

# **AUDITOR'S REPORT**

**for the Fiscal Year 2011**  
**(Reporting Period 01.01. – 31.12.2011)**

**European AIDS Treatment Group e.V.**

**Copy-Nr. 4 (BOD)**

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## **GENERAL PART**

### **1. Assignment**

The assignment for preparation of the statement 2011 and for auditing the bookkeeping was given by the chairman of the association „European AIDS Treatment Group e.V. (EATG), Mr. Ferenc Bagyinszky. The assignment is based on the "General Terms of Engagement" of the „Wirtschaftsprüferinstitut“ in the version from January, 1st 2002. The amount of our liability is provided by § 323 Abs. 2 HGB. In relation to third parties Nr. 1 Abs. 2 and Nr. 9 of the “General Terms of Engagement” are authoritative.

My order for the preparation of the statement 2011 covers after this all activities which are required to prepare the engaged statement 2011 due to the books presented to me and stock proofs as well as the information sought to the accounting methods to be used under making of the closing entries.

Furthermore I also had to judge the bookkeeping underlying the statement 2011 and the inventory by suitable measures on her order moderation. The bookkeeping is the responsibility of the company's management.

Object of my order was neither the uncovering and clearing up of criminal facts of the matter, order adversities done such as acts of perfidy or embezzlements and offences made outside the accounting, nor the judgement of the effectiveness and efficiency of the organization leadership. I have laid out planning and execution, however, so that those irregularities which are essential for the accounting are uncovered with an adequate safety. The responsibility for the avoidance and the uncovering of irregularities lies with the legal representatives of the organization.

The professional general representation letter was handed over to me without any limitation or supplement and was taken to the records.

### **2. Execution of Assignment**

The finance accounting, led by the organization by means of personal computer with the help of the program "Kanzlei-REWE" of the DATEV e.G., was starting point of the work. For the construction the organization presented the bookkeeping 2011 with pieces of evidence and supplementary documents from which I have derived the annual invoice (according to annex 1).

The preparation of the annual invoice was carried out considering the accounting regulations applying to it including the supplementary principles of order-like bookkeeping.

All information, asked for clearings up and proofs have been furnished by the organization leadership and the employees named for the information willingly. As informers the organization leadership named Mrs Marie McLeod.

Type, size and result of the construction actions carried out by me are held tight in our working papers as far as not documented in this construction report.

The local auditing works have been done in April 2012 by Mr. Hans-Joachim Wuttke and Mr. Carsten Köhring, lawyer.

All effort and revenue accounts got a critical examination, subjected to piece of evidence-like samples connectedly.

The transfers required by the preparations works were included in a list and submitted to the organization for the one booking.

### 3. Lawful Standards

#### – Generals

<b>Association:</b>	European AIDS Treatment Group e.V.
<b>Legal Form:</b>	Registered association
<b>Association Register:</b>	The association is registered in the association register at the official court Düsseldorf under the Nr. 8542. The first entry was August, 9 <sup>th</sup> 1993.
<b>Association Constitution:</b>	The constitution was adopted February, 23 <sup>rd</sup> 1992, changed on June 13 <sup>th</sup> and 14 <sup>th</sup> 1998 and last changed on May 30 <sup>th</sup> 2010.
<b>Office:</b>	Düsseldorf
<b>General Manager:</b>	Mr. Ferenc Bagyinszky, Budapest/Hungary
<b>Tax Office:</b>	Düsseldorf-Mitte Tax-Nr. 133/5906/3920

**Association Bodies:**

Association bodies are according to § 3 of the association constitution the assembly of members and the directors.

**a) Assembly of Members:**

The last ordinary General Assembly took place in Berlin/Germany in September, 09<sup>nd</sup> – 11<sup>th</sup> 2011.

The assembly's protocol was inspected. The association has 102 members.

**b) Board of Directors:**

Referring to § 7 association constitution, the directors are to be association members.

