

**To the management of the
Independent Journalism Centre**

Audit report for 2011

Audit company: „Runat-Audit” SRL

Legal address: Chisinau, 13/167 Nicolae Milescu Spataru street

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License on the right to conduct general audit

License no. 039940, serial no. AMMIII of 12.06.2012, issued by the State Registration Chamber of the Republic of Moldova.

State registration certificate MD 0025811 of 15.12.1998, issued by the State Registration Chamber

under the Ministry of Justice of the Republic of Moldova.

Bank account № 2251548011384 in BC Moldovaagroindbank SA branch No. 10 Chisinau.

Full name of the institution: Independent Journalism Centre.

Legal address: MD-2012, Republic of Moldova, Chisinau, 53 Sciusev street, off. 11.

Management: Gogu Nadejda – director, Maximenco Angela – chief-accountant.

Grounds for the audit: Contract on audit service delivery no. 29/12 of 02.05.12.

Goal of the audit: Audit of financial reports for 2011.

Hereby, we inform the management of Independent Journalism Centre about the results of the audit of financial reports for 01.01.11 – 31.12.11, as well as make recommendations for improving the accounting system.

The primary and centralizing documents, financial and management data, fiscal reports and reports on long-term and current assets, accounts receivable and long-term and short-term debts of the Independent Journalism Centre were audited.

The audit was conducted in line with the Law on Audit, Law on Accounting, National Audit Standards no.61-XVI of 16.03.2007 and the National Accounting Standards, Fiscal Code and other regulatory acts in force on the territory of the Republic of Moldova that are applicable to the entrepreneurial activity of the economic entity.

General provisions

The Independent Journalism Centre was registered with the Ministry of Justice on November 19, 1998 under the state identification number / fiscal code 100962000479.

The institution is not registered as a VAT payer.

The Independent Journalism Centre carries out other associative activities.

All accounts have been registered with the Tax Inspection according to the laws of the Republic of Moldova.

The audit report is addressed to the management as a result of the financial reporting audit for 2011.

We audited the balance sheet of the Independent Journalism Centre by December 31, 2011, the report on financial results and report on the cash flow for this period.

The internal check of material assets, cash, accounts receivable and debts for the audit period was carried out by the management of the Independent Journalism Centre. The check did not reveal

significant distortions of the internal check system in line with the nature and size of the main activity of the economic entity.

The risk of expressing the audit opinion by the auditor based on factors reflected in the audit report can be qualified as risk related to the check at a reduced level.

The audit did not reveal any violations of the methodology of accounting and drafting the financial report as stipulated by the legislation in force.

The financial-economic operations conducted by the Independent Journalism Centre are shown in the accounting in line with the legislative and regulatory acts, including the National Accounting Standards. The management of the Independent Journalism Centre is accountable for these financial reports.

Our task is to express a view on the financial reports on the basis of the audit. According to the audit standards, the audit was planned and carried out in order to make sure that the financial reports do not contain significant distortions. The audit includes examining, based on testing, the evidence confirming the data of financial reports and disclosing information. The audit also includes assessing the accounting principles that are applied and analyzing the considerable accounting estimates determined by the management, as well as evaluating the submitted financial reports. We consider that the carried out audit provides sufficient evidence to enable us to express our opinion.

NOTES ON THE FINANCIAL SITUATIONS

The institution drafts financial reports in line with the National Accounting Standards approved by the Ministry of Finance of the Republic of Moldova, in compliance with the principles of continuity, using the calculation method.

The accounting of the institution is automatic.

Audit of the accounting policy

The accounting policy of the Independent Journalism Centre for 2010, as approved through order of the director, was formulated on the basis of:

- Law on Accounting of the Republic of Moldova no. 426-XIII of 04.04.1995;
- National Accounting Standards approved by the Ministry of Finance of the Republic of Moldova, no.174 of 25.12.1997;
- Accounts plan of the institution's economic-financial records approved by the Ministry of Finance of the Republic of Moldova, no.174 of 25.12.1997.

The development of the accounting policy is based on the following conventions and policies:

- Continuity of activity;
- Permanence of methods;
- Specialization of exercises;
- Prudence;
- Priority of the content vs. form;
- Essentiality.

The financial reports, except the Report on the cash flow, are drafted through the method of specialization of exercises (calculation). The accounting policy was not amended in the audit period. It should be noted that no discrepancies between the accounting policy and accounting data were identified during the audit.

Chapter 1. Audit of non-material assets and their depreciation

Non-material assets are reflected in the financial accounting at their entry value, which covers:

1. procurement of non-material assets;

2. irrecoverable taxes in line with the legislation in force;
3. expenses related to bringing the non-material asset in operational condition to be used according to its destination.

