

**THE AUDIT REPORT
ON THE SPENDING OF DESIGNATED FUNDS,
BY YOUTH INITIATIVE FOR HUMAN RIGHTS,
IN 2010.**

/period January-December/

Podgorica, March 2011

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OPINION OF AN INDEPENDENT AUDITOR

on accuracy and objectivity when spending financial funds in 2010,
period January - December

Responding to your request we have audited financial reports of Youth Initiative for Human Rights - Montenegro, from 1 January through 31 December, that have been submitted to the donor on the spending of financial funds, as well as reports that are submitted to authorities in Republic of Montenegro. The Management of the Initiative for Human Rights - Montenegro is responsible for those reports and our task is to give our opinion on their accuracy and objectivity based on the result on the auditing.

We fulfilled auditing in accordance with generally accepted International Standards of Auditing. Those standards require planning and auditing done in such way that it gives reasonable understanding of whether the financial reports contain major mistakes. Auditing consisted of evaluating the accounting standard and terms that are applied as well as evaluation of the management of the centre.

We were also evaluating the quality of the presentation of the financial reports. We believe that the completed auditing forms a reliable base for our opinion.

In our opinion, financial reports give true and fairly account of income and expenditures of Youth Initiative for Human Rights office in Podgorica, Montenegro. Expenditures were made in accordance to the purpose funds were donated for.

Financial conduct was in accordance to regulation valid in Republic of Montenegro.

Podgorica, 23.03.2011.

The authorized auditor:

Manager

Momčilo S. Mihaljević

Momčilo S. Mihaljević

CIVIL RIGHTS DEFENDERS

Stockholm

ИЗВЈЕШТАЈ НЕЗАВИСНОГ РЕВИЗОРА

Извршили смо ревизију правилности поступања Иницијативе младих за људска права – Црна Гора, у складу са одредбама правила о трошењу донираних средстава од Шведског Хелсиншког комитета-а за период 1. јануар до 31. децембар 2010. године, која се односе на рачуноводствено обухватање и финансијско извјештавање.

Ревизију смо извршили у складу са Међународним стандардима ревизије који се односе на ревизију правилности поступања у складу са основама утврђеним ревизијским ангажманом. Ови стандарди налажу да ревизију планирамо и извршимо на начин који омогућава да се, у разумној мјери, увјеримо да је Иницијатива младих за људска права из Подгорице поступала у складу са одговарајућим правилима. Ревизија укључује испитивање поткрепљујућих доказа на основу провјере узорака. Сматрамо да ревизија коју смо обавили пружа разумну основу за наше мишљење.

По нашем мишљењу, Иницијатива младих за људска права из Подгорице је, у свим материјално значајним поступањима, поступила у складу са одредбама правила о трошењу донираних средстава која се односе на рачуноводствено обухватање и финансијско извјештавање, са стањем на дан 31. децембар 2010. године.

Подгорица, 23.03.2011.

«Независна ревизија М.С.М»
Подгорица
Блок 7 улаз 6; 3/2

Овлашћени ревизор
Момчило С. Михаљевић

AUDITORS's COMMENTS

With financial reports from January through 31 December 2010.

1. INTRODUCTION

Youth Initiative for Human Rights (YIHR) - Montenegro is registered as a non-governmental, non-profit and non-political organization. YIHR's office in Montenegro was founded to advocate the rule of law in Montenegro, to provide protection for the victims of human rights violations, and to research the overall human rights situation in the country. The office focus on strengthening cooperation between and among local human rights NGOs in order to increase the visibility, impact and value of efforts to create a responsible, free and democratic society.

Youth Initiative for Human Rights office in Montenegro was founded in the august of 2006 and is based in Podgorica, st. Vukiće Mitrović 16. Registry number of the organization is 3640 (act 02-3609-06 on 23.08.2006.), activity code 02622220-302.

Youth Initiative for Human Rights office in Montenegro has gyro accounts:

- 510-18134-55 at Crnogorska komercijalna banka a.d. Podgorica;
- 510-21366-59 at Crnogorska komercijalna banka a.d. Podgorica;
- 530-16311-65 at NLB Montengro banka d.d. Podgorica;
- 530-17760-83 at NLB Montengro banka d.d. Podgorica;

Youth Initiative for Human Rights office in Montenegro is e non-profit organization that is financed by donations from foreign governments and organizations, and by donations from local donors.

