

**Center for Research, Transparency
and Accountability - Belgrade**
**Audit report of the financial
statements for the year 2011**

Belgrade May 21, 2012

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and Accountability - Belgrade**
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Preduzeće za reviziju i konsalting

Stanišić Audit d.o.o.

Naš znak:

Independent Auditor's Report

Vaš znak:

To the Governing Board of the Center for Research, Transparency and Accountability - Belgrade

We have audited the accompanying financial statements of Center for Research, Transparency and Accountability - Belgrade, (hereinafter CRTA), which comprise the balance sheet as of December 31, 2011, and the income statement for the year ended December 31, 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations of the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and the Law on Accounting and Auditing of the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 entity'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 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 qualified audit opinion.

Basis for Qualified Opinion

1. As disclosed in Note 5 to the financial statements, as of December 31, 2011 the CRTA recognized liabilities to the domestic suppliers in the total amount of 487 thousands of Dinars. That amount contains liabilities to the supplier "Quasar" Belgrade amounted to 477 thousands of Dinars that arise from double booked expenses made throw the intellectual services provided by "Quasar" Belgrade, that are first time booked as liabilities to non existing supplier "Konsalting AG" Belgrade and second time as liabilities to "Quasar" Belgrade. Due to aforementioned Trade Payables in Balance Sheet as at December 31, 2011 are overstated as well as net loss in Income statement for the year end 2011, in the amount of 477 thousands of Dinars.





Independent Auditor's Report (Continued)

To the Governing Board of the Center for Research, Transparency and Accountability - Belgrade

Basis for Qualified Opinion (continued)

2. As disclosed in Note 6 to the financial statements, Other short term liabilities that are recognized at the Balance Sheet as of December 31, 2011 in amount of 819 thousands of Dinars represent deferred income, received from following donors:

1) "Found for Open Society" amounted to 447 thousands of Dinars that are all spent in year 2011, under the conditions demanded by relevant grant contract. Related expense were recognized in Income statement for the year end 2011 but the related income were not as it should be according to the accepted accounting policy described at note 3.3.

2) "Balkan Investigate Reporting Network" amounted to 372 thousands of Dinars that represents the same amount for the same transaction that is also recognized as Advances from the customers below the position Trade Payables, note 5. Due to aforementioned Trade Payables in Balance Sheet as at December 31, 2011 are overstated as well as net loss in Income statement for the year end 2011, in the amount of 372 thousands of Dinars.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Center for Research, Transparency and Accountability - Belgrade as of December 31, 2011, and its financial performance for the year ended December 31, 2011, in accordance with the accounting regulations of the Republic of Serbia.

Emphasis of Matter

We draw attention to the following matters:

- a) Matters described in the Basis for Qualified Opinion paragraph has no influence to the individual financial reporting by the separate donors. It just has impact to the Statutory Financial statements.
- b) The CRTA did not disclose the statement of changes in equity, the cash flow statement and notes to the financial statements for the year ended December 31, 2011 due to the fact, that under the effective statutory accounting regulations Republic of Serbia, the CRTA has no legal obligation to prepare and present such statements and notes to the financial statements.
- c) Furthermore, under the effective statutory tax on profit regulations in Republic of Serbia, the CRTA has no legal obligation to prepare and present tax proof statements.

Our opinion is not qualified in respect of those matters.

Belgrade May 21, 2012



Certified auditor
Dragoljub Drašković

BALANCE SHEET

	Notes	In thousands of Dinars December 31,	
		2011	2010
ASSETS			
A. NON CURRENT ASSETS		-	63
IV. PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS		-	63
1. Property, plant and Equipment	3.1.	-	63
B. CURRENT ASSETS		5,308	1,093
III. RECEIVABLES, SHORT TERM PLACEMENTS AND CASH		5,308	1,093
4. Cash and cash equivalents	3.2., 4.	5,308	1,093
G. OPERATING ASSETS		5,308	1,156
D. LOSS ABOVE THE EQUITY		1,304	-
D. TOTAL ASSETS		6,612	1,156
EQUITY AND LIABILITIES			
A. EQUITY		-	1,156
VII. RETAINED EARNINGS		1,156	1,156
VIII. ACUMULATED LOSS		1,156	-
B. LONG TERM REZERVES AND LIABILITIES		6,612	-
III. SHORT TERM LIABILITIES		6,612	-
3. Trade payables	3.3., 5.	5,795	-
4. Other short term liabilities	3.3., 6.	817	-
G. TOTAL EQUITY AND LIABILITIES		6,612	1,156

The accompanying notes on the pages 5 to 11 are an integral part of these financial statements.

