



AUDIT REPORT

of

Financial Statements

“Helsinki Citizens’ Assembly” BANJA LUKA

Over the period

1st January 2011 until 31st December 2011

Mostar 08th June 2012

SPECIMEN

INDEPENDENT AUDITORS' OPINION

We have audited the accompanying financial statements of the Association "Helsinki Citizens' Assembly" Banja Luka which comprise the balance sheet as at December 31, 2011, and the income statement, for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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 internal control relevant to the preparation and fair presentation of 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 Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 judgment, 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 internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association "Helsinki Citizens' Assembly" Banja Luka as of December 31, 2011, and the results of its operations for the year then ended in accordance with International Financial Reporting Standards.

Revizija Auditing d.o.o.
Mostar



Zoran Turkovic, *Certified Auditor*
Mostar, 08th June 2012

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INTRODUCTION

Association “Helsinki Citizens’ Assembly” Banja Luka, Bosnia-Herzegovina

Association “Helsinki Citizens’ Assembly” (HCP) Banja Luka is registered as a legal entity at the Municipal Court Banja Luka on 16 August 1996, according to the Law on Associations and Foundations of Republic of Srpska, Bosnia and Herzegovina.

The Association operates over the whole territory of BiH.

The major funding for the establishment and operations of the Association comes from European Commission, FOSI (Foundation of the Institute for Open Society), Kvinna till Kvinna (Swedish foundation), Friedrich Ebert Foundation, budget funding etc.

The main aims and activities of “Helsinki Citizens’ Assembly”, according to Statute of the Association, are:

- To strengthen and develop civil society;
- To reinforce marginalized groups, primarily women, youths and minority groups for political actions and improvement of their position in the society;
- To overcome race, religious and other constrains in building of open and democratic civil society;
- Support to development of economic, cultural, educational, political and other conditions for dominant role of citizens in making decisions based on their needs and interest;
- To strengthen cooperation with other local and international organization and institutions;
- Presentation of educational programs, literatures, knowledge and skills related to peace building, development of local society and human rights to citizens of Bosnia and Herzegovina;
- Permanent education of the

The Associations’ bodies

- Assembly
- Management Board
- Executive manager

In 2011 “Helsinki Citizens’ Assembly” employed 7 persons full time and 6 persons part time, all on temporary contract basis. Employment of the staff depends on the number and volume of projects, developments and donations.

The registered address of the Association is:

Krfska 84
78000 Banja Luka
Bosnia-Herzegovina

INCOME STATEMENT

<i>(all amounts in BAM)</i>	Note	Year ended	
		31 st Dec. 2011	31 st Dec. 2010
Income			
Humanitarian income	1	272.703	519.780
Other income	2	16.249	3.656
Total income		288.952	523.436
Operating expenses			
Material and energy	3	(6.116)	(7.514)
Salaries and other personal costs	4	(212.226)	(262.500)
Services	5	(64.805)	(62.334)
Depreciation		(1.628)	(2.883)
Other expenses	6	(81.026)	(191.563)
Total operating expenses		(365.801)	(526.794)
Profit (loss) from operating activities		(76.849)	(3.358)
Financial income	7	1.611	16.222
Financial expenses	8	(8.422)	(14.393)
Net Financial expenses		(6.811)	1.829
SURPLUS OF INCOME OVER EXPENSES		(83.660)	(1.529)

The accounting policies and the notes form an integral part of these financial statements.

