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AUDIT & CONSULTING

**AUDITOR'S REPORT
ON FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED ON
DECEMBER 31, 2011
OF THE PUBLIC ASSOCIATION
PARTNERSHIP FOR EVERY CHILD**

(Drawn up according to the International Financial Reporting Standards)

MOLDAUDITING

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**SPECIAL PURPOSE INDEPENDENT AUDITOR’S REPORT ON THE
FINANCIAL STATEMENTS OF THE PUBLIC ASSOCIATION
“PARTNERSHIP FOR EVERY CHILD”**

To the founders of the
Public Association
“Partnership for every child”

We have audited the accompanying balance sheet of the Public Association “Partnership for every child” (“Association”) for the financial year ended on December 31, 2011, the income statement and the cash flow statement for the period than ended. The preparation of these financial statements is the responsibility of the Association’s management. Our responsibility is to express an opinion on these financial statements based on the performed audit.

We conducted our audit in accordance with the International Audit Standards. Pursuant to the audit Standards provisions, we plan and perform our audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes the examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements. It also includes the assessment of the accounting principles used and significant estimates made by the management, and the evaluation of the overall financial statements’ presentation. We believe that our audit provides reasonable basis to express our opinion.

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Association as of December 31, 2011, and also fairly state the operations results’ situation and the cash flow situation according to the International Financial Reporting Standards.

**General Director of „Moldauiding” S.R.L.
Auditor**



P. Bodarev

General information

The Public Association „Partnership for every child” was registered as a non-commercial, non-government organization at the Ministry of Justice under no. 1010620002091 as of March 26, 2010. (Registration certificate No. MD 002286)
Location of Association’s management: Republic of Moldova, Chisinau municipality, 75 Kogalniceanu str., of. 3.

The Association is a legal person. The management bodies of the Association are:

- a) General Meeting;
- b) Board of Directors
- c) President;
- d) Inspector.

The Public Association „Partnership for every child” – is created by the free expression of will of the associated persons, with a view to jointly attain the following objectives:

1. Promotion and protection of rights and interests of the children in any kind of difficulty;
2. Sensitizing of society on the problems of children and families in difficulty;
3. Decrease of poverty, vulnerability of physical and mental diseases among children and parents;
4. Promotion of training for various groups of beneficiaries: children, families, probationers, service renderers decision factors, NGOs, etc.;
5. Keeping and protection of health of the children and their families;
6. Performance of charity activities;
7. Consolidation of capacities of various constituents in the development, implementation, monitoring and evaluation of social policies meant for the children and families in difficulty, and also in the development of social services for children and families;

8. Development and rendering of social services for various groups of children and families in difficulty;
9. Consolidation of civil society in the rendering of social services and performance of defensive actions;
10. Development of social services meant for the children and families in risk situations by promoting the care for children in a family environment.

BALANCE SHEET AS OF DECEMBER 31, 2011

Indices	Notes	On 31.12.2011	On 31.12.2010
		Euro	Euro
Assets			
Long-term assets			
Fixed assets	3	7 118	0
Intangible assets		0	0
Total long term assets		7 118	0
Current assets			
Inventories	4	2 025	
Receivables and advance payments made	5	14 901	
Other current assets	7	17 767	4
Cash	6	189 586	8 284
Total current assets		224 279	
Total assets		231 397	8 288
Short term liabilities			
Short term liabilities	8	517	
Total short term liabilities		517	
Special purpose funds	9	189 069	8 288
Retained earnings	10	34 693	
Funds		7 118	
Total liabilities		231 397	8 288

The financial statements, accounting policies used and notes presented on pages 9 – 23, which are an integrant part of these financial statements, were approved by the management of PA “Partnership for every child” and signed in the name of the Association by:

President
Daniela Mămăligă



Chief Accountant
Tatiana Cojușco

INCOME STATEMENT AS OF DECEMBER 31, 2011

Indices	Notes	31.12.2011	31.12.2010
		Euro	Euro
Other operating income		81 229	553
General and administrative expenses	11	70 385	503
Operating activities result: profit (loss)		10 844	50
Financing activities result: profit (loss)	12	(10 844)	(50)
Profit (loss) of the reporting period before taxation		0	0
Expenses (savings) on income tax		0	0
Net profit (net loss)		0	0

