



**NON-GOVERNMENTAL ORGANIZATION
GURT RESOURCE CENTRE
FOR NGO DEVELOPMENT**

Independent Auditor's Report

**Balance Sheet, Statement of Expenditure,
and Statement of Cash Flows**

As of 31 December 2012 and for the year then ended

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NON-GOVERNMENTAL ORGANIZATION GURT RESOURCE CENTRE FOR NGO DEVELOPMENT

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE FINANCIAL
INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2012**

The following statement, which should be read in conjunction with the "Mazars Audit Firm", LLC responsibilities stated in the independent auditors' report set out on pages 3-4, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the special purpose financial information of Non-governmental Organization Gurt Resource Centre for NGO Development (hereinafter – "the Organization").

Management is responsible for the preparation of Balance Sheet, Statement of Expenditure, Statement of Cash Flows and Notes (hereinafter – special purpose financial information) in accordance with Company's Accounting Policy described in Note 2.

Management is responsible for designing, implementing and maintaining of internal controls to get reasonable assurance in reliability of special purpose financial information, effective work and compliance with legislation.

Management is also responsible for development of control system, implementing of policies and procedures in order to achieve appropriate and effective business operation of the Organization as much as it is possible. This responsibility includes design and implementation of control system aimed to prepare special purpose financial information that present fairly financial position of the Organization and management of the risks that may cause significant deficiencies in special purpose financial information.

While preparing special purpose financial information following requirements were met:

- Chosen accounting policy was designed based on International Financial Reporting Standards;
- Application of accounting policy is consistent;
- Special purpose financial information is prepared based on a going concern basis;
- Assumptions and estimations used while preparing special purpose financial information were made based on the best available practices and our best knowledge and experience;
- Special purpose financial information and information disclosed in the explanatory notes to the special purpose financial information are comprehensive and reliable.

Management of the Organization takes steps that are reasonably available to them to safeguard the assets of the Organization, maintain fixed assets in condition appropriate for operational usage and prevent fraud.

11 March 2013

Executive Director


 Bohdan Maslych

INDEPENDENT AUDITOR'S REPORT

To the Management of Non-governmental Organization Gurt Resource Centre for NGO Development

We have audited the accompanying special purpose financial information of Non-governmental Organization Gurt Resource Centre for NGO Development (hereinafter the "Organization"), which comprise the balance sheet as of 31 December 2012, the statement of expenditure, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the special purpose financial information

Management is responsible for the preparation of this special purpose financial information in accordance with Organization's accounting policy, and for such internal control as management determines is necessary to enable the preparation of special purpose financial information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this special purpose financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing issued by International Organization Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose financial information 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 special purpose financial information.

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 special purpose financial information of the Organization as of 31 December 2012 and for the year then ended has been prepared, in all material respects, in accordance with Organization's accounting policy and general requirements of national tax law.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to this special purpose financial information, which describes the basis of accounting. The special purpose financial information has been prepared to assist the Organization to comply with the financial reporting provisions of the agreement with Swedish International Development Cooperation Agency.

As a result, the special purpose financial information is not a complete set of financial statements of the Organization in accordance with International Financial Reporting Standards and is not intended to present fairly, in all material respects, the financial position of the Organization as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards. The special purpose financial information may, therefore, not be suitable for any other purpose. Our report is intended solely for the Organization and Swedish International Development Cooperation Agency and should not be distributed to or used by other parties.

11 March 2013



Grégoire Dattée
Managing partner

Mazars Ukraine

Kiev

**NON-GOVERNMENTAL ORGANIZATION GURT RESOURCE CENTRE FOR NGO
DEVELOPMENT**

**BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2012**

(in thousands of Ukrainian Hryvnias)

	Note	As of 31 December 2012
Assets		
Non-current assets		
Fixed assets	3	127
Total non-current assets		127
Current assets		
Prepayments		21
Cash and cash equivalents	4	689
Total current assets		710
Total assets		837
Funds		
Funds received from donors	5	598
Designated funds for non-current assets	3	127
Retained earnings (Accumulated loss)		(4)
Total Funds		721
Current liabilities		
Accounts payable	6	35
Accruals and provisions	7	63
Other current liabilities		18
Total current liabilities		116
Total liabilities		116
Total liabilities and funds		837

Executive Director



Bohdan Maslych

NON-GOVERNMENTAL ORGANIZATION GURT RESOURCE CENTRE FOR NGO DEVELOPMENT

**STATEMENT OF EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2012**

(in thousands of Ukrainian Hryvnias)