BALANCE SHEET

<i>(all amounts in BAM)</i>	Note	Year ended	
		31 st Dec. 2011	31 st Dec. 2011
ASSETS			
<i>Non-current assets</i>			
Tangible assets	9	1.757	3.470
Total Non-current assets		1.757	3.470
<i>Current assets</i>			
Cash and cash equivalent	10	153.042	224.251
Advances	11	1.850	-
Other receivables	11	50	50
Accruals		-	14.000
Total current assets		154.942	238.301
TOTAL ASSETS		156.699	241.772
RESERVES AND LIABILITIES			
<i>Reserves</i>			
Reserves	12	240.350	241.964
Surplus of income (loss) over expenditures	12	(83.660)	(1.529)
Total reserves		156.690	240.435
<i>Liabilities</i>			
Current liabilities	13	9	1.337
Total liabilities		9	1.337
TOTAL RESERVES AND LIABILITIES		156.699	241.772

The accounting policies and the notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

(all amounts in BAM)

	Changes in Reserves
Balance on 31st December 2009	241.964
Surplus of income (loss) over expenditures 2010	(1.529)
Balance on 31st December 2010	240.435
Adjustment from 2010	(85)
Surplus of income (loss) over expenditures 2011	(83.660)
Balance on 31st December 2011	156.690

The accounting policies on and the notes form an integral part of these financial statements.

GENERAL NOTES

Accounting Policies

The principal accounting policies adopted for the preparation of the financial statements are set out below:

- ***Period of presentation***

The total audited period is 12 months.

For this audit the annual period is from 1st January 2011 until 31st December 2011.

- ***Basis of presentation***

The financial statements of "Helsinki Citizens' Assembly" have been prepared in accordance with the International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention.

- ***Property and equipment***

Property and equipment are recorded at cost. Cost represents the prices by suppliers together with all costs incurred in bringing new property and equipment into use.

Depreciation of property and equipment is designed to write off the cost of property and equipment on a straight-line basis over their estimated useful lives.

The principal depreciation rates in use are:

	<u>Depreciation Rate</u>
• Equipment	10-33,33%

The inventory of all assets was made on 31st December 2010; the inventory lists are complete and accurate.

- ***Intangible assets***

Software is recognized as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Intangible assets are depreciated on a straight-line basis over the period of its expected benefit. The amortization periods adopted do not exceed five years.

- ***Inventories***

Inventories are stated at the lower of cost or net realizable value. Cost is calculated at average ponder method.

Tools and appliances are written off for 100% when consumed.

- ***Trade receivables***

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables.

- ***Cash and cash equivalents***

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, gyro account and bank balances.

- **Revenue recognition**

Sales comprise the invoiced services, net of sale taxes. The interest income is recognized when collected.

- **Donations (Deferred income)**

Donations are deferred and recognized in the income statement over the period necessary to match them with the related costs that they are intended to compensate for.

- **Expenditures**

Expenditures are recognized when incurred; the accrual system is being applied.

- **Employee Benefits**

The Association makes payments on behalf of its employees for pensions, health care and personnel tax that are calculated on the basis of gross salaries and wages. The Association pays these contributions to the Government's health and retirement funds, at the statutory rates in force during the year. The Association also makes payments directly to the employees for food allowances, travel expenses and vacancy allowances, according to the local legislation. The cost of these payments is charged to the income statement in the same period as the related salary cost.

- **Foreign Currencies**

The financial statement on expenditures is denominated in BAM. There is a fixed exchange rate: EUR 1 = BAM 1,95583.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. INCOME FROM DONATIONS

<i>(all amounts in BAM)</i>	2011	2010
Donations	272.703	519.780
TOTAL	272.703	519.780

NOTE 2. OTHER INCOME

<i>(all amounts in BAM)</i>	2011	2010
Income from budget funds	2.000	2.000
Projects	10.000	-
Membership	1.383	1.656
Reimbursed social contributions	2.866	-
TOTAL	16.249	3.656

NOTE 3. MATERIAL COSTS

<i>(all amounts in BAM)</i>	2011	2010
Office supplies, materials	3.679	4.378
Other materials	890	317
Electricity	1.455	2.819
Other material costs	92	-
TOTAL	6.116	7.514

NOTE 4. PERSONAL EXPENSES

<i>(all amounts in BAM)</i>	2011	2010
Employees expenses	136.126	178.554
Temporary contracts	68.220	77.677
Other personal expenses	7.880	6.269
TOTAL	212.226	262.500

