

Annual Report / Summary
Civil Society Development Foundation

2005

Fostering citizens' responsibility for matters of public concern.



1. BACKGROUND INFORMATION AND CONTACTS



Civil Society Development Foundation (NROS)

Registered by the Municipal Court in Prague, Section N, Entry 23

Company Registration Number (IČ): 49279416

Bank Details: 51-2720740217/0100

Registered Office: Jelení 196/15, 118 00 Prague 1

Telephone: (+420) 233 356 173

Fax: (+420) 233 354 708

Web: www.nros.cz

E-mail: nros@nros.cz

PROGRAMS NROS:



The Global Grant

global@nros.cz

Phare / Transition Facility

tf@nros.cz



Make a Connection

pripojse@nros.cz



Klub-net

klub-net@nros.cz



Help the children!

pomoztedetem@nros.cz



The Human Rights Program

lidskaprava@nros.cz



Training Centre at the Čerych Villa

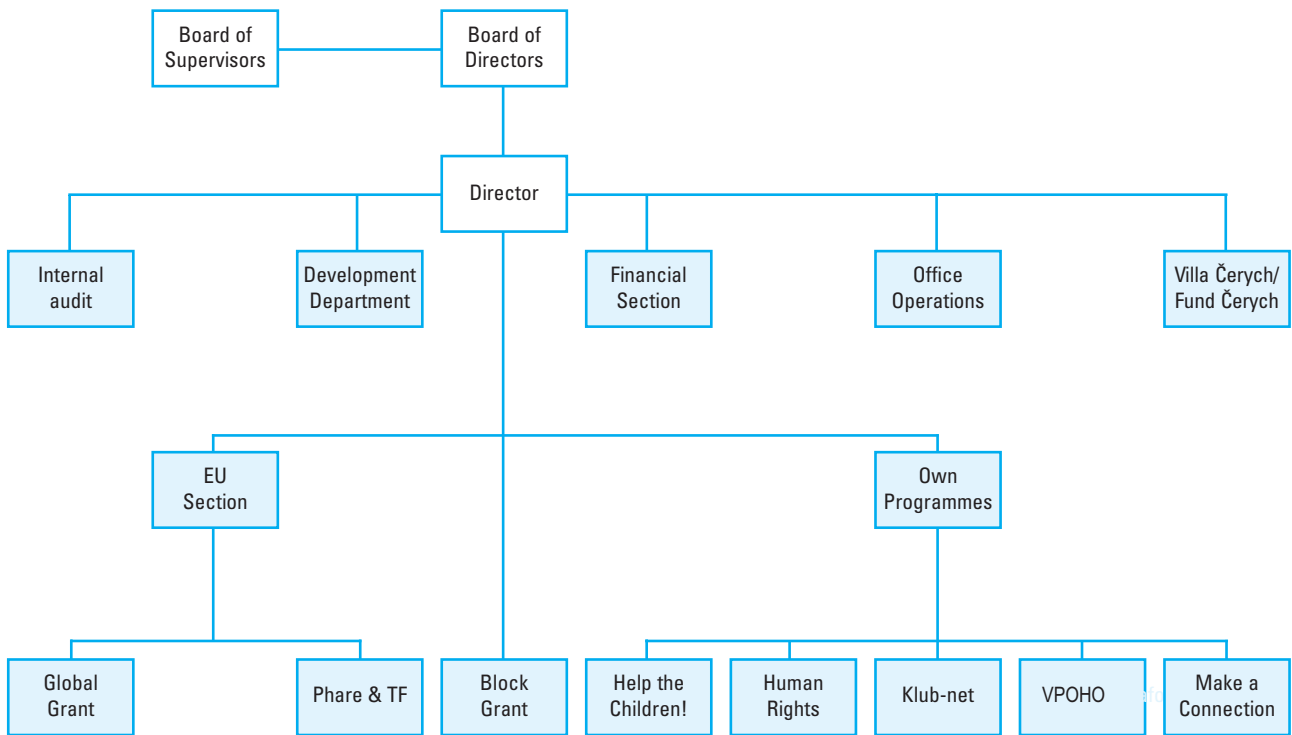
Křenkova 477, 552 03 Česká Skalice

Telefon/fax: (+420) 491 455 116

Web: www.vilacerych.cz

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2. ORGANIZATIONAL STRUCTURE



Hana Šilhánová
Director

3. WORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

The year of 2005 was a breakthrough for the Civil Society Development Foundation (NROS). The Phare program for which NROS had been established in 1993 was terminated. In twelve years NROS has become a large organization bound by a great number of rules and regulations. NROS is a system, a complex organism. The gained know-how made it possible for NROS to win the tender for administration of the Block Grant for non-profit making organizations in the Norway and EEA Financial Mechanisms. NROS was for the first time awarded a large state contract in a public tender.

In addition, the EU programs financed from the European Social Fund are also connected with our membership in the EU. And here again, NROS has been pioneering for potential followers since it has become the only non-governmental entity administering the structural funds.

Our flagship among the foundation programs – *Help the Children!* was also successful in its 7th year. The use of donor SMS proved to be a bumper. Cooperation with the Czech TV (ČT) is of a great benefit to the program and current data from the 8th year show growing confidence and trust of donors in the project. Programs for young people – “Make a Connection” and “Klub-net” have consolidated their position among corporate donors and remain a challenge and example for other successful companies in the Czech Republic to follow.



Pavel Rozsypal
Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read 'Rozsypal'.

Pavel Rozsypal
Chairman of the Board of Directors

4. PROGRAMS

4.1 THE EU PROGRAMS

4.1.1 THE GLOBAL GRANT

