432</b>
<b>Carrying value as of 31.12.2007</b>	<b>1.055</b>	<b>1.055</b>
<b>Carrying value as of 31.12.2006</b>	<b>1.248</b>	<b>1.248</b>

**NANSEN DIALOGUE CENTRE - Skopje**

During 2007 the Association performed new additions at total amount of 494 thousands of MKD. They totally refer to purchased vehicle Ford at amount of 378 thousands of MKD and purchased monitors, boiler, scanner and work-time software. During this period the Association has also performed disposals of one vehicle Chevrolet – Kalos at amount of 546 thousands of MKD and of one steam boiler at amount of 42 thousands MKD

**NOTE 7. ACCOUNTS PAYABLE**

	(In thousands of MKD)	
	<b>2006</b>	<b>2007</b>
Domestic accounts payable	103	98
<b>Total</b>	<b>103</b>	<b>98</b>

The accounts payable towards suppliers as of 31.12.2007 refer to everyday activities (Office materials, energy, water supply, telephone, etc).

**NOTE 8. ACCRUED EXPENSES AND DEFERRED INCOME**

The accrued expenses and deferred income at the amount of 1.134 thousands of MKD (2006 – 151 thousands of MKD) totally refer to the realized surplus of revenues over expenses for 2007, deferred to further periods.

**NOTE 9. OPERATING FUND**

	(In thousands of MKD)	
	<b>2006</b>	<b>2007</b>
Operating fund	1.419	1.055
<b>Total</b>	<b>1.419</b>	<b>1.055</b>

The Operating fund as of 31<sup>st</sup> December 2007 is stated in the Statement of Changes in Funds. According to the Non-Profit Association Accounting Law, the Association is required to apply an accounting policy concerning the fixed assets and operating fund. Namely, each new addition of fixed assets results with increase of the operating fund, i.e. each disposal of fixed assets results with decrease of the operating fund. The operating fund is decreased as for the amount of the annual depreciation along with the entry of the valuation allowance of the fixed assets.

**NOTE 10. GRANTED DONATIONS**

	(In thousands of MKD)	
	<b>2006</b>	<b>2007</b>
Granted donations	16.467	8.726
<b>Total</b>	<b>16.467</b>	<b>8.726</b>

**NANSEN DIALOGUE CENTRE - Skopje**

**NOTE 11. OPERATING EXPENSES**

(In thousands of MKD)

	<b>2006</b>	<b>2007</b>
Office materials	1.371	343
Energy	504	293
Equipment costs	631	494
Other material costs	1.793	454
Transportation and communication costs	1.641	1.133
Maintenance services	104	13
Rents	979	489
Other services	453	122
Travel expenses and contributions	608	174
Marketing	927	209
Insurance	34	28
Bank services	37	39
Other non-material expenses	2.394	1.636
Penalties	32	-
Intellectual services	-	122
Additionally determined expenses	17	76
Salaries	5.124	3.829
<b>Total</b>	<b>16.649</b>	<b>9.454</b>

The operating expenses in 2007 are at the amount of 9.454 thousands of MKD (2006 - 16.649 thousands of MKD). The most significant item in the operating expenses in 2007 is the salaries (3.829 thousands of MKD) as well as the other non-material expenses (1.636 thousands of MKD) which mostly refer to honoraria fees to persons engaged with agreements for part-time jobs. Other cost items with significant participation in the total operating costs refer to the transportation and communication costs (1.133 thousands of MKD) and other material expenses (454 thousands of MKD) for education cabinets and seminars. The participation of the other items in the total sum of the operating expenses is insignificant.

**NANSEN DIALOGUE CENTRE - Skopje**

**NOTE 12. OTHER REVENUES**

(In thousands of MKD)

	<b>2006</b>	<b>2007</b>
Disposal of vehicle	-	356
Indemnification revenues	37	111
Disposal of steam boiler	-	37
Returned money from Employment agency	-	39
Liabilities write-off	142	-
<b>Total</b>	<b>179</b>	<b>543</b>

**NOTE 13. SURPLUS OF REVENUES OVER EXPENSES**

(In thousands of MKD)

	<b>2006</b>	<b>2007</b>
Surplus of revenues over expenses before distribution	151	1.134
Distribution of surplus revenues for further periods	(151)	(1.134)
<b>Surplus of revenues over expenses as</b>	<b>-</b>	<b>-</b>

**NOTE 14. REVENUES AND EXPENSES RELATED TO DIFFERENT PROJECTS**

The review stated below shows the revenues and expenses in 2008 structured by donors and projects. The revenues are stated using the cash basis i.e. total amount of received money in current year and the deferred (unspent) surplus of revenues from previous year.

The difference between the total revenues by donors and total expenses is deferred for the next year (seen note 8)

<b>Revenues</b>	<b>MKD</b>	<b>EUR</b>
Donation from Nansen Dialogue Network	8.873.791	145.471
Foreign exchange gains (according agreed donors rate)	26.604	436
Foreign exchange (according with NBRM)	31.394	514
Revenues from disposal of vehicle	355.540	5.828
Revenues from disposal of boiler	36.900	604
Indemnification Revenues - insurance	110.952	1.818
<b>Total Revenues from Nansen Dialogue Network</b>	<b>9.435.182</b>	<b>154.675</b>



**NANSEN DIALOGUE CENTRE - Skopje**

<b>Donation from Nansen Dialogue Network for 2008</b>		
Donation from Nansen Dialogue Network	772.112	12.657
Foreign exchange gains (according agreed donators rate)	2.552,00	41
Foreign exchange gains (according with NBRM)	2.511	41
<b>Total Revenues from Nansen Dialogue Network for 2008</b>	<b>777.175</b>	<b>12.740</b>
<b>Donation from Agency of youth and sport and the municipality Center for 2008</b>		
Donation from MNFA (previous years)	190.000	3.114
Donation Nansenskolen	20.841	341
Revenues – foreign exchange gains from previous yars	97.451	1.597
Revenues from government institutions (Employment agency)	28.264	463
<b>Total other revenues</b>	<b>375.976</b>	<b>6.163</b>
<b>Total Revenues</b>	<b>10.588.333</b>	<b>173.579</b>
<b>Activities financed from Nansen Dialogue Centre</b>		
	<b>MKD</b>	<b>EUR</b>
Office Costs	7.233.510	118.582
Activities	1.629.976	26.720
Networking	352.957	5.786
<b>Total Costs financed from Nansen Dialogue Network</b>	<b>9.216.443</b>	<b>151.089</b>
Costs – Nansenskolen	23.870	391
Costs to government institution - PIOM	39.420	646
Costs – Agency of Youth and sports and municipality Center	174.378	2.858
<b>Total other costs</b>	<b>237.668</b>	<b>3.896</b>
<b>Total costs of projects</b>	<b>9.454.111</b>	<b>154.985</b>
<b>Surplus of revenues over expenses</b>		
	<b>MKD</b>	<b>EUR</b>
Surplus of revenues over expenses – Nansen Dialogue Network	218.738	3.585
Surplus of revenues over expenses – Nansen Dialogue Network		
For 2008	777.175	12.740
Surplus of revenues over expenses – NMFA	20.841	341
Surplus of revenues over expenses – Nansenskolen	73.581	1.206
Surplus of revenues over expenses – Agency of youth and Sport and municipality Center	15.622	256
Surplus of revenues over expenses – foreign exchange gains From previous years	28.264	463
<b>Surplus of revenues over expenses at 31.12.2007</b>	<b>1.134.221</b>	<b>18.593</b>