INCOME STATEMENT

		In thousands of Dinars	
		Year ended December 31,	
	Notes	2011	2010
A. OPERATING INCOME AND EXPENSES			
I. OPERATING INCOME		12,370	18,089
5. Other operating income	3.3., 7.	12,370	18,089
II. OPERATING EXPENSE		14,836	17,850
2. Cost of material	3.4., 8.	208	623
3. Salaries and other staff costs	3.4., 9.	8,850	5,720
4. Depreciation and amortization	3.4.	-	62
5. Other operating expense	3.4., 10.	5,778	11,445
III. PROFIT FROM OPERATIONS		-	239
IV. LOSS FROM OPERATIONS		2,466	-
V. FINANCE INCOME	3.5.	6	3
B. PROFIT BEFORE INCOME TAX		-	242
V. LOSS BEFORE INCOME TAX		2,460	-
G. INCOME TAX	3.6.		
1. Income tax expenses		-	-
D. NET PROFIT		-	242
E. NET LOSS		2,460	-

The accompanying notes on the pages 5 to 11 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**1. BACKGROUND INFORMATION**

CARTA (Center for Research, Transparency and Accountability) is a grassroots civic organization founded in August 2002 under the name LiNet (Liberal Network) with the mission to contribute to Serbia's transition into democracy through promotion of citizens' active role in society and strengthening of their advocacy capacities.

CARTA is comprised of mainly young people with significant experience in civic activism, journalism and politics. By developing different accountability monitoring mechanisms CARTA educates citizens about accountability concept and advocate for accountability to be implemented in political practices and legislation as a core value of developed democratic society. Vision of CARTA is Serbia with democratic tradition and its citizens ready to be accountable and to demand accountability. Mission of CARTA as non-partisan civil society organization is to improve citizens' political culture and build democratic society in Serbia by developing and advocating for accountability.

CARTA headquarters is in Belgrade, street Golsvordijeva number 29.

Identification number is 17414054

Tax identification number (PIB) is 102211181.

The average number of employees at the end of each month in the current 2011th year, was zero employees (in the previous 2010th it was 1 employees).

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION**2.1. Financial statements**

Financial statements of CARTA comprise the balance sheet as of December 31, 2011, and the income statement for the year ended December 31, 2011.

2.2. Basis of preparation and presentation of financial statement

Pursuant to the Law on Accounting and Auditing (Official Gazette of the Republic of Serbia no. 46/2006 and 111/2009), legal entities and enterprises incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose financial statements in conformity with the prevailing legislation and professional rules.

The legislation means the laws and implementing regulations issued for the enforcement of the law. The internal rules shall mean the general acts passed by the legal entity and which contains specific instructions and guidelines for bookkeeping, accounting policy for recognition and evaluation of assets and liabilities, income and expenses, instructions and guidelines for the adoption, submission and disclosure of financial statements, and other questions about the conduct books and preparing financial statements for which the law provides that the general laws governing the legal entity.

The accompanying financial statements are presented in the form prescribed by the Regulations on the content and form of financial statements for companies, cooperatives, other legal entities and entrepreneurs (Official Gazette of the Republic of Serbia no. 114/2006, 119/2008 and 2/2010) and in accordance with the Rules on the chart of accounts and content in the Chart of accounts for companies, cooperatives, other legal entities and entrepreneurs (Official Gazette of the Republic of Serbia no. 114/2006, 119/2008 9/2009, 4/2010 and 3/2011). These rules take the law defined a complete set of financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)****2.2. Basis of preparation and presentation of financial statement (Continued)**

Financial statements are prepared on an assessment of management to the CRTA to operate for an unlimited period of time that will continue in operation for the foreseeable future.

The financial statements were prepared at historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder.

In the preparation of the accompanying financial statements, the CRTA adhered to the accounting policies described in Note 3.

The CRTA's financial statements are stated in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia.

In accordance with IAS 10 "Events After the Reporting Period" paragraph 17 CRTA's financial statements were authorized for issue on February 27, 2012 by management of the CRTA and they were signed by Vukosava Crnjanski Šabović – director of the CRTA and Dušan Radaković – accountant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1. Equipment**

Equipment is stated at historical cost, less accumulated depreciation. Cost represents the prices billed by suppliers together with costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Equipment is capitalized as an asset if it is expected that its useful economic life will exceed one year.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales or disposal proceeds and the net book value of the asset, and is recognized in the statement of income.

Depreciation is provided for on a straight-line basis in order to write-off the assets over their estimated useful lives. The depreciation of these assets commences when the assets are ready for their intended use.

3.2. Cash and cash equivalents

Cash and cash equivalents included in the financial statements relate to the CRTA's cash balances on the current accounts kept in Dinars. Cash and cash equivalents are stated at their nominal values.

Assets in foreign currency accounts with banks, are translated at the balance sheet at their counter value using the official closing middle exchange rate of the National Bank of Serbia.

Transactions during the year in foreign currency accounts in foreign currency shall be converted into cash counter value using the official middle exchange rate of National Bank of Serbia at the transaction - prompt exchange.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Incomes

The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. Grants related to depreciable assets are usually recognized as income over the periods and in the proportions in which depreciation on those assets is charged.

Grants related to assets, including non monetary grants at fair value, are presented in the balance sheet by setting up the grant as deferred income.

Grants related to income are presented separately under a general heading "Other operating income".