Chairperson:

Ferenc Bagyinszky Budapest/Hungary

Directors:

Stefan Stojanovik, treasurer,  
Skopje/Macedonia

Brian West  
secretary, Edinburgh, United Kingdom

**Internal-Auditor:**

For the position of internal auditors in 2011 were elected at the general assembly 09<sup>th</sup> – 11<sup>th</sup> September 2011:

Christiaan Cziria, Budapest, Hungary  
Kimmo Karsikas, Helsinki, Finland

The internal audit took place in Dezember 2011. A further conclusive audit took place in April 2012. The report on the findings of the internal audit was given to the external auditors before completion of this report.

#### 4. Economical Basics

The purpose of the association is the support of the medical sector by informing and consulting on AIDS and the resulting problems and questions. This non-profit association is only carrying out charity work. There is confirmation given to the association by the tax office Düsseldorf-Mitte, dated February 13<sup>th</sup> 2009, to be free of corporate tax and trade tax and to take donations for charity work and to certify it to the donors.

#### 5. Bookkeeping and Records System

The bookkeeping system is the „Kanzlei-Rechnungswesen“ and the „Kostenrechnungsprogramm“ by the DATEV e.G. The records system was controlled by samples for their formal and material regularity. Bookkeeping and records system are in the right business form.

#### 6. Explanations to positions of the inventory of property and the account for 2011

The schemes are sufficiently jointed so that further-reaching explanations can be renounced. Only the positions with whom it is combinations of different positions or an explanation is required are explained in the following.

The **member stock** of the organization has raised from 96 to 102. The contribution takings have raised to €2,725.00.

The **demands** are expelled to nominal values concerning membership subscriptions as well as advances on travelling expenses, salary payments and designed costs on projects.

The **credits for credit institutions** proved by bank statements are judged to the nominal value.

Costs for event rooms as well as travelling expenses invoices from the year 2011 are essentially the **liabilities** of the organization in the amount of €200,245.50. Furthermore there are tied donations as received deposit in the amount of €48,871.74 expelled here. Running time of the projects is up to 5 years.

The capital contribution amounts to €307,692.57. The surplus of the cash receipts over the expenses of about €28,603.75 will be integrated into the reserves before use.

The sum of all donations received in 2011 amounted to € 1,070.330.49.

The surplus of 2011 is fully integrated into the reserve. A proposal of the Board will be presented to the general assembly.

The **accounting** is made by the organization itself since the year 2006. The costs being allotted to it of one's own are contained in the areas of personnel expenditures and office costs.

## 7. Result of Audit

Referring to the preparation works I am of the conviction that the statement 2011 includes all cash receipts and expenditures.

Therefore I have certified the account 2011 of the association with the following statement:

**"The account (cash based accounting) for 2011 was set up  
by obeying to the law and the statute referring to the  
principles of accounting."**

Düsseldorf, May, 15<sup>th</sup> 2012

**KLAUS MALENKE**  
WIRTSCHAFTSPRÜFER



**Account**  
**for the Fiscal Year 2011**

	<b>2011</b>	<b>2010</b>
<b>Income</b>		
1. Donations	€ 1.070.330,49	€ 1.123.366,60
2. Membership fees	€ 2.725,00	€ 2.675,00
3. Interest	€ 2.173,68	€ 824,08
4. Recoverable costs	€ 18.043,89	€ 5.477,74
5. Other income	€ 1.029,33	€ 56,31
	<u>€ 1.094.302,39</u>	<u>€ 1.132.399,73</u>
<b>Expenses</b>		
1. Depreciation and amortization of tangible and intangible assets	€ 6.572,89	€ 6.459,26
2. Outside services	€ 78.635,00	€ 47.307,60
3. Rent and associated costs	€ 51.842,21	€ 51.657,29
4. Personnel expenses	€ 326.783,85	€ 302.595,03
5. Event expenses	€ 19.682,79	€ 19.189,91
6. Insurances	€ 4.807,35	€ 5.271,74
7. Postage / courier service	€ 1.113,36	€ 1.562,40
8. Telephone / Internet	€ 29.170,33	€ 31.000,97
9. Legal and professional fees	€ 67.595,82	€ 70.036,01
10. Product leasing	€ 3.698,93	€ 2.839,13
11. Audit fee	€ 8.925,00	€ 8.925,00
12. Additional costs for money transactions	€ 1.538,07	€ 1.887,08
13. Office expenses	€ 11.418,64	€ 13.587,40
14. Travelling expenses	€ 417.744,26	€ 368.747,81
15. Contributions	€ 13.267,46	€ 18.093,27
16. Maintenance and service of equipment	€ 16.529,81	€ 10.971,26
17. Other expenses	€ 5.638,07	€ 8.257,28
18. Tax on investment income	€ 328,51	€ 123,74
19. Difference in the exchange rates	€ 0,00	€ 1,68
20. Retirement of fixed assets	€ 1,50	€ 953,50
21. default on receivables	€ 404,79	€ 175,00
	<u>€ 1.065.698,64</u>	<u>€ 969.642,36</u>
<b>Surplus of the cash receipts over the expenses</b>	<b>+ € 28.603,75</b>	<b>+ € 162.757,37</b>