	Note	2012
Contributions from donors	5	4,906
Depreciation recognized as income	3	89
Total income		4,995
Project-related expenses:		
Conferences, workshops, meetings, events	8	(1,897)
Project management	9	(576)
Information activities	10	(545)
Subgrants	11	(814)
Administrative expenses	12	(772)
Fundraising expenses	13	(215)
Total expenditures		(4,819)
Profit for the year	14	176

Executive Director



Bohdan Maslych

NON-GOVERNMENTAL ORGANIZATION GURT RESOURCE CENTRE FOR NGO DEVELOPMENT

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(in thousands of Ukrainian Hryvnias)

	Note	2012
Cash donations received		
SIDA		1,985
European Commission		1,528
The United Nations Democracy Fund		368
Charles Stewart Mott Foundation		240
The U.S. Embassy, Ukraine		233
International Labour Organization		187
SV Stockholm		184
PACT Inc.		96
Intellectual Perspective Charity Foundation		83
Ukraine Social Investment Fund		42
Other		1
Total cash receipts collected	5	4,947
Interest on deposit	3,5	47
Total cash receipts		4,994
Cash spent		
Conferences, workshops, meetings, events		1,827
Information activities		535
Project management		557
Subgrants		797
Total cash spent		3,716
Administrative expenses		746
Fundraising expenses		215
Foreign exchange and translation differences		(60)
Total resources expended		901
Net increase in cash and cash equivalents		377
Cash and cash equivalents at the beginning of the year		312
Cash and cash equivalents at the end of the year		689

Executive Director


Bohdan Maslych



NON-GOVERNMENTAL ORGANIZATION GURT RESOURCE CENTRE FOR NGO DEVELOPMENT

EXPLANATORY NOTES TO SPECIAL PURPOSE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands of Ukrainian Hryvnias)

1. GENERAL INFORMATION

NON-GOVERNMENTAL ORGANIZATION GURT RESOURCE CENTRE FOR NGO DEVELOPMENT (here and after the "Organization") is not for profit organization established under Ukrainian legislation in 1995. The activities of the Organization are focused at stimulation of the civil society dialogue at national and local level of Ukraine and contribution to democratic societal transformations. The Organization is a centre of social information and expertise.

During 2012 and 2011 Company employed 3 and 1 employees, respectively.

The legal address of the Organization is 1/3 Desyatynna St., Kyiv, 01001, Ukraine

Factual address is 52, Popudrenka st, Kyiv, office 609.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting policy – Organization's accounting policy is based on International Financial Reporting Standards (IFRS).

The special purpose financial information was prepared as of 31 December 2012 and for the year then ended (hereinafter – "reporting period") based on the Organization's accounting policies described further in this Note.

The special purpose financial information was prepared in the national currency of Ukraine – Ukrainian Hryvnya. Unless otherwise stated, amounts are presented in thousands of Ukrainian Hryvnias.

Unless otherwise stated, the Organization used historic (actual) cost for measurement of assets.

The Organization used accrual basis and the matching concept for determination of financial result for the reporting period. In this case income and expenses are recognized in accounting records in the moment of their occurrence, irrespective of the date when cash is received or paid.

Use of estimates and assumptions – The preparation of the special purpose financial information in conformity with IFRS requires management to make estimates and assumptions. These estimations and assumptions affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. In result of some uncertainty, that is attributable to such assumptions, actual results could differ from those estimates.

Fixed assets – Fixed assets are presented at historical cost less accumulated depreciation. Historical cost of fixed assets consists of the purchase price and non-refundable indirect taxes related to their purchase, installation, setup and any directly attributable costs of bringing the asset to working condition for its intended use.

Cost of fixed assets is increased by expenditures related to the asset enhancement (modernization, modification, additional construction, additional equipment, reconstruction etc.), which increases future economic benefits above those initially expected from the use of an item of fixed asset.

Costs incurred to maintain an item of fixed assets in its working condition are recognized as expenses in the reporting period.

Accounting unit of fixed asset is established as separate unit of fixed assets and non-current assets.

Fixed assets are depreciated using straight-line method.

Residual value of fixed assets is assumed to be zero.

Prepayments – Prepayments are recognized at their nominal value.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, unrestricted cash with banks and deposits.

Cash receipts collected and disbursements made – The Organization's cash receipts come from the following sources:

- (a) cash target financing provided by sponsors (grant providers) to the Organization's bank accounts specifying what charitable programs (projects) should be funded;
- (b) cash donations by legal entities and individuals for charitable purposes with no program or project use specified;
- (c) interest received on cash balances in the Organization's bank account.

If the grant is given in cash, the Organization can use it solely for the purpose specified in the grant agreement.

The Organization makes payments for goods and services provided directly to the supplier's bank account.

Funds received from donors – Funds received from donors are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost. Funds received from donors are presented net of funds designated for non-current assets, which are presented separately.