Since its accession to the European Union the Czech Republic as the EU member state can use the Structural Funds. There are two grant programs within these funds, supporting non-governmental non-profit organizations (NGOs) active in the social field. The Civil Society Development Foundation (NROS) administers both grant programs, known as Global Grants, in the Czech Republic. The first Global Grant focuses on the region of the capital Prague, the second one is intended for the remaining territory of the Czech Republic. NROS had received 305 project applications within the first call for proposals. The selection committee recommended 131 projects for support 15.9 mil CZK (548,181 €) from the grant focused on Prague and 61.2 mil CZK (2,109,981 €) from the grant for the remaining territory of the Czech Republic were allocated within the first call for proposals. The implementation of first projects supported from the Global Grants started in August.

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4.1.2 THE PHARE / TRANSITION FACILITY

Two large programs that had supported many projects were terminated in 2005. Those programs were PHARE 2002 "Long-term Sustainability of Civil Society Development" and PHARE 2002 "Fight Against Marginalization of Senior Citizens" (including reallocation). The aim of the Long-term Sustainability of Civil Society Development was to provide for a sufficient fund-raising capacity of NGOs. The program had two priorities: fundraising in practice, and training & philanthropy.

The outcomes of projects supported within the Training & Philanthropy priority included mobilization of private, corporate and public philanthropy, improvement in fundraising skills of NGOs and preparation of NGOs for participation in the structural funds. Seminars and workshops in methods and tools of individual and corporate fundraising and an efficient work with the media were financed. These training programs focused on development of fundraising centres, advocacy of corporate philanthropy, information and promotional campaigns of tax assignments. Another series of workshops concerned regional structural policies of the EU and use of structural funds. Eight projects were supported with 498,296 € in total.

The Fundraising in Practice focused on institutional development and supported 48 projects. Its goal was to strengthen long-term financial sustainability of supported organizations via successful implementation of fundraising plans targeted at individual and corporate donors. The grants could reach a maximum of 30 000 € and NROS contracted 1,351,704 € within this priority.

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In total, the Long-term Sustainability of Civil Society program supported 56 projects out of 187 applications and allocated a total of 1,850,000 €.

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The PHARE 2002 "Fight Against Marginalization of Senior Citizens" program was one of the financial resources to improve the attitude of the society towards its senior citizens. 15 projects were supported within the first call for proposals in July 2003 with a total of 875,000 €. At the beginning of 2004, NROS accepted the offer of the Centre for Foreign Assistance to use additional funds from the National PHARE 2002 program. Based on the results of the new call for proposals, 50 projects were supported in July 2004 with a total of 3,457,123 €. Therefore, a total of 4,332,123 € was allocated to 65 projects within the PHARE 2002 "Fight Against Marginalization of Senior Citizens".