CASH FLOW STATEMENT AS OF 31.12.2011

Cash flows by type of activities	Notes	31.12.2011
		Euro
Cash flow from operating activities		
Cash payments to suppliers and contractors		149 191
Cash payments to employees, social and medical insurance contributions		43 363
Payment of the income tax		4 727
Other cash receipts		101 698
Other cash payments		12 555
Net cash flow from operating activities		(108 139)
Cash flow from investment activities		
Cash receipts from investment activities		
Cash payments from investment activities		
Net cash flow from investment activities		
Cash flow from financing activities		
Cash receipts in the form of credits and loans		
Cash payments on credits and loans		
Other cash receipts		274 900
Net cash flow from financing activities		274 900
Total net cash flow		166 761
Currency exchange rate differences		14 541
Balance of cash as of the beginning of the year	7	8 283
Balance of cash as of the end of the reporting period	7	189 586

Public Association “Partnership for every child”

Explanatory notes to financial statements

1 Basis for preparation of financial statements and accounting entries

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”).

The attached financial statements are not the statutory statements of the Association; they were drawn up based on the accounting entries of the association with the adjustments according to the international financial reporting standards.

The association keeps the accounting in Moldavian lei (“MDL”).

2 Accounting policy

Below are listed the accounting principles used for the elaboration of the financial information of the Association.

a) Tangible assets

Fixed assets are reflected at their cost less the related accumulated depreciation and any losses accumulated from depreciation. At entry, the fixed assets are reflected in the accounting records at historical cost, which is formed of the purchase cost, to which the customs taxes, irrecoverable taxes and all directly attributable expenses necessary for the bringing of the asset into the provided operation state are added. The purchase price is decreased by the price discounts.

The cost of assets built by the association includes the cost of materials, labour, and are estimated at their effective value.

Subsequent expenses

The Association recognizes the subsequent expenses on fixed assets as an asset only when additional future economic benefits are estimated to be obtained and

their cost may be measured in a reliable way. All other subsequent expenses should be recognized as expenses in the period when they were incurred.

Depreciation

Amortization is calculated by the straight-line method, issuing from their useful life:

- Buildings – 50 years;
- Vehicles – 7 years;
- Computer technique and other assets – 3-5 years.

b) Intangible assets

The intangible assets purchased by the Association are recognized at their cost less the related accumulated depreciation and any cumulated losses from depreciation.

Subsequent expenses

Subsequent expenses are capitalized as intangible assets only when additional future economic benefits are estimated to be obtained and their cost may be measured in a reliable way. All other subsequent expenses should be recognized as expenses in the period when they were incurred.

Depreciation

Amortization is calculated by the straight-line method, issuing from their useful life:

- software – 3 years;
- other intangible assets – 1-2 years.

c) Leased assets

The lease, according to which the Association assumes substantially all risks and benefits resulting from the property right on the assets, is classified as financial lease. The property acquired by means of the financial leased is expressed at the less value between the market value and updated value of the minimal payments

on lease from the beginning of lease, decreased by the accumulated depreciation and expenses on obsolescence. The property held by means of financial and operational lease is classified as investment property and is expressed by the use of the market value model. The property held by means of operational lease, which, otherwise, would have the definition of investment property, may be classified as investment property according to the property principle.

d) Inventories

Inventories are recorded in the financial statements at the lower of cost and net realizable value. The cost is calculated by applying the weighted-average cost method.

e) Accounts receivable

The long-term and the short-term accounts receivable are recorded at nominal value, less the provisions for doubtful accounts receivable.

f) Cash and cash equivalents

Cash and cash equivalents recorded in the Cash flow statement include petty cash and amounts in the current bank accounts.

g) Depreciation of assets

The assets held by Association, other than real estate investments, inventories, accounts receivable on differed tax are tested as of the date of each accounting balance with a view to existence of any index, according to which an asset may be depreciate. If any such index exists, the enterprise should estimate the recoverable value of the asset. For goodwill and intangible assets with indefinite term, which are not subject to utilization, the recoverable value should be estimated at each reporting date.

Recognition of losses from depreciation

The loss from depreciation is recognized for individual assets or for cash generating units if the recoverable value is less than their accounting value.