Designated funds for non-current assets are equivalent to the carrying value of non-current assets of the Organization at each reporting date.

Accounts payable – accounts payable are accounted at their nominal value.

Provisions – Provisions are recognised when the Organization has a present obligation (legal or constructive) as a result of a past event, it is probable that the Organization will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Recognition of expenses and income – Expenses are recognized simultaneously with the decrease in assets or increase in liabilities, provided that cost can be measured reliably. Expenses are recognized in the period when incurred.

Income is recognized in the relevant period simultaneously with expenses in respect of which it has been incurred provided that there's reasonable assurance that the donors will cover the expense incurred. Should the expense be not covered by the donor, no income is recognized in its respect.

The amount of advance payment is not recognized as income.

Taxes - The Organization's charitable operations and passive income is exempt from corporate profit tax ("CPT") and value added tax ("VAT") in Ukraine. However, the Organization is subject to profit tax calculated as a percentage of cash received, other than contributions from donors and passive income, but unspent during the reporting period which exceed 25% of all proceeds during the period.

Other transactions are subject to CPT of rates specified in the Tax Code and VAT of 20% according to the requirements of Ukrainian tax legislation.

The Organization contributes to the Ukrainian state pension fund on behalf of its employees. These contributions are calculated as a percentage of current gross salary payments and are expensed as incurred.

Foreign currencies transactions – Transactions in currencies other than Ukrainian Hryvnia are recorded using the National bank of Ukraine exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Revenues and expenses in foreign currencies are translated at the exchange rates prevailing on the dates in which such transactions occurred. All translation differences are recognized in the statement of financial results.

The major currency in which the Organization makes transactions is Ukrainian Hryvnia. The exchange rates at the year end used in the preparation of the special purpose financial information are as follows:

	As of 31 December 2012	For the year ended 31 December 2012
UAH/USD	7.993	-
UAH/EUR	10.5372	-
Average rate for the year UAH/USD	-	7.991
Average rate for the year UAH/EUR	-	10.2773

Contingent liabilities and assets – Contingent liabilities are not recognized in the special purpose financial information. They are disclosed in the Notes to the special purpose financial information unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the special purpose financial information but disclosed in the Notes to the special purpose financial information when an inflow of economic benefits is probable.

3. FIXED ASSETS

	Office equipment
Cost as of 1 January 2012	346
Additions	44
Disposals	-
Cost as of 31 December 2012	390
Accumulated depreciation as of 1 January 2012	174
Depreciation for 2012	89
Depreciation disposal	-
Accumulated depreciation as of 31 December 2012	263
Net book value as of 31 December 2012	127

As of 31 December 2012 the cost of fully depreciated items of the office equipment amounted to 113 thousand UAH. The cost of fully depreciated other non-current assets amounted to 20 thousand UAH at the balance sheet date.

4. CASH AND CASH EQUIVALENTS

	As of 31 December 2012
Current bank account denominated in UAH	25
Current bank account denominated in EUR	170
Current bank account denominated in USD	67
Cash at current bank account	262
Short term bank deposit denominated in EUR	427
Cash at bank deposit	427
Total Cash and cash equivalents	689

Total amount of short term bank deposit denominated in EUR represents UAH equivalent of 40.5 thousand of EUR that consists of two deposits:

- (1) Short term bank deposit amounting to 40 thousand EUR with deposit term of 2.5 month, maturity date – 21 January 2013, interest rate – 2% per annum.
- (2) Short term bank deposit on demand in amount 0.5 thousand of EUR, interest rate 4% per annum.

The amount of accrued interest on cash deposit as of 31 December 2012 is 143 EUR and it is included in the current bank account balance.

As of 31 December 2012 the Organization also had an interest income for the total amount of 47 thousand of UAH that included 33 thousand UAH coming from SIDA donations and 14 thousand UAH coming from European Commission donations. According to agreement with SIDA the interest generated on SIDA donations is bound to be returned back to SIDA by March 2013. Interest income arising on European Commission donations will be used in an ordinary course of Organizations' activities.

5. FUNDS RECEIVED FROM DONORS

	Total opening balance as of 1 January 2012	Receipts	Recognized as income	Fixed assets purchases	Interest on deposit	FOREX	Total closing balance as of 31 December 2012
SIDA	-	1,985	(1,733)	(36)	33	(7)	242
European Commission	-	1,528	(1,424)	-	-	54	158
The United Nations Democracy Fund	499	368	(711)	(5)	-	6	157
Charles Stewart Mott Foundation	1	240	(265)	-	-	1	(23)
The U.S. Embassy, Ukraine	14	233	(248)	-	-	-	(1)
International Labour Organization	-	187	(189)	-	-	2	-
SV Stockholm	-	184	(143)	-	-	1	42
PACT Inc.	1	96	(94)	(3)	-	-	-
Intellectual Perspective Charity Foundation	-	83	(83)	-	-	-	-
Ukraine Social Investment Fund	(26)	42	(16)	-	-	-	-
Other	5	1	-	-	14	3	23
Total	494	4,947	(4,906)	(44)	47	60	598