All projects are generally implemented in a highly efficient way. No delays or impediments have been registered, not even throughout the tight schedule of the second call of the project CZ0202.02. NROS is both consistent in compliance with the rules and flexible when the rules change. Its communication with final beneficiaries and understanding for the needs of final beneficiaries is exemplary. The NROS staff works at full stretch, and as a result the project management improves all the time. The new monitoring system developed in 2004 has enhanced the feedback between NROS and the beneficiaries. The system is a useful example of best practice and can be rationally shared with other grant administrators.

The Civil Society Development Foundation has been administering grant schemes for many years in a difficult legal environment and under changing rules, but it has developed an excellent administrative background and essential skills. It is evident that NROS has the capacity to implement more complex programs in the future.

External Assessment of NROS as an Implementation Agency

Phare / Transition Facility were subject to an extensive ongoing evaluation of its activities in the second and third quarters of 2005. The assessment was performed by an independent international company *West Midlands Enterprise* for the Centre for Foreign Assistance of the Czech Ministry of Finance and it also involved the allocation of 7,801 mil € from Phare.

Quotation of the Assessment Results:

Efficiency

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Impact

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Transition Facility

NROS was in charge of administration of two programs and redistribution of approximately 3 mil €:

Improving Efficiency of Civil Society Organizations in Consumer Protection

The main goal of the program is to support performance of "the acquis" (a set of the EU's legal regulations) in consumer protection. The total amount to be allocated in two calls for proposals has been fixed at nearly 1.2 mil € (nearly 0.6 mil € per call), the maximum grant limit is 50,000 €. Eight projects were supported based on the results of the 1st call for proposals in August 2005 with a total of 351,733 €. The remaining funds will be distributed in the 2nd call in 2006.

Strengthening the Role of Advocacy and Monitoring Civil Society Organizations

The basic priorities of the program focus on fighting the corruption, on antidiscrimination and on environmental protection. The program has been prepared based on the *Summary Monitoring Report for the Czech Republic*, published by the European Commission in November 2003, and the *Evaluation Report on the Czech Republic* prepared by GRECO (Group of States against Corruption), an institution operating within the Council of Europe. The total sum to be allocated has been fixed at nearly 1.81 mil €, the maximum grant limit is 50,000 €. 24 projects were supported based on the results of the call for proposals in August 2005 with a total of 1,070,353 €. The remaining funds will be distributed in the 2nd call in 2006.

Programs Prepared for 2006

The activities called *Improving Efficiency of Civil Society Organizations* (848,167 €) and *Strengthening the Role of Advocacy and Monitoring Civil Society Organizations* (738,727 €) will continue within the Transition Facility 2004 in 2006. NROS plans a call for proposals of projects within the Transition Facility 2005, aimed at Strengthening the Role of Civil Society Organizations in Implementation of the Antidiscrimination Act and Antidiscrimination *Acqui*. The total amount to be allocated is 786,250 €.

4.2 THE FOUNDATION PROGRAMS

4.2.1 THE HUMAN RIGHTS PROGRAM FROM REVENUES OF THE FOUNDATION INVESTMENT FUND (NIF)

Between 1999 and 2005 NROS raised 81,326,000 CZK (2,803,861 €) through a tender for allocation of financial resources from the Foundation Investment Fund (NIF). The Foundation used the money to increase its foundation financial assets. Annual revenues of the increased foundation assets serve to support projects in the area of human rights protection.

In five years, NROS has distributed 7,480,143 CZK (257,892 €) within the Human Rights Program through 31 projects aimed at human rights protection and support. The following priorities were supported in 2005 – development of associations, umbrella organizations and cooperation between NGOs active in the area of human rights support and protection. In 2005 the 2004 revenues of 1,539,195.47 CZK (53,067 €) were distributed. Associations of citizens, beneficiary associations and religious legal entities engaged in the human rights support and protection could apply for contributions from the Foundation. The maximum grant limit was set to 350,000 CZK (12,061 €). The sum of 1,045,040 CZK (36,030 €) has been earmarked for project support in 2006.