Resuming of losses from depreciation

The loss from depreciation recognized for an asset in the previous years should be resumed if and only if any modification has taken place in the estimations used for the determination of the recoverable value of the asset from the moment of recognition of the last loss from depreciation. The value of the asset should be recognized at its recoverable value. Such increase represents a resuming of a loss from depreciation.

h) Provisions

A provision is recognized only at the moment when the Association has a current liability generated by a previous event, a disposal of funds is likely to affect the economic benefits and may be necessary for the fulfilment of such liability, and a good estimation of the obligation value may be performed. If the time-value effect of the money is significant, the provision value represents the updated value of the expenses estimated to be necessary for the repayment of liability.

i) Special purpose financing

The funds with special purpose are recognized only when there is enough assurance that:

- a) The Association will comply with the conditions attached to them; and
- b) The financing will be received.

The funds with special destination and subsidies shall be recognized as income of the periods in which costs compensated by these subsidies occur.

j) Revenue and expense recognition

Revenue represents the value of the delivered goods and of the rendered services. Revenue from the rendered services is recognized at the moment of rendering.

Revenue from the sale of production is recognized at its delivery and transmission of property rights to the buyer.

Revenue and expenses are presented in the financial statements at their gross value.

k) Operational leasing payments

The leasing payments in case of operational leasing are recognized as expenses in the linear profit and loss account during the leasing contract duration.

l) Financial leasing payments

The financial leasing payments are divided in expenses for the financing of leasing and decrease of the unpaid debt. The financing expenses should be allocated for the periods during the leasing contract duration so that a constant periodical interest rate may be obtained to the balance of remaining debt for each period.

m) Employees’ rights

The Association pays contributions to the state funds for health, pension and unemployment, calculated based on certain rates established by law for the current year, applicable to the gross salaries. The cost of such contributions is registered at expenses in the same period with the related staff cost.

n) Foreign currency transactions

The transactions in foreign currency are recorded at the official exchange rate of the date of operation performance.

The monetary assets and liabilities expressed in foreign currency are translated into Euro using the exchange rate as of the date of the balance sheet preparation.

The non-monetary assets registered at historical cost and expressed in foreign currency are recorded using the exchange rate as of the date of transaction performance. The non-monetary assets registered at fair value and expressed in

foreign currency should be recorded using the exchange rate existing at the moment of determination of their respective value.

All differences resulting as a result of settlements and foreign currency conversion are stated at incomes or expenses in the year when they occur. The losses from foreign currency rate differences, and also the incomes from foreign currency rate differences on deposits and receivables expressed in foreign currency are included in the Income statement at their net value.

The official exchange rates are the following:

in Euro for one unit of foreign currency	December 31, 2011	December 31, 2010
USD Dollars	0,0663	0,7547
Moldavian LEU	0,7772	0,0621

3. The composition of fixed assets of the Association is presented as follows:

	Machines, equipment, transmission installations	Total
	Euro	Euro
Value on January 1, 2011	0	0
Receipts	7 012	7 012
Disposals	0	0
Transfers		0
Exchange rate differences	429	429
Value on December 31. 2011	7 441	7 441
Depreciation		
On January 1, 2011	0	0
Calculated for the reporting period	298	298
Disposals		0
Transfers		0
Exchange rate differences	25	25
On December 31, 2011	323	323
		0
Book value on 31.12.2011	7 118	7 118

4. Inventories:

Indices	31.12.2011	31.12.2010
	Euro	Euro
Materials, including	2 025	0
Fuel	551	
Other materials	1 474	
Total inventories	2 025	0

5. Short term receivables and advance payments:

Indices	31.12.2011	31.12.2010
	USD	USD
Advance payments made	853	0
Receivables related to the budget	71	
Other short term receivables	13 977	
Total	14 901	0

In the composition of other short term receivables the receivables related to the advance payment made for sociologic researches for „Partnership for Development” (in the amount of EUR 8 491), as well as the advance payment for the state social insurance budget (in the amount of EUR 4 592).

6. Cash:

Indices	31.12.2011	31.12.2010
	Euro	Euro
Petty cash - MDL	139	27
Cash at bank accounts, total, including:	189 447	8 256
<i>at current accounts - MDL</i>	134 926	258
<i>at foreign currency accounts</i>	54 521	7 998
Total:	189 586	8 283

7. Other short term assets:

Indices	31.12.2011	31.12.2010
	Euro	Euro
Other current assets, including	17 767	4
Insurance	395	
Other assets	137	4
Assets meant for transmission	17 235	
Total other current assets	17 767	4

In the composition of short term assets the assent before transmission to beneficiaries are included in the amount of EUR 17 235. This indicator represents

the repairs of the workshop of the Boarding Gymnasium of Cahul for which the works were not fully finished before the reporting date.