6. ACCOUNTS PAYABLE

	As of 31 December 2012
Liabilities for audit of European Commission project	32
Other payables	3
Total	35

7. ACCRUALS AND PROVISIONS

	As of 31 December 2012
Accrued expenses for audit 2012	63
Total	63

8. CONFERENCES, WORKSHOPS, MEETINGS, EVENTS

	2012
Trainers, facilitators	491
Trainings for communities	402
International open space conference "Self-Organization in the World of Transformations: How to Win a Place in the Sun?"	338
ILO conference "Labour Inspection: What it is and what it does"	158
Study tour to Poland	142
Round table events, community meetings	99
Training on the effective communication	65
Trainings "Start your business"	63
GURTCamp (conference on the development of the GURT Portal)	50
Open space conference "How to make changes demanded by community?"	46
Other	43
Total	1,897

9. PROJECT MANAGEMENT

	2012
Consultancy	244
Staff	170
Staff travel	116
Audit of projects	46
Total	576

10. INFORMATION ACTIVITIES

	2012
Programming services of the GURT Portal	217
Staff	194
Publications	91
Consultancy	38
Hosting	5
Total	545

11. SUBGRANTS

	2012
CDPF (Armenia)	270
NGO Center (Armenia)	270
Borodyanka NGO "Life without bad habits"	93
Foundation for Community Development (Borodyanka)	52
Charitable Foundation Volunteer Centre "Dobra Volya" (Kyiv)	43
Center for Community Development (Ivankiv)	44
Bila Tserkva NGO "Ayurveda"	24
Committee of community self-governance of Kyiv region (Brovary)	18
Total	814

12. ADMINISTRATIVE EXPENSES

	2012
Staff	313
Consultancy	125
Depreciation	89
Audit expenses	63
Office rent	60
Staff travel	49
Equipment and supplies	28
Bank services	18
Internet	6
Post and delivery	6
Telephone	5
Other	10
Total	772

13. FUNDRAISING EXPENSES

	2012
Staff	140
Consultancy	40
Promotional materials	22
Staff travel	13
Total	215

14. PROFIT FOR THE YEAR

The cost for 2011 financial statements audit was fully recognized in respective reporting period in amount of 190 thousand UAH. As of the date of 2011 financial statements issue it was uncertain if these expenses would be compensated by the donor (SIDA), hence no respective income was recognised. During 2012 the Organisation received compensation for audit expenses in full amount and appropriate income was recognised. Due to this the Organization demonstrated profitable performance in 2012 (176 thousand UAH), but total effect of explained transaction on 2012 retained earnings is zero.

15. RELATED PARTIES

Parties are considered to be related if:

- entities which are under control or significant influence of other parties;
- entities and individuals which, directly or indirectly, perform control over the entity or those which have significant influence on entity's activity, and close members of the family of any such individual.

The list of related parties is stated by the Organization, including the essence of relationships, not only the legal form.

In year ended 31 December 2012 total payments to related parties (executive director and board members) amounted to 288 thousand UAH. Board members received remuneration for specific services provided in the frame of Organization's projects which are not related to performance of their duties as board members.

16. COMMITMENTS AND CONTINGENCIES

Taxation – Due to the presence in Ukrainian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on management's judgment of the Organization's business activities was to be challenged by the tax authorities, the Organization may be assessed additional taxes, penalties, and interest. The Organization believes that it has already made all tax payments, and, therefore, no allowance was made in the special purpose financial information. Tax records remain open to review by the tax authorities for three years.

Operating environment – The Organization's principal business activities are within Ukraine. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes and the Organization's assets and operations could be at risk due to negative changes in the political and business environment. The future economic development depends to a large extent on the efficiency of the measures taken by the Government of Ukraine and other actions beyond the Organization's control. The future direction of the economic policy of the Government of Ukraine can have an effect

on the recoverability of the Organization's assets and the ability of the Organization to maintain or pay its debts as they mature.

The management of the Organization made its best estimate on the recoverability and classification of recorded assets and completeness of recorded liabilities. However, the uncertainty described above still exists and the Organization may continue to be affected by it.

Variation of exchange rate of national currency – national currency of Ukraine is unstable and is characterized by significant fluctuations comparing to the main world currencies. Official exchange rates stated by National Bank of Ukraine for Ukrainian Hryvnia to US dollar and Euro as of 31 December 2012 are presented in Note 2.