**Transition Statement 2011**  
**from the profit and loss statement to the receipts and expenditures statement**  
**referring § 4 (3) EStG**

	€	€
profit by account for the fiscal year 2011		+ 28.603,75
– receivable debts correction 2010		+ 111.942,08
		+ 140.545,83
– receivable debts correction 2011		
- by trade accounts	– 667,72	
- by advance payments and other receivables	– 5.390,20	
- by other income	– 71.701,70	- 77.759,62
		+ 62.786,21
+ liabilities correction 2010		- 118.895,82
– liabilities correction 2011		
- by payable trade accounts	+ 57.839,50	
- by member expenses	+ 6.073,86	
- by other liabilities	+ 13.494,22	
- by received advance payment	+ 122.837,92	+ 200.245,50
surplus after transition		+ 144.135,89

**State and Utilisation of Funds 2011**

	<u>€</u>	<u>€</u>
<b>State January, 1<sup>st</sup> 2011</b>		<b>275.844,56</b>
+ Cash Receipts	+ 1.094.302,39	
– Expenses	– <u>1.065.698,64</u>	+ 28.603,75
+ depreciation		+ 6.572,89
– retirement of asset additions		- 9.042,49
+ retirement of asset disposals		+ 1,50
+ debts as per January 1 <sup>st</sup>	+ 111.942,08	
– debts as per December 31 <sup>st</sup>	– <u>77.759,62</u>	+ 34.182,46
– liabilities as per January 1 <sup>st</sup>	– 118.895,82	
+ liabilities as per December 31 <sup>st</sup>	+ <u>200.245,50</u>	+ 81.349,68
<b>Utilisation of Funds December, 31<sup>st</sup> 2011</b>		<b><u>417.512,35</u></b>
Balance other deposit		
ING Bank deposit		+ 414.778,61
APO Bank e.G. deposit		+ 1.913,12
petty cash		+ <u>820,62</u>
		<b><u>417.512,35</u></b>

**Inventory of Property 2011**

	<b>End of year 31.12.2011</b>	<b>End of year 31.12.2010</b>
	€	€
<b>A. Property</b>		
1. Intangible assets	1,00	201,00
2. Fixed assets	12.665,10	9.997,00
3. Demand of trade debtors	667,72	505,00
4. Claim against members	0,00	1.048,61
5. Security deposit for office rooms	5.390,20	5.323,92
6. Liquidity	417.512,35	275.844,56
7. other claim	71.701,70	105.064,55
<b>December 31<sup>st</sup> 2011</b>	<b>507.938,07</b>	<b>397.984,64</b>
<b>B. Liabilities</b>		
1. Amounts due to suppliers	57.839,50	32.613,64
2. Liabilities of expense accounts	6.073,86	12.243,01
3. Other liabilities	13.494,22	2.103,82
4. Prepaid membership fees	0,00	25,00
5. Prepaid donations	122.837,92	71.910,35
<b>December 31<sup>st</sup> 2011</b>	<b>200.245,50</b>	<b>118.895,82</b>
<b>C. One's own funds (A – B)</b>	<b>309.403,98</b>	<b>279.088,82</b>
1. association's assets	18.766,10	18.766,10
2. Reserves before use	260.322,72	97.565,35
3. profit	28.603,75	162.757,37
	<b>307.692,57</b>	<b>397.984,64</b>
<b>Development of Reserves</b>		
deficit / profit	+ 28.603,75	+ 162.757,37
Initial reserves	260.322,72	+ 97.565,35
Remaining reserves	+ 288.926,47	+ 260.322,72

