Financial Statements 2008

Audited Annual Report according to IFRS

DR. FERENCNÉ TÓTH
INDEPENDENT AUDITOR

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of mental Disability Advocacy Center Foundation (Reg no: 8689, address: H – 1088 Budapest, Rákóczi street 27/B)

I have audited the accompanying Financial Statements of mental Disability Advocacy Center Foundation, ('Foundation') which comprise the balance sheet as at 31 December, 2008 – in which the total assets and total liabilities are EUR 259,867 the excess of expenses over income for the year is EUR - 1,966 -, and the statement of revenues and expenses, statement of changes in foundation equity and cash flow statement for the year 2008 then ended, and a summary of significant accounting policies and other explanatory notes.

The Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted the audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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DR. FERENCNÉ TÓTH
INDEPENDENT AUDITOR

Opinion

In the course of audit work I reviewed the Financial Statements of the Foundation, its parts and items together with the supported accounting records and documentation, in accordance with International Standards on Auditing, and based on that, I got sufficient and adequate confidence that the financial Statements have been prepared in accordance with International Financial Reporting Standards. The Financial Statements give a true and fair view of the financial position of Mental Disability Advocacy Center Foundation as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Budapest, 15 May 2009.

Dr. Ferencné Tóth
Registered auditor
Registration No.: 002549

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MDAC
BALANCE SHEETS
DECEMBER 31 2008 AND 2007

ASSETS	Notes	2008 EUR	2007 EUR
Current assets			
Cash and cash equivalents	4	175 460	228 658
Accounts receivable	5	5 426	8 992
Grants Receivable	6	59 208	42 792
Prepayments	6	2 567	1 628
		242 661	282 070
Non-current assets			
Property plant and equipment, net	7	11 515	20 220
Intangible assets, net	7	5 691	5 619
		17 206	25 839
TOTAL ASSETS		259 867	307 909
LIABILITIES AND FOUNDATION BALANCE			
Current liabilities			
Trade and other payables	8	44 428	34 335
Deferred revenue (Advance Contributions)	10	126 973	182 285
Accrued expenses		2 777	3 634
		174 177	220 254
Foundation Balance			
Foundation capital		1 002	1 002
Accumulated translation reserve		(12 739)	(8 857)
Excess of incomes over expenses brought forward		95 510	71 796
Excess of incomes over expenses of the year		1 916	23 714
		85 688	87 654
TOTAL LIABILITIES AND FOUNDATION BALANCE		259 867	307 909

Oliver Lewis
Executive Director, MDAC

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STATEMENT OF REVENUES AND EXPENSES
DECEMBER 31, 2008 AND 2007

		2008	2007
Incomes			
Annual contributions	10	383 600	397 951
Private gifts grants and contracts	10	263 181	376 698
Other revenues / disposal of forfeited liabilities		-	-
Other revenues / disposal of tangible assets		-	619
Total income		646 781	775 268
Operating expenses			
Maintenance cost		10 201	11 400
Publication costs related to Projects		439	32 287
Project consulting and legal fees	13	145 081	94 283
Contributions to private entities as payment for work in partnership	9	42 299	121 114
Administration	11	44 562	46 557
Information and Communications		4 707	7 895
Wages and related costs	12	342 178	353 945
Travel and accommodation		15 229	43 752
Depreciation		12 004	14 473
Other services rendered		22 697	27 457
Bad debt expenses		-	-
Total operating expenses		639 397	753 165
Excess of income over operating expenses		7 384	22 103
Finance income (expenses)			
Interest received		2 888	3 505
Net Gains/(Losses) on Exchange Rates		(8 357)	(1 894)
Total financial income (expenses), net		(5 469)	1 611
Excess of income over expenses		1 916	23 714
Change in translation reserve		(3 882)	(458)
Excess of expenses over income		(1 966)	23 256

Oliver Lewis
Executive Director, MDAC

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STATEMENT OF CHANGES IN FOUNDATION BALANCE
AS OF 31 DECEMBER 2008 AND 2007