3.4. Expenses

Expenses include costs arising from ordinary activities of the CARTA and losses. Expenses arising from ordinary activities of the CARTA include: costs of materials, cost of wages, salaries and other personal expenses; Depreciation and amortization and other expenses, regardless of the time of payment.

3.5. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at the official exchange rates in effect at the date of each transaction – prompt exchange.

All positions of assets and liabilities in foreign currencies are translated into their dinar equivalent at the official middle exchange rate of National Bank of Serbia prevailing at the balance sheet date (closing rate).

Foreign exchange gains or losses arising upon the translation of transactions, and assets and liabilities in foreign currencies are credited or charged to the income statement.

3.6. Income tax

In accordance with Article 44 Law on Corporate Profit Tax (Official Gazette RS No. 18/2010) CARTA as a non-profit organization that does not makes a market surplus of income over the relevant expenditure above 400 thousand is exempt from paying of income tax.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

4. CASH AND CASH EQUIVALENTS

	In thousands of Dinars December 31,	
	2011	2010
Current account in Dinars	5,308	226
Current account in foreign currencies	-	868
	<u>5,308</u>	<u>1,094</u>

5. TRADE PAYABLES

	In thousands of Dinars December 31,	
	2011	2010
Advances from the customers	5,308	-
Domestic suppliers	487	-
	<u>5,795</u>	<u>-</u>

Advances from the customers that are recognized at the Balance Sheet as of December 31, 2011 in amount of 5,308 thousands of Dinars represents deferred income, received from following donors:

	In thousands of Dinars December 31, 2011
RBF – "Rockefeller Bros Fund"	3,439
NED – "National Endowment for Democracy"	1,475
BIRN – "Balkan Investigate Reporting Network"	372
OSCE – "Organization for Security and Co-operation in Europe"	22
	<u>5,308</u>

Liabilities to the domestic suppliers that are recognized at the Balance Sheet as of December 31, 2011 in amount of 487 thousands of Dinars consist of following suppliers:

	In thousands of Dinars December 31, 2011
"Quasar" Belgrade	477
"Mobilni centar SZTR" Belgrade	7
"Infostan" Belgrade	3
	<u>487</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

6. OTHER SHORT TERM LIABILITIES

Other short term liabilities that are recognized at the Balance Sheet as of December 31, 2011 in amount of 819 thousands of Dinars represent deferred income, received from following donors:

	In thousands of Dinars December 31, 2011
FOS – "Found for Open Society"	447
BIRN – "Balkan Investigate Reporting Network"	372
	<u>819</u>

7. OTHER OPERATING INCOME

Other operating income that are recognized at the Income Statement for 2011 in amount of 12,370 thousands of Dinars (18,089 thousands of Dinars in 2010) relates to the income from the grants. Structure of the income from the grants in 2011 presented by donors is listed as follows:

Donor	In thousands of Dinars Year ended December 31, 2011
NED – "National Endowment for Democracy"	6,447
RBF – "Rockefeller Bros Fund"	4,498
VVD International	681
OSCE – "Organization for Security and Co-operation in Europe"	664
FOS – "Found for Open Society"	47
SILC – "Swedish International Liberal Centre "	33
	<u>12,370</u>

8. COST OF MATERIAL

	In thousands of Dinars Year ended December 31,	
	2011	2010
Cost of material	63	253
Office material	43	165
Cost of energy	102	205
	<u>208</u>	<u>623</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

9. SALARIES AND OTHER STAFF COSTS

	In thousands of Dinars Year ended December 31,	
	2011	2010
Gross salaries	-	682
Contributions on employer's behalf	-	122
Outsourced staff	8,787	4,860
Travel and accommodation	63	56
	<u>8,850</u>	<u>5,720</u>

10. OTHER OPERATING EXPENSES

	In thousands of Dinars Year ended December 31,	
	2011	2010
Intellectual services	4,255	9,807
Transportation, telecommunications and post	459	413
Representation	455	1,051
Maintenance	100	126
Advertising	456	-
Bank charges and fees	52	38
Other tax and charges	1	9
Other services	-	1
	<u>5,778</u>	<u>11,445</u>

11. TOTAL EXPENSES BY DONORS

Donor	In thousands of Dinars Year ended December 31, 2011	
NED – "National Endowment for Democracy"		7,346
RBF – "Rockefeller Bros Fund"		5,265
OSCE – "Organization for Security and Co-operation in Europe"		663
VVD International		562
FOS – "Found for Open Society"		447
Other funds		553
		<u>14,836</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

12. EXCHANGE RATES

The official exchange rates of National bank of Serbia for major currencies used in the translation of balance sheet components denominated in foreign currencies, into dinars were as follows:

Currency code	State	Currency sign	Calculated for	Average rate in Dinars	
				31.12.2011	31.12.2010
978	EMU	EUR	1	104.6409	105.4982
840	USA	USD	1	80.8662	79.2802

Annual average official exchange rates for major currencies presented above for the concerning periods were as follows:

Currency code	State	Currency sign	Calculated for	Annual average rate in Dinars	
				2011	2010
978	EMU	EUR	1	101.9621	102.8993
840	USA	USD	1	73.3118	77.7061