

**Non-Government Organization
Micro Development Fund, Belgrade**

**Audit Report on Financial Statements
For the year ended on December 31, 2008**

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**Non-Government Organization
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Independent Auditor's Report

We have audited the accompanying financial statements of Non-Government Organization Micro Development Fund, Belgrade, comprising of the Balance Sheet as of December 31, 2008 and the Income Statement for the year then ended.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Disclosure Guidelines for Financial Reporting by Microfinance Institutions issued by the Consultative Group to Assist the Poorest (CGAP). 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.

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 instructions contained in a Handbook for External Audits of Microfinance Institutions issued by the Consultative Group to Assist the Poorest (CGAP). 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 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 controls. 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 audit opinion.

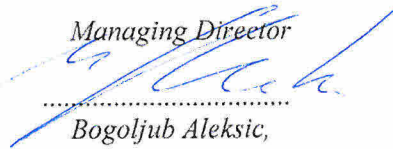
Opinion

*In our opinion, the financial statements give **true** and **fair** view of the state of Non-Government Organization Micro Development Fund's affairs as of December 31, 2008 and of its results for the year then ended in accordance with Disclosure Guidelines for Financial Reporting by Microfinance Institutions issued by the Consultative Group to Assist the Poorest (CGAP).*

Belgrade, March 3, 2009



Managing Director


Bogoljub Aleksic,
Certified Auditor



Micro Development Fund			0,71
Exchange Rate CSD:EUR (31.12.2008)			0,7099
78,3881			85,5000
BALANCE SHEET 31.12.2008	EUR	EUR	USD
	31.12.2007	31.12.2008	31.12.2008
ASSETS			
Current Assets:			
Cash in hand	0	22	31
Bank account for MDF business activities	8.367	1.085	1.528
Bank account for disbursement and repayment of loans	24.578	23.320	32.849
Other bank accounts relating to loan activities	1.094	10	14
Transfer bank account (held with Komercijalna bank)	6.322	5.787	8.152
Bank account relating to the Vocation Training activities	365	26.438	37.241
Other bank accounts	1	167	235
Bank Current Account (UNHabitat)	22.164	918	1.293
Bank account for disbursement of deposits		2.282	3.214
Bank account for repayment of deposits		364	513
Total cash & bank current accounts	62.891	60.393	85.070
Receivable from MFC for SPM programme	3.734	0	0
Short term guarantee deposits	0	296.501	417.652
Loans Outstanding			
Current (UR)	1.187.559	417.593	588.222
Current (DR)	870.152	293.818	413.872
Current (IR)	280.786	89.912	126.650
Current (TT)	73.179	27.183	38.290
Current (URH)	15.963	16.787	23.646
Current (UN) (HL)	213.762	191.401	269.608
Gross Loans Outstanding	2.641.401	1.036.694	1.460.289
(Allowance for Loan Loss - UR)	-11.876	-11.094	-15.627
(Allowance for Loan Loss - DR)	-8.702	-7.476	-10.531
(Allowance for Loan Loss - IR)	-2.808	-2.900	-4.085
(Allowance for Loan Loss - TT)	-732	-797	-1.123
(Allowance for Loan Loss - URH)	-160	-168	-237
(Allowance for Loan Loss - UN)	-2.138	-1.914	-2.696
Net Loans Outstanding	2.614.985	1.012.345	1.426.991
Total Current Assets	2.681.610	1.369.239	1.928.712
Long-term Assets			
Long term guarantee deposits	0	1.647.698	2.320.950
Fixed Assets			
Cost	31.755	35.365	49.815
(Accumulated Depreciation)	-9.894	-15.458	-21.774
Net Fixed Assets	21.861	19.907	28.041
Total Long-term Assets	21.861	1.667.605	2.348.991
TOTAL ASSETS	2.703.471	3.036.844	4.277.703
LIABILITIES			
Current Liabilities:			
Short-term borrowing	0	0	0
Borrowed loan capital	0	0	0
Borrowed capital for fixed assets	0	0	0
Client Savings	0	0	0
Other Current Liabilities	0	0	0
Total Current Liabilities	0	0	0
Long-term Debt:			
Deferred Revenue (UN Habitat)	22.164	918	1.293
Deferred Revenue Relating to donated equipment	1.624	1.267	1.785
Deferred Revenue (UNHCR)	365	22	31
Other Long-term Liabilities (UN Habitat)	3.140	6.677	9.405
Other Long-term Liabilities (Tavolo Trentino)	57.000	57.000	80.290
Total Long-term Liabilities	84.293	65.884	92.804
TOTAL LIABILITIES	84.293	65.884	92.804
NET WORTH			
Donated Equity:			
Donations for fixed assets	16.927	16.927	23.843
Cum. Grants for rev. loan fund grant housing (UNHCR)	214.763	428.149	603.091
Cum. Grants for loan fund Capital (UNHCR)	595.776	595.776	839.211
Cum. Grants for loan fund Capital (DANIDA)	651.550	651.550	917.774
Cum. Grants for loan fund Capital (ICRC)	181.150	181.150	255.168
Total Donated Equity	1.660.166	1.873.552	2.639.088
Retained Net Surplus/(Deficit):			
Prior Periods	796.218	959.042	1.350.866
Current Period	162.794	138.396	194.945
TOTAL NET WORTH	2.619.178	2.970.960	4.184.899
TOTAL LIABILITIES + NET WORTH	2.703.471	3.036.844	4.277.703
Prepared by	Audited by		
Approved by			