**Budget 2012**

The net profit for the year 2011 should be fully integrated into the reserve. Ensuing the budget 2012 created and submitted by the Association is presented.

<b>Income</b>	<b>€</b>
- core funding (estimated)	1.000.000,00
<b>Total:</b>	<b>1.000.000,00</b>
	<b>€</b>
<b>Expenses and Administration</b>	
- Governance and Stakeholders Meeting	21.435,00
- Personnel costs	237.226,00
- Board of Directors	64.305,00
- Development and Membership Advisory Group (DMAG)	8.574,00
- legal advice	4.287,00
- Internal auditors	5.716,00
- External auditors	17.148,00
- Ombudsperson	1.429,00
- General Assembly	92.885,00
- Fundraising	21.435,00
<i>Subtotal</i>	474.440,00
<b>Communication:</b>	
- Overall budget communications	26.530,00
<i>Subtotal</i>	26.530,00
<b>Scientific Research and Capacity Building</b>	
- Training, Training, conferences and Support	36.440,00
- Technical Publications (COPE)	16.548,00
- ECAB	214.485,00
- CHAARM	12.048,00
- EUPATI Projekt	96.053,00
<i>Subtotal</i>	375.574,00
<b>Policy and Advice:</b>	
- HIV in Europe	25.088,00
- Policy and external representation	64.346,00
<i>Subtotal</i>	89.434,00
<b>Total:</b>	<b>965.978,00</b>
<b>Income Surplus 2012 (provisionally)</b>	<b>34.022,00</b>

**Volunteer time Recap 2011**

Referring to the annual general meeting of the year 2011 we subsequently describe the voluntary service in EATG. The service was generated by the three members of the Board of directors, the internal auditors and 24 different members of the Association.

The volunteer hours executed were listed in timesheets.

The hours which were fulfilled had been listed in a time table.

Clue of the hourly rate was to compare it with the price, external employees would have been paid for the activities.

The hourly rate we calculated is based on the salaries of the full time employees of the association and their specific qualifications.

We have to remark, that not all the members of EATG took part in this action.

The price of this voluntary work has to be regarded as a illustrative figure as, and this is the idea of voluntary service, it has no market price, no official wage.