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4.2.2 THE “HELP THE CHILDREN!” CAMPAIGN

Help the Children! is a long-term charity project connected with a nation-wide collection organized together with the Czech TV (ČT) and Civil Society Development Foundation (NROS). The campaign account “Help the Children!” is open all round the year for individual and corporate donations and proceeds from the campaign and beneficial events. The awareness and support of the “Help the Children!” campaign among the public in the country is high. According to repeated surveys by STEM agency, 85 % of population in the Czech Republic know of the collection. In seven years, the project collected and distributed 69,725,389 CZK (2,403,909 €) and assisted more than 90 thousands of children throughout the Czech Republic via 611 projects. In the 7th year, there was 11,884,487 CZK (409,739 €) collected on the “Help the Children!” account and distributed. The money was allocated through 112 grant contributions to direct and efficient help to children and youth under 18 years of age in the Czech Republic who are at risk and disadvantaged.

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Within the program, young people can receive a grant of up to 50,000 CZK (1,724 €) for projects they propose and manage themselves. They work as volunteers in the projects. 122 teams of young people submitted their projects in the 4th year of the program. The evaluation committee selected 79 projects in a two-round selection procedure, and more than 1,809,353 CZK (62,381 €) were granted to these 79 projects.

pripojse@nros.cz

The klub-net program supports construction of school clubs in the three participating countries for young people to spend their leisure time in a meaningful way. Until 2008, the Foundation shall support young people engaged in these clubs not only financially, but also by organizing meetings on national and international levels, providing informal education, and enabling these young people to exchange their experience as well as to plan own projects of secondary-school students within the klub-net.

klub-net@nros.cz

4.2.3 MAKE A CONNECTION

On the global level, the Make a Connection program started in April 2000 as a joint global initiative of the International Youth Foundation (IYF) and Nokia. It is a transnational program and its main mission is to support positive development of young people, offering them an opportunity to build a relationship with their surrounding community, families, friends as well as with their own selves. Within the program, young people can receive a grant of up to 50,000 CZK (1,724 €) for projects they propose and manage themselves. They work as volunteers in the projects. 122 teams of young people submitted their projects in the 4th year of the program. The evaluation committee selected 79 projects in a two-round selection procedure, and more than 1,809,353 CZK (62,381 €) were granted to these 79 projects. The project called "Not Just People Can Help" can be mentioned as an example of supported and very successful projects. Its goal was to introduce dog therapy to the Motol Hospital in Prague. The team of nearly 20 young volunteers with specially trained dogs visited patients on regular basis in order to liven up their hospitalization and make it easier for them. In addition to these regular visits, several entertaining events were organized directly on the premises of the hospital, in particular for patients from the oncology department for children.

4.2.4 KLUB-NET

Thanks to financial support from the Robert Bosch Foundation, NROS has been implementing an international program called klub-net since 2002 in cooperation with the German Children and Youth Foundation and the Polish Children and Youth Foundation. The klub-net program supports construction of school clubs in the three participating countries for young people to spend their leisure time in a meaningful way. Until 2008, the Foundation shall support young people engaged in these clubs not only financially, but also by organizing meetings on national and international levels, providing informal education, and enabling these young people to exchange their experience as well as to plan own projects of secondary-school students within the klub-net. In the 2005 public tender, the evaluation committee selected seven projects from non-profit organizations to build seven new school clubs. At the same time, the committee approved all nine projects submitted by the clubs participating in the program since the school years 2003/04 or 2004/05. These projects were granted a support of 2,956,100 CZK (101,917 €). Plus, an agreement of cooperation and support was signed with four organizations operating school clubs within the network of the klub-net program in the previous four years. In addition to the contribution from the Foundation, each club received a financial contribution to reimburse travelling costs to national and international meetings. Sixteen projects were supported within the international club cooperation, and this total contribution amounted to 638,548 CZK (22,015 €). One of the very successful international projects, the "Aqua Life Free" project organized by young people from three clubs – Storkow in Germany, Klodzsko in Poland and Moravské Budějovice in the Czech Republic, dealt with the importance of water as a fundamental element in the human life. Its participants tried to find out to what extent the nature determines who lives where and how the environment shapes the characters and influences the culture. With a motto "Water Brings Us Together" the participants visited the water elevator in Niederfinow, fish market and water park, and they sailed on boats and surveyed the pollution of rivers in Brandenburg.