8. Short term liabilities:

Indices	31.12.2011	31.12.2010
	USD	USD
Short term loans		
Liabilities related to settlements with suppliers	0	
Liabilities towards the staff		
Liabilities towards the budget		
Other short term liabilities	517	
Total short term liabilities	517	0

In the composition of short term liabilities the current liabilities of the Association towards the suppliers for the purchased materials and services are included.

9. Special purpose financing and receipts:

	Unused funds	Deferred incomes	Total
Balance as of January 1, 2011	8 288		8 288
Received financing, including:	284 058		284 058
EIDHR	82 508		82 508
Childhood Foundation	43 788		43 788
OAK	112 388		112 388
East-Europe Foundation	26 369		26 369
Norwegian Embassy	14 719		14 719
Other sources	4 286		4 286
Valorization of sources	(80 930)	(298)	(81 229)
Transfer of sources to retained earnings (acquisition of long term assets)	(7 441)	7 441	0
Exchange rate difference	19 787	25	
	223 761	7 118	230 879

In accordance with the provisions of the Grant Contracts concluded between OAK Foundation within the project "Creation of child protection systems at a local level in order to ensure child protection from abuse, negligence and exploitation in the Republic of Moldova", CHILDHOOD Foundation within the project "Family based care in Moldova 2011, 11807", East-Europe Foundation within the project "Development of abilities of the graduates of boarding educational institutions to continue their studies and to be employed", Embassy of Norway within the project "Prevention of child abandonment at birth", EIDHR within the project "Development of temporary professional parental assistance for disabled children in the Republic of Moldova" and the Public Association „Partnership for every child”, the latter, being the Beneficiary of funds, ensures to use them fully and exclusively in the way and for the destinations stipulated in the grant budget.

Within the audit of financial statements for 2011 no deviations from the conditions of the Grant Contracts were revealed.

Use of sources received from the period 01.01.2011-31.12.2011 is presented in *Annex 1* of the present report.

10. Deferred incomes

In the composition of deferred incomes, the special destination financing and receipts used for the purchase of inventories, advance payment made, deferred expenses in the amount of EUR 34 693 are included.

11. Financial result

The audited company is a public non-profit association, which uses the financial resources received from various sources for the activity provided by the articles of association. Taking into consideration the above stated and the methodology of

accounting, the Association records the amount of expenses incurred for the attainment of statutory objectives within the general and administrative expenses. At the end of the financial period, the amount of incurred expenses is compensated with the amount of valorised financing which is stated in the income statement within other operational incomes.

General and administrative expenses:

Indices	31.12.2011	31.12.2010
	Euro	Euro
Depreciation of fixed assets and intangible assets	298	
Salaries and contributions related to it	6 257	
Materials and LVSLI	1 123	
Telecommunications	126	
Taxes	55	20
Philanthropic expenses, total, including:	62 438	463
<i>Materials</i>	24 410	
<i>Salaries and contributions related to it</i>	38 028	463
Other expenses	88	20
Total general and administrative expenses	70 385	503

12. Financial activity:

Indices	31.12.2011	31.12.2010
	Euro	Euro
Impact on exchange rate differences, income (expenses)	(9 592)	(815)
Bank fees	1 252	18
Financial activity result	(10 844)	(833)

13. Salaries and contributions related to it:

Structure	31.12.2011	31.12.2010
	Euro	Euro
Salary of staff	34 990	366
Social and medical contributions	9 295	97
Total salaries of administrative staff and social and medical contributions	44 285	463

14. Related parties

The Association performs economic operations in common conditions with all related parties.

15. Subsequent events

On November 23, 2011 the Board of Directors of EveryChild Moldova Branch took unanimously the decision (no.001/23112011) on the reorganization – fusion by absorption of PA „EveryChild” Moldova Branch with PA “Partnership for every child”, the latter being successor of the rights and obligations of the first one, according to the Civil Code of the Republic of Moldova.