Amounts in EUR

Description	Foundation capital	Cumulative translation reserve	Excess of incomes over expenses	Total equity
31.dec.07	1 002	(8 857)	95 510	87 654
Excess of incomes over expenses of the year	-	-	1 916	1 916
Change in translation reserve	-	(3 882)	-	(3 882)
31.dec.08	1 002	(12 739)	97 426	85 688

Oliver Lewis
Executive Director, MDAC

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STATEMENT OF CASH FLOWS
AS OF 31 DECEMBER 2008

	2008 EUR	2007 EUR
Excess of incomes over expenses for the period	1 916	23 714
Items not affecting cash		
Depreciation	12 004	14 473
Cash flows from operating activities		
(Gain)/Loss on assets sold	-	264
Decrease/(increase) in accounts receivable	3 566	1 649
Decrease/(Increase) in inventory	-	-
Decrease/(increase) in prepayments	(17 355)	(42 177)
(Decrease)/Increase in accounts payable	10 092	(3 704)
(Decrease)/Increase in accruals	(857)	(9 161)
(Decrease)/Increase in deferred revenues	(55 312)	79 462
Net cash provided by operating activities	(45 946)	64 520
Cash flows from investing activities		
Fixed assets acquisions	(3 370)	(12 369)
Proceeds from disposal of fixed assets	-	616
Net cash used in investing activities	(3 370)	(11 753)
Cash flows from financing activities		
Loan received, repayment of loan provided	-	-
Loan provided, loan repaid	-	-
Net cash provided by financing activities	-	-
Translation difference	(3 882)	(458)
Net Increase/(Decrease) in cash and cash equivalents	(53 198)	52 309
Cash at beginning of year	228 658	176 349
Cash at end of year	175 460	228 658

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1. General Information

Name of the entity

Központ a Mentális Sérültek Jogaiért Alapítvány
Mental Disability Advocacy Center (hereinafter: MDAC, Foundation)

Short History

The Mental Disability Advocacy Center (MDAC) is a Hungarian foundation (registered by the Capital Court in November 2002, registration number 8689). It was established by the Open Society Institute (OSI). OSI was at that time offering grants to grassroots disability organizations, and in so doing identified a need for a regional human rights organization to specifically challenge human rights abuses against people with disabilities. In 2008 and 2007 the Foundation employed on average 10 and 10 employees.

OSI was initially the sole donors of MDAC. In 2008 MDAC still received funding from OSI, and diversified its funding sources and continues to do so.

Upon its foundation MDAC's main objectives were to promote legal and other forms of advocacy for the human rights of people with intellectual disabilities and mental health disabilities. Its focus was principally upon central and eastern Europe and, the former Soviet Union. The goal was simple: to improve the quality of life for such individuals by advocating public policies that promoted community integration, self-determination and support for them and their families.

In 2004 MDAC gained participatory status with the Council of Europe. In 2006 MDAC refined and broadened its mission and vision. Its specific mission now is to advance the human rights of children and adults with actual or perceived intellectual or psycho-social (mental health) disabilities. Focusing on Europe and central Asia, MDAC uses a combination of law and advocacy to promote equality and social integration. Its vision is for a world that values emotional, mental and learning differences, and where people respect each other's autonomy and dignity.

In 2008 MDAC continued to implement its mission working on the national level with local partner NGOs on various projects in Bulgaria, Croatia, the Czech Republic, Estonia, Hungary and Russia; and on the international level partnering in European research projects and engaging in advocacy activities with the United Nations, the OSCE, and the European Union and the Council of Europe.

The challenges faced by MDAC and those for whom it works are immense. Human rights abuses include discrimination, inequality, inadequate care, treatment and support, deprivation of liberty, isolation and segregation. Through national and international litigation and advocacy, campaigns at national and international levels and through education, steady progress is being made. Details on this progress can be seen by visiting MDAC's website at www.mdac.info.

Founders & Members
MDAC was established by the Open Society Institute (OSI).
The organization does not have any members.

Address
Rákóczi út 27/B, 5th floor, 2
1088 Budapest
Hungary

Company registration number
8689, registered by the Capital Court in November 2002

2. Significant accounting policies

a) Basis of Accounting and presentation

The Foundation maintains its books and records in accordance with the Hungarian statutory regulations governing foundations, government Decree 224/200 and Act C/2000 on Accounting. Certain adjustments to the statutory records have been recorded in order to present the financial statements in conformity with standards established by the International Accounting Standards Board.