4.3 OWN PROGRAMS

4.3.1. THE EUROPEAN GATE – PREPARATION OF CZECH NON-PROFIT ORGANIZATIONS FOR ACCESSION TO THE EU

The main aim of the program is to improve the capability of Czech NGOs to draw financial resources from the EU funds, to connect the Czech NGOs to European networks of NGOs, and to provide a systematic and focused supply of relevant information to the Czech NGOs. The main activities in 2005 included for example the continued operation of the European Gate web portal on www.ngo-eu.cz, second edition of "The Guide to the EU Funds for NGOs". Besides, the Czech NGOs continued to be engaged via the European Economic and Social Committee. The Committee is an official EU institution, serving as a bridge between the Union and the civil society. Opinions and views of the European civil society are conveyed through the Committee to other European institutions. The Civil Society Development Foundation (NROS) provided active support to involvement of Czech NGOs into the activities of the European Economic and Social Committee, from nomination of Czech representatives to regular information-sharing and contacts between the European Economic and Social Committee and Czech NGOs. Formulation of methodology for involvement of the public in preparation of strategic documents to be submitted by the public administration and consulted with the civil society according to the "European" practice is considered one of the main achievements of 2005. The methodology was prepared by the Civil Society Development Foundation together with the Green Circle and the Center for Community Organizing. Representatives of the Office of the Government, dealing with the state administration reform, took interest in the methodology following a presentation for representatives of various ministries. As a result of discussions the methodology shall be included in the proposals of the state administration reform.

The main aim of the program is to improve the capability of Czech NGOs to draw financial resources from the EU funds, to connect the Czech NGOs to European networks of NGOs, and to provide a systematic and focused supply of relevant information to the Czech NGOs.

4.3.2. RESEARCH OF UMBRELLA ORGANIZATIONS IN THE CZECH CIVIL SOCIETY SECTOR

The research project was carried out in 2005 with a financial support of the VIA Foundation from the Trust for Civil Society in Central and Eastern Europe. The Faculty of Humanities of the Charles University participated in its implementation.

The aim of the research was to get information on umbrella organizations in the Czech Republic, providing for further development of these civil society activities. Approximately 50 umbrella organizations were addressed during the research. Their representatives were interviewed, plus there was a survey among their member NGOs and two discussion sessions. Main problems the umbrella organizations encounter have been identified and recommendations for the public administration and civic sector have been formulated to support their activities. The resulting publication was presented at the concluding conference in October 2005 where the research results and recommendations were also discussed.

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4.3.3. THE TRAINING CENTRE AT ČERYCH VILLA

The Čerych Villa is a listed building received by NROS as a donation from the Čerych brothers in May 2001. In accordance with NROS statutes and mission and with the will of the Čerych brothers the Villa serves as an information, training, educational and cultural centre. The project is a reaction of NROS to the growing need of professionalizing the NGO sector, international cooperation within the European Union while supporting the regions, partnership among various sectors and local level of education. A civil association of Česká Skalice Development Centre with its seat directly in the Čerych Villa was the main partner this year. The association coordinates training and education programs for the Region of Hradec Králové, in particular for the representatives of the public administration and NGOs. The programs organized in the Čerych Villa focus on cross-border

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cooperation, regional development, professionalization of the NGO sector and support of the local culture. In addition, training programs of other NGOs and training & educational institutions take place in the Čerych Villa.



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It was formed in 2005 with an initial contribution of 3 mil. CZK (103,430 €) made by Ladislav Čerych. The objectives of the Fund derive from the core mission of NROS and from the main mission of the Čerych Villa project.