Project Agreements

In 2010 the YIHR managed seven projects. The following table gives an overview of these projects as well as their respective duration and contract amount:

Donor	Duration or Contract Date	Project Title	Contract Amount
Civil Rights Defenders	15/02/10-15/11/10	Human rights monitoring	€ 47,830
Civil Rights Defenders	11/12/10-01/06/11	Human rights monitoring	€ 27,200
FOSI ROM	01/12/09-30/06/10	Monitoring of minority people rights to employment in public institutions	€ 14,948
OSI ROM	01/11/10-31/01/11	School of Democratic Leadership – Module on Local Government Reforms	\$ 14,700
USA Embassy	01/04/10-31/11/10	Youth Activism- Strengthening Cpacities and Civil Participation	\$ 16,200
Rockefeller Brothers Fund	01/08/10-01/06/11	School of Democratic Leadership	\$ 25,000

OSCE	01/04/10- 01/11/10	School of Democratic Leadership	\$ 8,620
UNDP	01/10/09- 01/03/10	Legal aid to marginalized groups	€ 10,000
Parlament of Montenegro	15/07/10 15/09/10	School of Democratic Leadership	€ 1500

As a rule, all projects are supported by project agreements between the YIHR and the donor.

Responsibility of the management

Youth Initiative for Human Rights office in Montenegro has following managerial body:

- Program director of YIHR Montenegro is Boris Raonić;

The main person in charge of the Youth Initiative for Human Rights in Montenegro is Boris Raonić, YIHR Programme Director. The work of the organization is monitored by the Board, which is responsible for decision-making and providing guidance and ratification of important decisions concerning the organization's work.

- Executive director of YIHR Montenegro is Edina Hasanaga Čobaj;

Executive director is in charge for all administrative work and overall functioning of office. Executive director prepares and maintains all financial reports.

At the end of 2010 four members were full time employed and four members were contract employed by the YIHR in Podgorica. All staff members have valid employment contracts. Job descriptions are outlined in the so-called »Systematization of Workplaces«. The employees have to prepare monthly activity reports, which are evaluated by the managerial body. The social insurance contributions amount to 33.8% both for the employee and the employer. Income tax is calculated at the flat rate of 9% of the gross salary. The YIHR deducted income tax and social insurance contributions for its employees. The personal files are accurately kept by YIHR.

Object of the audit

Spending of the designated funds donated by Civil Rights Defenders, Foundation for an Open Society, UNDP, Parlament of Montenegro, USA Embassy, Rockefeller Brothers Fund and OSCE was audited.

Civil Rights Defenders finances projects that support human rights program.

Foundation for an Open Society finances projects related to right of minority people rights to employment in public institutions.

UNDP finances projects related to free legal aid. Financing includes the organizations of seminars, workshops, incorporation of specific regional network projects, and education of young leaders, young politicians and similar.

Rockefeller Brothers Fund finances School of Democratic Leadership and offers institucional support.

OSCE finances modul of School for Democratic Leadership

USA Embassy finances Project "Youth Activism – Strengthening Capacities and Civic Participation "

The goal of this audit is to determine the spending of designated funds that were donated Civil Rights Defenders, Foundation for an Open Society, UNDP, Ministry of minority, for financing of the activities from its field of interests.

Auditing will be carried out according to International audit standard 800.

Audit Scope

Tolerable Error assigned to Location Youth Initiative for Human Rights, office in Podgorica has been set at EURO 500.00.

All amounts are reported in EURO.

2. EXPENDITURE IN 2009 RELATED TO YOUTH INITIATIVE FOR HUMAN RIGHTS

Approximately 85 – 90 % of all expenses are paid through a bank account. At the end of 2010 the YIHR in Podgorica kept 2 bank accounts at the Crnogorska komercijalna banka a.d. Podgorica and 2 bank accounts at the NLB Montengro banka a.d. Podgorica. According to the underlying bank documents Boris Raonic and Edina Hasanaga Čobaj have single signatory power for all bank accounts. The YIHR keeps separate bank accounts for all major projects. All inflows are confirmed by original bank documents.