These financial statements were approved by the MDAC's Board of Trustees on ..... May 2008. The financial statements of MDAC for the year ended December 31 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS). MDAC's accounts are produced according to Hungarian legal requirements. The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates.
Introduction of new disclosures: the new IFRS Standards and IAS Standards were introduced on 1 January 2007 and both affect accounting policy:

- IFRS 7 "Financial Instruments: Disclosures",
- IAS 1 "Presentation of Financial Statements – Capital Disclosures".

These provisions introduce new rules on disclosures relating to financial instruments and management of capital. They did not have any impact on the classification and valuation of MDAC's financial instruments or the disclosures relating to payables.

b) Functional and presentation currency

MDAC is maintains its underlying accounting records in Hungarian Forint (hereinafter: HUF).
Substantial portion of expenditures are received and made in Hungarian Forints. Accordingly, the HUF is MDAC's functional currency as it reflects the economic substance of the underlying events and circumstances of MDAC. For specific purposes these financial statements are presented in Euro (EUR).

Translation to EURO
The translation of HUF amounts to EUR amounts is prepared as follows:

- Assets, liabilities, income and expenses are translated at the closing rate of the date of the balance sheet (based on the middle rate of the Hungarian National Bank);
- income and expenses are translated using the exchange rates existing on the dates of the transactions. The average rates may be used if the exchange rate does not fluctuate significantly, and;
- all resulting exchange differences are recognised as separate component in equity;
- the translation of non-HUF cash and cash equivalents at the year-end was made on the basis of the ratios of the middle rates for the respective currencies as published by the National Bank of Hungary.

For reference purposes the EUR/HUF exchange rates on the relevant year-end dates and for respective periods were as follows:

At December 31 2007: 253,35
At December 31 2008: 264,78
Average for 2007: 251,31
Average for 2008: 251,25.

c) Tangible and intangible assets

Tangible and intangible assets are stated at their cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Intangible assets (computer software)	3 years
Computer equipment	3 years
Office furniture and other equipment	3-7 years
Assets received as contribution	3-7 years

Small value assets having a cost of less than 100,000 HUF are fully depreciated when capitalised.

d) Foreign currencies

Foreign currency income and expenditure are accounted using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of activities. Non-monetary items that are carried at historical cost and denominated in a foreign currency are reported using the historical exchange rate at the date of the transaction.

e) Cash and cash equivalents

Cash equivalents consist of money market accounts, demand notes, savings accounts and certificates of deposit purchased with maturity of three months or less at the date of acquisition. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and bank balances.

f) Contributions and other Grants

Contributions, including unconditional promises to give (pledges) are reported as revenues in the period received or pledged.
Conditional promises to give are not recognised until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. MDAC reports contributions of tangible and intangible assets as increases in unrestricted net assets unless the donor places restrictions on their use.
Annual contributions and grants for the current year which have not been paid by year-end are only recognized when they are received. Payments received in advance relating to the following year budget are deferred to the following year. Annual contributions and grants for the current year which have not been paid by the year-end are only recognised when they are received.
Interest income is recognized on an effective yield basis.

g) Funding policy and the recognition of contribution income

MDAC's main donor is the Open Society Institute (OSI). In both, 2008 and 2007, the OSI core budget has been provided as a support conditional on MDAC incurring expenditures or legally binding commitments chargeable under the 2008 and 2007 core budgets respectively.

h) Expense recognition

Expenses are recognized when incurred. This includes recording all unconditional promises as of 31 December even if a grant has not yet been paid. Expenses that have not yet been invoiced, but which relate to the accounting period, are accrued.
Consequently, grant payables supported by counter-signed grant agreements as of 31 December are recognized as expenses.

i) Receivables

Receivables are stated at gross amounts outstanding less an allowance for losses. Allowance for losses is created when there is objective evidence of impairment.

j) Donated assets

Donated assets are recorded at cost of receipt. Respective income is recognized in the statement of revenues and expenses.

k) Accruals

As applied to accounting, accrual describes the concept (known as accrual accounting) where a revenue or expense is not recorded (recognized) at the same moment in time as the related cash inflow / outflow. MDAC uses the term accrual to note accrued revenue on grants and donations received during the accounting year for expenses in the upcoming accounting year.

l) Taxation

MDAC is a non-profit organization and exempt from corporate income taxation and VAT on grants received and other non-for-profit activities.