NOTE 5. SERVICES

<i>(all amounts in BAM)</i>	2011	2010
Transport costs	5.461	7.794
Maintenance of equipment	780	572
Rent	3.035	3.177
Advertising	2.617	5.291
Utilities	1.402	3.791
Accounting and auditing	22.936	10.530
Other services	28.574	31.179
TOTAL	64.805	62.334

NOTE 6. OTHER EXPENSES

<i>(all amounts in BAM)</i>	2011	2010
Refreshments	31.697	47.990
Bank fee	2.158	3.448
Admin taxes, memberships etc.	4.956	4.528
Humanitarian expenses (support to local partners)	41.585	134.791
Other costs	630	806
TOTAL	81.026	191.563

Refreshment costs are related to organization of workshops, trainings, conferences and other events for the beneficiaries of Helsinki Citizens' Assembly.

Humanitarian expenses in 2011 relate to support to partner organization including "Center for regionalism" BAM 9.775, "Homo" Pula BAM 9.775, "Association of minorities of RS" BAM 2.895, "Foundation Girls" BAM 2.248, etc.

NOTE 7. FINANCIAL INCOME

<i>(all amounts in BAM)</i>	2011	2010
Interest	91	221
Exchange rate difference	1.520	16.001
TOTAL	1.611	16.222

NOTE 8. FINANCIAL EXPENSES

<i>(all amounts in BAM)</i>	<u>2011</u>	<u>2010</u>
Interest	-	3
Exchange rate difference	8.422	14.390
TOTAL	<u>8.422</u>	<u>14.393</u>

NOTE 9. TANGIBLE ASSETS

The values of property and equipment and the related depreciation at 31st December 2010 are as follows:

	Communication equipment	Computers/ office equip- ment/furniture	TOTAL
<i>(all amounts in BAM)</i>			
Cost			
At 1 Jan. 2011	9.469	25.643	35.112
Additions in the year	-	-	-
Disposals	-	-	-
At 31 Dec. 2011	<u>9.469</u>	<u>25.643</u>	<u>35.112</u>
Accumulated depreciation			
At 1 Jan. 2011	<u>9.179</u>	<u>22.463</u>	<u>31.642</u>
Charge for the year	67	1.647	1.714
Disposal	-	-	-
At 31 Dec. 2011	<u>9.246</u>	<u>24.110</u>	<u>33.356</u>
Net book value at 31 Dec. 2011	<u>223</u>	<u>1.533</u>	<u>1.757</u>
Net book value at 31 Dec. 2010	<u>290</u>	<u>3.180</u>	<u>3.470</u>

NOTE 10. CASH AND CASH EQUIVALENTS

<i>(all amounts in BAM)</i>	<u>2011</u>	<u>2010</u>
Gyro account- local currency	152.058	48.675
Gyro account- local currency	-	173.775
Cash in hand	984	1.801
TOTAL	<u>153.042</u>	<u>224.251</u>

NOTE 11. OTHER RECEIVABLES

<i>(all amounts in BAM)</i>	<u>2011</u>	<u>2010</u>
Advances	1.850	-
Other receivables	50	50
Accruals	-	14.000
TOTAL	<u>1.900</u>	<u>14.050</u>

NOTE 12. RESERVES

<i>(all amounts in BAM)</i>	<u>2011</u>	<u>2010</u>
Reserves	240.350	241.879
Adjustment from 2010	-	85
Surplus of income (loss) over expenditures	(83.660)	(1.529)
TOTAL	<u>156.690</u>	<u>240.435</u>

NOTE 13. CURRENT LIABILITIES

<i>(all amounts in BAM)</i>	<u>2011</u>	<u>2010</u>
Trade payables	-	1.337
Other payables (non-paid author honorarium)	9	-
TOTAL	<u>9</u>	<u>1.337</u>