

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2011

A. GENERAL INFORMATION

Union of the Baltic Cities was established in 1991. Registration of the Union at the Province Court of Gdansk, XII Economic Department, National Court Register, Register of Associations and other Social and Professional Organisations under No. KRS: 0000005342. The Union's taxation identity number NIP is 583-10-66-139 and REGON is 190048545.

Over 100 cities from 10 Baltic Sea countries were associated in the Union of the Baltic Cities in 2011.

The objective of the Union of the Baltic Cities is to develop co-operation and exchange of information between members of the Union. The Union does not conduct business activity and is supported from members' dues. Income of the Union is tax-free.

The audit was performed by a chartered auditor - Jadwiga Zemlo, No. 4615 of the register kept by National Board of Chartered Auditors in Warsaw, on the strength of contract No. 1/2011 of 5 April 2011, concluded between Usługi Księgowe - Bilans, of Gdansk, and the Union of the Baltic Cities.

B. BOOKS

The books are kept by Stowarzyszenie Ekspertów Księgowych i Podatkowych Spółka z o.o. [Association of Chartered Auditors and Tax Experts, Co. Ltd.], of Gdansk, ul. Aldony 17.

The chart of accounts was developed basing on the standard chart of accounts for social and professional organisations, associations and endowments, issued by the Association of Accountants of Poland.

The above said chart of accounts ensures the accounts being kept in compliance with the provisions of the Accounting Act of 29 September 1994 (Journal of Laws, No. 152, item

1323 from 2009). The rules contained in the chart of accounts are consistently adhered to.

The books are kept by means of a computer, using Symfonia – Finanse i Rachunkowosc 5,00 software. The records kept make it possible to obtain necessary data on incomes and costs and comply with the requirements set up in the Accounting Act. A statement of movement and balances on synthetic and analytical accounts being a basis for the drawing up of balance sheet and profit and loss account was made as on 31 December 2011.

Accounting documents are complete and adequate, checked from accounting and material point of view. The documents are stored correctly.

The closing balance sheet of the year 2010 was entered in the books as the opening balance sheet as on 1 January 2011. Denomination was carried out properly.

The loss for the year 2010, amounting to PLN 4 129,23 was booked to decrease the statutory fund.

C. FINANCIAL STATEMENT

Financial statement of the Union of the Baltic Cities includes:

- balance sheet as on 31 December 2011, on the assets and liabilities side showing the amount of PLN 564 126,47
- profit and loss account for the period covering the time from 1 January to 31 December 2011, showing the loss amounting to PLN 166 055,76 PLN.
- additional information

The financial statement was prepared in accordance with provisions of the ordinance of the Minister of Finance of 15 November 2001, on detailed rules for the accounting of entities not conducting business activity (Journal of Laws No. 137, item 1539 of the year 2002 and No. 11, item 117 of the year 2003).

The audited year concerns the following 12 months of the year 2011 and the previous year concerns the following 12 months of the year 2010, and 12 following months of 2009.

Summary balance sheet for the period 2011-2009 (in thousands PLN)

Specification	State at the end of the year						Changes 2011/2010
	2011		2010		2009		
	Amount	%	Amount	%	Amount	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	0	0,00%	0	0,00%	0	0,00%	0,00%
B. Current assets	555	98,40%	703	94,87%	765	100,00%	78,95%
C. Short-term prepayments	9	1,6%	38	5,13%	0	0,00%	23,68%
Total	564	100,00%	741	100,00%	765	100,00%	76,11%
<u>LIABILITIES</u>							
A. Statutory funds	551	97,70%	717	96,76%	721	94,25%	76,85%
B. Accounts payable	13	2,30%	24	3,24%	44	5,75%	54,17%
Total	564	100,00%	741	100,00%	765	100,00%	76,11%

Summary profit and loss sheet for the period 2011-2009 (in thousands PLN)

Specification	Period (years)			Changes 2011/2010 %
	2011	2010	2009	
1	2	3	4	5
Income from statutory activities, dues	892	870	1 156	102,53%
Costs of execution of statutory tasks	959	562	1 054	170,64%
Profit/ loss from statutory activities	-67	308	102	-21,75%
Management costs	293	290	318	101,03%
Other income	56	6	2	933,33%
Other costs	0	0	0	0,00%
Income from financial operations	138	7	24	1971,43%
Costs of financial operations	0	35	38	0,00%
Gross profit/ loss	-166	-4	-228	4150,00%

Total income	1 086	883	1 182	122,99%
Total costs	1 252	887	1 410	141,15%

D. ASSESMENT OF THE CORRECTNESS OF THE BOOKS**1. Fixed Assets** include computer sets ;

• original value	7 131,14 zł
• depreciation	7 131,14 zł
• net value	0,00 zł

Balance correct;

2. Current assets comprise:

• short-term dues	0,00 zł
• short-term investments	555 069,59 zł
• Total	555 069,59 zł

The amount of cash follows from cash report 12/11 of 31.12.2011 and banking statement as of 31.12.2011, confirmed by the Bank. The bookings were made correctly.

3. Short-term prepayments	9 056,88 zł
Concern costs of 2012	

4. Funds comprise:

• statutory fund	717 319,57 zł
• cost surplus	-166 055,76 zł
• Total	551 263,81 zł

The statutory fund was created properly from income surplus to the costs for the period of operation.

5. Short-term Liabilities:

• on the score of supplies, work and services	10 577,92 zł
• to the state budget	2 284,74 zł
• Total	12 862,66 zł

The balances are correct, accounted in 2012. Bookings were made correctly.

E. PROFIT AND LOSS ACCOUNT**1. Costs Borne**

• costs of execution of statutory tasks		959 129,22 zł
• management costs		293 468,09 zł
including: - external services	106 855,66 zł	
- consumption of materials and power	2 865,34 zł	
- remunerations	183 747,09 zł	
- other costs	0,00 zł	
• costs of financial operations		0,00 zł
• other costs		0,08 zł
Total costs		1 252 597,39 zł

The costs borne was booked correctly, concern 2011.

2. Income

• income from statutory activities		892 354,89 zł
including: - dues (fees)	892 354,89 zł	
- other statutory income	0,00 zł	
• income from financial operations		137 982,76 zł
• other income		56 203,98 zł
Total income		1 086 541,63 zł

The income received was booked correctly, concern 2011.

3. Loss on operation		-166 055,76 zł
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Annual settlement on CIT-8 form was filed with the Fiscal Office.

F. SUMMARY OF THE AUDIT

Accounting of the Union of the Baltic Cities is kept in accordance with provisions of the Minister of Finance of 18 November 2001 for the rules of accountancy for the non-profit organisations (Journal of Laws No. 137, item 1539 of the year 2001 and No. 11, item 117 of the year 2003). Incomes and costs are correct, the principle of continuity is maintained and the financial result for 2011 is reflected truly and fairly.

The information presented is contained in 6 numbered pages. Each of the pages was marked with the auditor's name put next to the number of the page.

mgr Jadwiga Zemło
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Nr ewidencyjny w KIBR 613

Gdańsk, 25.04.2013