3. Financial risk management

a) Foreign exchange risk

MDAC is exposed to foreign exchange risks mainly because most of its revenues are generated in EUR, GBP and sometimes USD, whereas its operating expenses are essentially Hungarian forints (HUF) based. In 2008 the Hungarian forints had weakened against EUR and GBP, mainly as a result of foreign exchange loss on translation of HUF denominated cash and cash equivalents.

b) Interest rate risk

MDAC is exposed to interest rate risks through the impact of rate changes on interest-bearing assets. As at 31 December 2008, MDAC's only interest bearing assets were cash. To avoid capital loss only term deposit investments were made.

4. CASH AND CASH EQUIVALENTS

			Amounts converted to EUR	
	2008	2007	2008	2007
Cash Box				
HUF	80 765 Ft	144 319 Ft	€ 305	€ 570
EUR	€ 777	€ 418	€ 777	€ 418
USD		$364		€ 248
Subtotal			€ 1 082	€ 1 236
Bank accounts (on sight)				
HUF	698 294,15 Ft	716 450 Ft	€ 2 637	€ 2 828
EUR	€ 5 272,82	€ 18 756	€ 5 273	€ 18 756
GBP	£8 646,70	£5 887	€ 8 894	€ 8 012
Subtotal			€ 16 804	€ 29 596
Bank accounts (deposit)				
HUF	1 5000 000 Ft	10 000 000 Ft	€ 5 665	€ 39 471
EUR	€ 85 000	€ 80 769	€ 85 048	€ 80 778
GBP	£65 000	£57 000	€ 66 861	€ 77 577
Subtotal			€ 157 574	€ 197 826
TOTAL:			€ 175 460	€ 228 658

5. ACCOUNTS RECEIVABLE

	2008	2007
Accounts receivable (EUR)		
deposit for the office rented	€ 1 511	€ 1 579
miscellaneous receivables	€ 3 915	€ 7 414
TOTAL:	€ 5 426	€ 8 992

6. GRANTS RECEIVABLES AND PREPAYMENTS

	2008	2007
accrued and deferred assets of revenues		
accrued income related to TACIS Project	14 640	42 792
accrued income related to Cards Project	37 852	-
accrued income related to ITHACA Project	6 716	-
accrued expenses / incomes		
accrued bank interest	396	320
accrued expenses (insurance fee)	2 171	1 308
TOTAL:	61 775	44 420

7. FIXED AND INTANGIBLE ASSETS

	Intangible assets	Computer equipment	Office furniture	Assets received as contribution	Capital improvements to rented property	Small value assets	TOTAL
Gross value EUR							
At 31 December 2007	14 442	42 982	8 855	2 939	1 042	3 813	74 074
Additions	3 873						3 873
Disposals							
Translations difference	(624)	(1 855)	(382)	(127)	(45)		(3033)
At 31 December 2008	17 691	41 127	8 473	2 812	997	3 813	74 914
Depreciation EUR							
At 31 December 2007	(8 822)	(28 727)	(3 760)	(2 880)	(232)	(3 813)	(48 234)
Charge for the year	(3 559)	(6 375)	(1 229)	(29)	(199)		(11391)
Disposals							
Translations difference	381	1240	162	124	9		1 916
At 31 December 2008	(12000)	(33 861)	(4 827)	(2 785)	(422)	(3 813)	(57 708)
Net book value							
At 31 December 2008	5 691	7 266	3 647	28	575	0	17 206
At 31 December 2007	5 620	14 255	5 095	59	810	0	25 839

8. TRADE AND OTHER PAYABLES

As of December 31, 2008 and 2007, accounts payable consisted of the following.