		In Euro
No	DESCRIPTION	Amount
1.	Balance 01.01.2010.:	
	- Civil Rights Defenders	1,742.46 €
	- contributions from other sources	20,000.13 €
	Total	21,742.59 €
2.	Inflows 2010.:	
	- Civil Rights Defenders	61,430.00 €
	- contributions from other sources	53,037.31 €
	Total	114,467.31 €
TOTAL INFLOWS 2010		Total 136,209.90 €

3. Outflows 2010	Amount
Civil Rights Defenders - Budget line 2009	
Balance 01.01.2010. - 1,742.46 €	
01- Human resources	150.21 €
02- Travel cost	85.00 €
03- Equipment and Supplies	-
04- Office costs	-
05- Other cost	-
06- Bank charges	7.25 €
07- Auditing cost	1.500.00 €
Total	1,742.46 €
United Nations Development Program - Budget line 2009	
Balance 01.01.2010. - 3,884.33 €,	
Inflow 2010. - 2,000.00 €	
01- Personel	1,530.00 €
02- Transpotration	414.12 €
03- Premises	300.00 €
04- Legal consultants/Representatives	1,706.80 €
05- Other	1,712.20 €
06- Taxes	230.31 €
Total	5,893.43 €
Fund For Minority - Budget line 2009	
Balance 01.01.2010. - 965.63 €	
01-Translation	645.28 €
02- Publication	315.90 €
03- Administration	-
04- Bank charges	4,45 €
Total	965.63 €
Civil Rights Defenders - Budget line 2010	
Inflow 2010. - 47,830.00 €	
01- Human resources	13,394.00 €
02- Travel cost	981.00 €
03- Equipment and Supplies	610.00 €
04- Office costs	8,202.00 €
05- Other cost	22,994.00 €
06- Bank charges	143.00 €
07- Auditing cost	1,500.00 €
Total	47,824.00 €
Civil Rights Defenders - Budget line 2010	
Inflow 2010. - 13,600.00 €	
01- Human resources	1,681.43 €
02- Travel cost	-

03- Equipment and Supplies	-
04- Office costs	415.47 €
05- Other cost	2,028.09 €
06- Bank charges	23,08 €
07- Auditing cost	-
Total	4,148.07 €
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Foundation Open Society - Budget line 2009	
Balance 01.01.2010. – 14,948.10 €	
01- Research costs	6,290.11 €
02- Publication	1,736.33 €
03- Administration	1,127.16 €
04- Human resources	5,010.40 €
05- Bank charges, overhead	49.94 €
06- Overhead 10%	683,73 €
Total	14,897.67 €
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Open Society Institute - Budget line 2010	
Inflow 2010. – 10,457.95 €	
01- Personel	2,994.31 €
02- Equipement and Capital	-
03- Administration	196.61 €
04- Educational Supples	-
05- Contracts, Consultants, etc.	-
06- Overhead 10%	-
07- Travel	5.02 €
08- Other	-
Total	3,195.94 €
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OSCE	
Inflow 2010. – 7,216.20 €	
01- Project co-ordinator	1,540.00 €
02- Project Assistent	1,050.00 €
03- Accomodation	716.00 €
04- Transport of participants to Podgorica and back home	100.00 €
05- Transport of participants and organizers to institutions	190.00 €
06- Lunch	333.60 €
07- Dinner	246.80 €
05- Refreshments	-
06- Office cost (stationery, mobile and landline phone costs for organizers, internet costs)	568.18 €
07- Rent of conference room	100.00 €
08- Transport for participants	1,043.00 €
09- Refreshments and lunch	1,143.00 €
Total	7,030.58 €
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USA Embassy	

Inflow 2010. – 12,117.60 €	
01- Visiting to Ulcinj & Pljevlja	3,948.00 €
02- Follow up activities	-
03- Small action grants	1,699.50 €
04- Personal cost	4,656.65 €
05- Administration cost	1,337.63 €
Total	11,641.78 €
Rockefeller Brothers Fund	
Inflow 2010. – 19,590.30 €	
01- Permanent cost & office staff	5.473,36 €
02- Travel cost	442,00 €
03- Program administration	753,59 €
04- contingency	-
Total	6.668,95 €
Parlament of Montenegro	
Inflow 2010. - 1,500.00 € + 1,21	
01- Salaries	1,350.00 €
02- Administration	123.00 €
02- Bank charges	17.96 €
Total	1,490.96 €

Through our insight into original documentation we saw that designated funds were used accordantly.

The above mentioned Statement was examined and all tests of the supporting documentation and accounting record deemed necessary were carried out in order to obtain reasonable assurance that in our opinion, based on our audit:

- the amount of the total eligible outflows 105,504.47 EURO declared above, is complying with the following cumulative conditions:
 - they are actual and reflect the contractor's economic environment;
 - they are determined in accordance with the contractor's accounting principles;
 - they have been incurred during the periods covered by the Statements concerned by this audit certificate;
 - they are recorded in the accounts of the contractor at the date of established of this audited certificate;
- accounting procedures used in the recording eligible costs and receipts respect the accounting rules of the State in which the contractor is established and permit the direct reconciliation between the costs and receipts incurred for the implementation of the project covered by the Youth Initiative for Human Rights Podgorica;

- paying teller was done according to rules and standards. Every payments has a document attached to it that guarantees it;
- personal income (salaries and temporary contracts) has been accounted according to rules.