According to the previously mentioned decision, all movable and immovable goods, and also all and any rights and obligations related to the debtors and creditors shall be transmitted by means of a fusion contract concluded between PA „EveryChild” Moldova Branch and PA “Partnership for every child”.

The notice on the reorganization by absorption of PA „EveryChild” Moldova Branch was published in the Official Monitor of the Republic of Moldova no. 238-242 as of 30.12.2011.

The decision of reorganization by fusion – absorption of the Public Association „EveryChild” Moldova Branch of the Public Association „Partnership for every child” is dated on May 10, 2012 and was registered with the Ministry of Justice of the Republic of Moldova under no. 60.

ANNEX 1

Received funds 2011				Utilization of received funds 2011				
Date	Amount			Type of expenses (according to the budget)	Approved budget		Amount spent	
	MDL	USD	EUR		USD	EUR	MDL	USD
TOTAL	1 343 863,25		82 508,12	EIDHR (Donor) & EveryChild Moldova Co-funding	19 117,92		102 830,34	6 176,00
29.09.2011	992423,25		60534,28	Human Resources	11 340,14		47 315,11	2 841,75
21.11.2011	320109,00		19988,32	Consumables - office supplies	807,21		5 957,00	357,78
12.12.2011	31331,00		1985,51	Other services (tel/fax, electricity/heating, maintenance)	807,21		531,98	31,95
				Costs of conferences/seminars (trainings)	3 363,36		49 026,25	2 944,52
				PR Events	2 800,00			
TOTAL	1 865 590,33		112 387,84	OAK (Donor) & EveryChild Moldova Co-funding	55 976,25		302 544,43	19 455,08
01.07.2011	1343990,33		79745,00	Project Staff (including taxes)	21 172,08		74 127,64	4 818,40
22.09.2011	521600,00		32642,84	Training	11 754,17			
				Consultants and other contracted services	11 208,33		128 000,00	8 000,00
				Travel and transport	2 741,67			
				Equipment	5 500,00		87 795,00	5 845,21
				Organizational Expenses	2 100,00			
				Audit	1 500,00		12 621,79	791,47
TOTAL	436 527,20		26 369,03	East-Europe Foundation (Donor)	37415,00			37413,65
14.03.2011	212760,00		12853,88	Repair / 3 Workshops	21500,00			21440,80

Received funds 2011				Utilization of received funds 2011					
Date	Amount			Type of expenses (according to the budget)	Approved budget		Amount spent		EUR
	MDL	USD	EUR		USD	EUR	MDL	USD	
06.06.2011	172200,00		10209,28	Equipment / workshop woodworking	4820,00			4825,97	
13.12.2011	51567,20		3305,87	Equipment / workshop sewing	4783,00			5236,84	
				Equipment / workshop PC	3550,00			3413,89	
				Study Visit & Training	2415,00			2473,83	
				Bank charges	347,00			22,32	
TOTAL	718 623,33		43 788,00	CHILDHOOD Foundation (Donor)			537 367,34		33 271,30
26.04.2011	238905,29		14176,00	Project Staff (including taxes)		22 995,00	320 142,52		19 689,95
19.07.2011	232153,15		14231,00	Consultant/support services		3 750,00	60 675,64		3 761,81
20.10.2011	247564,89		15381,00	Travel and transport		810,00	11 607,60		725,25
				Vehicle costs		1 620,00	8 978,00		532,20
				Equipment		1 500,00	24 371,00		1 477,93
				Training		11 688,00	101 915,29		6 481,24
				Organizational Expenses		1 500,00	9 677,29		602,92
TOTAL	231 210,24		14 718,85	Norwegian Embassy & EveryChild Moldova Co- funding		18 438,00	232 917,75		14 788,03
22.11.2011	119040,00		7518,85	Project Staff (including taxes)		9 240,00	129 905,76		8 526,27
14.12.2011	112170,24		7200,00	Utilities		3 000,00	1 111,67		74,11
				Bank charges		120,00	3 257,82		199,35
				Monthly allowance to parents		5 760,00	93 775,00		5 689,67
				Training		318,00	4 867,50		298,63
TOTAL	77945,65		4 286,15	Other sources		2 650,00	42 054,00		2 648,97
25.11.2011			4 286,15			2 650,00	42 054,00		2 648,97
TOTAL	4 673 760,00		284 058,00		37 415,00	140 045,17	1 217 713,86	37 413,65	76 339,37

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