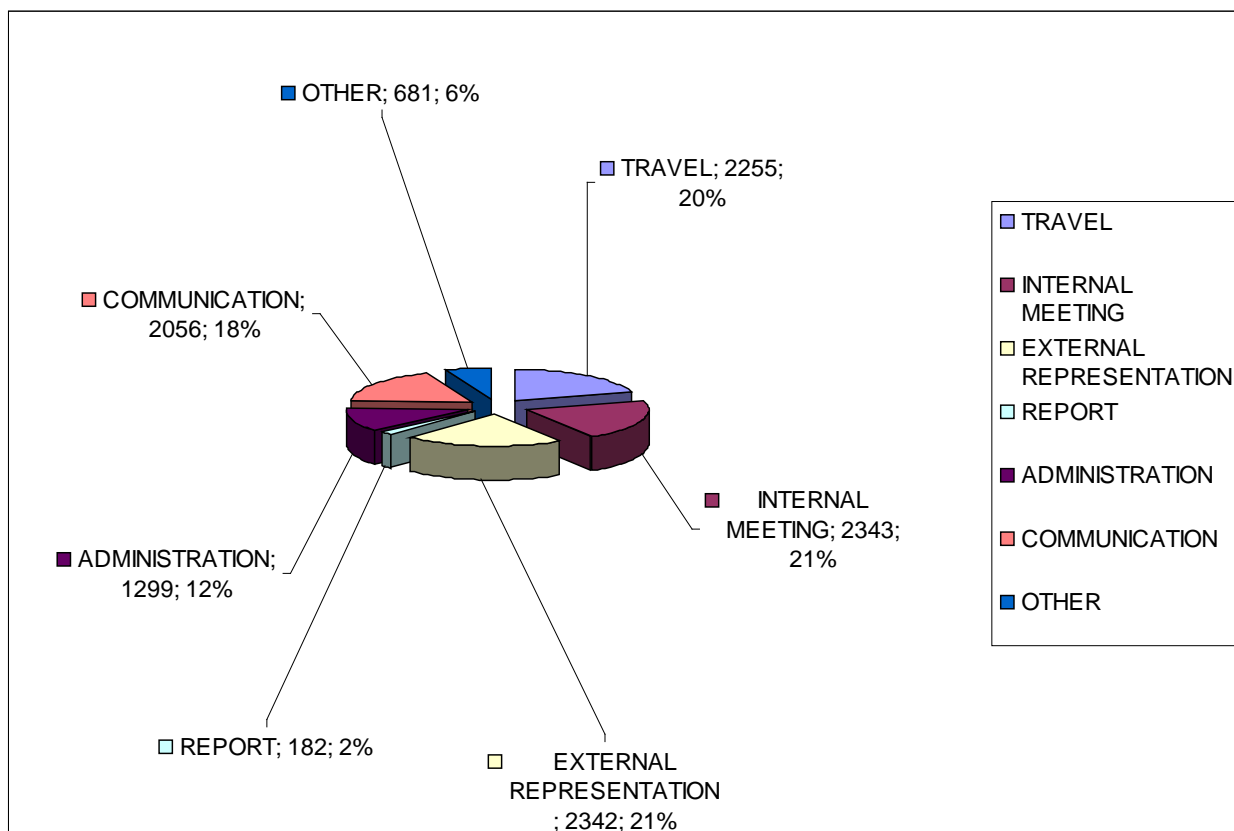
In order to get an idea of the real value of the performance, we have to compare the price of achievement with the real costs, which were paid for the meetings, the travel, communication etc.. They are part of the expenses presented in our "Account for the fiscal year 2011" – Annex 1. And there is still a point which is important, but not specifiable in figures: Presentations and Meetings are sometimes sponsored by companies, so that these costs neither appear in the accounts nor in the price of achievement.

In the chart there is the calculation of the price of performance as the product of the voluntary hours and the costs according to the activity.

For the 29 volunteers that registered their time spent volunteering for the EATG, the average hours spent in one year per person came to 396 h/p.a. medial, with a monetary value of € 13.859,00, where as the lowest was 4 h/p.a., and the highest 495 h/p.a..

The summary chart was created by EATG.

Kind of activity	hours listed	price of one hour	value of performance
Travel	2.255	37,51 €/h	84.593,00 €
Internal Meeting	2.343	37,51 €/h	87.871,00 €
External Representation	2.343	37,51 €/h	87.834,00 €
Report	182	37,51 €/h	6.836,00 €
Administration	1.299	22,78 €/h	29.586,00 €
Communication	2.056	37,51 €/h	77.126,00 €
Other	681	22,78 €/h	15.516,00 €
	<u>11.158</u>		<u>389.363,00 €</u>



If we calculate the volunteer time with the price per hour (see previous page) and integrate this in our „accounts for the fiscal year 2011; and adding the common costs, of depreciation, personnel, expenditure of material and claiming of services - which amounted to € 1.065.698,64; then the notional value of the voluntary work is approximately € 389.363,00, which currently comes to 26,7 % of the total expenses.

The result then for the EATG would be a loss; since the surplus of the expenses are higher than the cash receipts.

Having said that – for accountancy reasons one should regard the volunteer time as a donation. Then the notional value of the voluntary work compensates for the notional gains resulting in zero.

The idea of voluntary service is that it is done without any expectation of payment.