	2 008	2 007
Trade accounts payable	30 958	21 020
Donations payable		
Payroll related payables	13 469	13 315
Other		
TOTAL:	44 428	34 335

9. CONTRIBUTIONS TO PRIVATE PERSONS AND ENTITIES AS PAYMENT FOR WORK IN PARTNERSHIP

	2008	2007
Hungarian Mental Health Interest Forum, Hungary (project NGO partner)	423,05	-
Citizens Watch, Russia (project NGO partner)	6 211	65 746
Croatian Law Center, Croatia (project NGO partner)	-	25 270
University of Zagreb, Croatia (project NGO partner)	7 537	11 420
Svitanje, Croatia (project NGO partner)	28 056	18 423
Private persons	72	257
TOTAL:	42 299	121 114

10. ANNUAL CONTRIBUTIONS, OTHER GRANTS

	Balance at 31 December 2007	Grants in 2008	Deferred revenues 2008
Open Society Institue	397 951	416 607	33 007
Doughty Street Chambers 2006 Grant	876		
Sigrid Rausing Trust 2006 Grant	70 884		
Sigrid Rausing Trust - Guardianship project Grant	23 840	65 450	
Sigrid Rausing Trust - Advancement Grant	21 225	47 628	8 427
Sigrid Rausing Trust - Year 1 of unrestricted grant		71 224	33 315
EU TACIS (Total grant awarded: 199,809 Euro)	91 876	49 468	
EU JLS (for a project in Czech Republic, Hungary and Estonia. Total grant awarded: 136,618 Euro)	38 517	0	
EU CARDS (for Croatia project. Total grant awarded: 217,000 Euros)	80 595	40 884	
OMTC (for a case in Russia)		9 147	2 107
EU Public Health Agency (via King's College London, for the ASPEN project. Total grant awarded: 81 912 Euro)		24 574	24 916
Ökotárs Foundation – funding from the EEA Grants scheme of the Norwegian Government (Total grant awarded: 62 495 Euro)		31 248	23 388
Trust for Civil Society in Central and Eastern Europe (CEE Trust)	24 463	0	
EU Public Health Agency (via King's College London, for the ITHACA project (Total grant awarded: 51,898 Euro)	8 261	13 987	
1% income after personal income tax (Hungary)		1 813	1 813
Donations by individuals and other donations	14 809	922	
Miscellaneous Grants	1 352	802	
TOTAL:	**774 649**	**773 753**	**126 973**

Balance at 31 December 2008	646 781
Balance at 31 December 2007	774 649

11. ADMINISTRATIVE EXPENSES

In EUR	2008	2007
Cost of materials	3 516	6 737
Rent and insurance	11 368	11 078
Accounting and payroll services	8 253	7 641
Professional and consulting fees	8 142	2 465
Legal counsel	7 704	8 819
Publications and advertising	1 449	4 074
Governance and organizational development	1 132	777
Bank charges	2 999	4 966
TOTAL:	44 562	46 557

12. WAGES AND RELATED COSTS

	2008	2007
Salaries	243 808	250 626
Social charges and other benefits	38 725	49 531
Pension contributions	59 645	53 787
TOTAL Staff Costs:	342 178	353 945

13. PROJECT CONSULTING AND LEGAL FEES

	2008	2007
Consultancy services and legal services provided by our partner organizations (Bulgarian Helsinki committee, Estonian patient advocacy, Czech league of human rights, and the Russian Legal Monitor)	124 322	81 744
Legal and litigation services related to project cases (two Hungarian cases, and by our Hungarian Legal Monitor)	20 759	12 539
TOTAL:	145 081	94 283

14. Pensions and Retirement plans

Employees of MDAC receive pension benefits from the Hungarian State in accordance with the laws and regulations of the country. As of 31 December 2008 and 2007, the MDAC was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

15. Contingent Liabilities

At the end of May 2008, after the closing of the 2007 financial year, the Ministry of Finance of the Republic of Croatia terminated the grant contract between it and MDAC related to the implementation of the Action entitled: " Bridging the Gap: Civil Society promoting Access to Justice for People with Mental Disabilities in Croatia".
MDAC has appealed against this decision and prepared the final financial and narrative report which was submitted to the Ministry of Finance of the Republic of Croatia on 28 November 2008, and at the time these accounts were prepared MDAC had not received a response. The impact of the final decision on MDAC's financial and accounting settlements are related to the 2008 financial year.

Oliver Lewis
Executive Director, MDAC
15 May, 2009