The depreciation of non-material assets is calculated using the linear method in line with the duration of operation. For non-material assets for which the duration of use cannot be established with accuracy, the depreciation is calculated by using the linear method throughout 5 years. The check of this compartment did not reveal any violations.

Chapter 2. Audit of fixed assets and their depreciation

In case of entry, fixed assets are reflected in the accounting at their entry value, which is equal for:

- fixed assets created in the institution with effective value, including irrecoverable taxes stipulated by the legislation in force;
- fixed assets procured from other institutions and individuals.

The depreciable value of one unit (inventory object) of fixed assets is determined based on the entry value of the object minus the remaining probable value.

It is worth mentioning that the expenses related to the fixing of fixed assets, in the audit period, were reflected and included in the expenses of the period, which does not contravene the National Accounting Standards no.3 and 16.

According to the accounting policy, the depreciation of fixed assets is calculated at the institution by using the linear method.

Chapter 3. Audit of materials

The stocks of materials, except low-value and short-term objects, are reflected in the financial reports at the lowest value between the cost and the net value. In the current accounting, they are assessed through the weighted average cost method.

Chapter 4. Audit of low-value and short-term objects and of their depreciation

The audit of this chapter revealed that the accounting of low-value and short-term objects does not contain any deviations from the National Accounting Standard no. 2 "Stocks of goods and materials".

Chapter 5. Cash audit

The record of cash operations does not contain any deviations from the Rules for cash operations in the national economy of the Republic of Moldova no. 764 of 25.11.92.

Conversion of foreign currency

Cash, accounts receivable and debts in foreign currency are reflected in the financial reports in national currency, according to the National Accounting Standard no.21 "Effects of variations of currency exchange rates".

Chapter 6. Audit of debts for commercial invoices

The audit of this chapter revealed that the received invoices are filled in according to the legislation in force.

Chapter 7. Audit of work remuneration

The main objective of the audit of the wage-personnel cycle was to determine whether the account balances affected by operation within the cycle are fairly presented, in line with the generally accepted accounting principles. The wage-personnel cycle refers to the employment and remuneration of all employees.

The audit did not reveal violations of the recruitment and dismissal of the employees. It should be noted here that:

- individual work agreements were concluded with all the employees;
- the stamp of the institution exists on all the individual work agreements;
- the workers were employed on the basis of an employment application form;
- orders regarding the employment, dismissal and provision of annual vacations were issued.

The audit used the personnel lists approved by the management of the institution.

Chapter 8. Audit of debts to the budget

Income tax deducted at the source of payment under art. 90 and 91 of the Fiscal Code.

No errors were identified in terms of deduction of the tax at the source of payment within the audit period.

Incomes and expenses.

All incomes and expenses were audited.

The incomes were fully declared with no deviations.

The expenses are reflected in the accounting through the method of specialization of exercises in the period when they occurred, irrespective of their actual payment and include expenses of the operational and financial activity.

Incomes, expenses and results are reflected in the Report on financial results by types of activity of the institution.

Below is a brief composition of obtained incomes and incurred expenses within the audit period.

Composition of incomes and expenses

Indicators	Amount, lei
Total incomes, including:	5500228
<i>donations, technical and financial assistance, including:</i>	<i>4993410</i>
from abroad	4396771
within the Republic of Moldova	596639
<i>incomes from economic activity</i>	<i>506818</i>
Total expenses, including:	5500228
fuel	19208
procurement of low-value and short-term objects	7166
consumption of materials	65270
telecommunications	68639
fixing of fixed assets	970
banking	35953
audit	39245
notary and legal	87008
security	7855
advertisement	50302
depreciation of long-term assets	241800

wages, including wage taxes	2832780
renting	377394
business trips	320030
taxes	266
other expenses and consumption	1346342

Note

It should be noted that the present report includes aspects identified during the selective check of primary documents and accounting registers.

It should also be mentioned that no deviations were identified in the audited compartments that are not reflected in the present letter.

Opinion

In our opinion, the financial reports provide an accurate and fair image of the financial position of the Independent Journalism Centre on December 31, 2011 and of its financial results and of the cash flow for the financial exercise completed on this date, in line with the National Accounting Standards.

Director of SRL “Runat-Audit”:

Natalia Rusu

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*Translation from Romanian into English was made by the translator **Caldare Nadejda** on 06.07.2012 at “Bertizzo Group” Anodilia SRL, Chisinau, Republic of Moldova.*

Signature