3. REVIEW OF THE INFLOWS FROM A DONORS

During the year 2010. Youth Initiative for Human Rights had the following inflows:

- open balance 01/01/10	21,742.59 €
- transfer on 12/02/10 amount of euro	23,915.00 € (CRD)
- transfer on 24/03/10 amount of euro	2,000.00 € (UNDP)
- transfer on 09/04/10 amount of euro	3,448.00 € (OSCE)
- transfer on 15/04/10 amount of euro	12,117.60 € (USA)
- transfer on 08/07/10 amount of euro	19,590.30 € (RFB)
- transfer on 09/07/10 amount of euro	1,500.00 € (PM)
- transfer on 12/07/10 amount of euro	23,915.00 € (CRD)
- transfer on 30/09/10 amount of euro	3,448.00 € (OSCE)
- transfer on 08/11/10 amount of euro	320.20 € (OSCE)
- transfer on 10/11/10 amount of euro	10,457.95 € (FOSI)
- transfer on 18/12/10 amount of euro	13,600.00 € (RFB)
- contribution from other sources 2009.	155.26 €
TOTAL	136,209.90 €

In year 2010 inflow was, 136,209.90 euro.

Remain funds of 2009 year were 21,742.59 euro and these suficit is transferred to year 2010. There is remaining funds of 31,869.70 euro from this period and these suficit is transferred to year 2011.

4. RECOMMENDATION

In the planning and completing of our partial auditing we have not investigated internal control routines in Youth Initiative for Human Rights Podgorica in detail but only the part that is directly related to donors.

Auditing was conducted according to regulations of International audit standard 800.

We have conducted an audit relating to the cost declared in the Financial Statement.

We confirm that our audit was carried out in accordance with generally accepted auditing standards respecting ethical rules and on the basis of the relevant provisions of the above referenced contract.

Due to this fact, our observations and recommendations could not be perceived as complete as it could be if we were responsible for the auditing of the whole enterprise.

That's why this report is relevant primarily for Youth Initiative for Human Rights Podgorica Management and Civil Rights Defenders.

Upon examination of the document we noticed high level of order and systematic deposition and operational processing of documents.

We want to point out that we, as an auditor, found no reason to be suspicious that the submitted documentation was not trustworthy.

Finally, we want to emphasize high level of rationality in the spending of financial funds by YIHR Podgorica, as well as high level of order in their conduct.

5. FINANCIAL STATEMENTS

The YIHR Podgorica prepared financial statements in EURO as of 31 December 2010. The financial statements include all projects and consist of a balance sheet and an income statement. The following tables give an overview of the presented financial statements:

BALANCE SHEET as of 31 December 2010

Item	Dec-31, 2010	Dec-31, 2009
Non-current assets	1,165	2,428
Intangibles, net		
Property, plant and equipment	1,165	2,428
Investment property		
Advanced for fixed assets		
Available for sale investments		
Long term financial placements		
Deferred tax assets		
Current assets	31,870	21,742
Inventories		
Trade and other receivables		
Short term financial placements		
Cash and cash equivalents	31,870	21,742
Other current receivables and accrued income		
Prepaid income tax		
TOTAL ASSETS	33,035	24,170
Equity	23,302	7,349
Share capital		
Revaluation reserves		
Other reserves		
Accumulated profit/loss	23,302	7,349
Long-term provisions and liabilities	5,813	16,460
Long-term borrowings		
Long-term provision	5,813	16,460
Other long term liabilities		
Short-term financial liabilities	3,920	361
Short term liabilities	2,350	257
Trade and other payables		
Current portion of long-term borrowings		
Deferred income		
Other short term liabilities	1,570	104
TOTAL EQUITY AND LIABILITIES	33,035	24,170

INCOME STATEMENT for the year ended 31 December 2010

Item	Dec-31, 2010	Dec-31, 2009
Revenues from donations	108,499	74,078
Other operating revenues	241	
Changes in inventories of finished goods and work in progress		
Cost of materials and consumables	(3,841)	(2,615)
Salaries and other benefits to employees	(80,975)	(47,313)
Depreciation and amortization	(1,055)	(1,196)
Other operating expenses	(23,024)	(23,073)
Profit from operations	(155)	(119)
Financial income / (expenses), net	155	119
Income tax		
Profit for the year	-	-