4.3.4. THE ČERYCH FUND

The Čerych Fund is an integral part of the Civil Society Development Foundation. It was formed in 2005 with an initial contribution of 3 mil. CZK (103,430 €) made by Ladislav Čerych. The objectives of the Fund derive from the core mission of NROS and from the main mission of the Čerych Villa project. The aim of the Fund is to support development of the civil society and non-profit making sector in the Czech Republic, European cooperation with an emphasis on cooperation of border regions, active participation in local and regional development, and to support activities developing democracy and human rights protection.

5. 2005 FINANCIAL RESULTS

FINANCIAL REPORT

Balance Sheet by December 31, 2005

ASSETS	By January 1, 2005 ('000 CZK)	By December 31, 2005 ('000 CZK)
A. Long-term Assets total	98 514	98 851
I. Long-term intangible assets Total	271	271
4. Low-value long-term intangible assets	271	271
II. Long-term tangible assets Total	19 507	19 482
1. Land	7 812	7 812
2. Pieces of art, objet d'art, art collections		30
3. Buildings	8 758	8 811
4. Individual movables and sets of movables	1 825	1 717
7. Low-value long-term tangible assets	1 112	1 112
III. Long-term financial assets Total	82 270	83 075
3. Bonds and securities before maturity	82 270	83 075
IV. Accumulated depreciation of long-term assets Total	-3 534	-3 977
4. Accumulated depreciation of low-value long-term intangible assets	-271	-271
6. Accumulated depreciation of buildings	-937	-1 237
7. Accumulated depreciation of individual movables and sets of movables	-1 214	-1 357
10. Accumulated depreciation of low-value long-term tangible assets	-1 112	-1 112
B. Short-term assets Total	13 958	28 582
I. Inventories Total	66	66
1. Material on stock	66	66
II. Receivables Total	553	822
1. Trade receivables	10	88
4. Operating advance payments made	230	530
6. Receivables from employees	10	
10. Value added tax	289	204
18. Estimated receivables	14	
III. Short-term financial assets Total	13 257	27 469
1. Cash	91	59
2. Cash equivalents	58	28
3. Bank accounts	13 108	27 377
8. Transactions in progress		5
IV. Other assets Total	82	225
1. Prepaid expenses	82	156
2. Accrued revenue		69
ASSETS TOTAL	112 472	127 433

LIABILITIES AND EQUITY	By January 1, 2005 ('000 CZK)	By December 31, 2005 ('000 CZK)
A. Own sources Total	110 819	113 075
I. Total endowment	110 038	112 010
1. Equity	97 362	97 362
2. Funds	12 676	14 648
II. Profit/Loss	781	1 065
1. Profit and loss account	781	1 065
B. Other resources Total	1 653	14 358
III. Short-term liabilities Total	1 216	13 218
1. Accounts payable to suppliers	97	156
3. Advance payments received	21	
4. Other liabilities	8	30
6. Other payables to employees	550	652
7. Payables to social security and public health care insurance institutions	320	358
8. Income tax	34	127
10. Value added tax	3	
12. Payables to the state budget		11 895
22. Estimated payables	183	
IV. Other liabilities Total	437	1 140
1. Accrued expenses	437	1 140
LIABILITIES AND EQUITY TOTAL	112 472	127 433

PROFIT AND LOSS STATEMENT

by December 31, 2005

A. EXPENSES		By December 31, 2005 (‘000 CZK)
I. Purchases consumed Total		1 249
1. Material consumed		950
2. Energy consumed		299
II. Services Total		6 986
5. Repairs and maintenance		172
6. Travel expenses		252
7. Representation costs		118
8. Other services		6 444
III. Personnel expenses Total		12 917
9. Wages and salaries		9 633
10. Statutory social insurance		3 017
12. Statutory social costs		267
IV. Taxes and fees Total		6
16. Other taxes and fees		6
V. Other expenses Total		507
19. Uncollectable debt expense		4
21. Foreign exchange losses		145
24. Other expenses		358
VI. Depreciations, property sold, reserves and provisions Total		1 406
25. Depreciations of long-term intangible and tangible assets		550
27. Bonds and shares sold		856
VII. Contributions paid Total		97
32. Membership fees paid		97
EXPENSES TOTAL		23 168
B. REVENUES		By December 31, 2005 (‘000 CZK)
I. Sales of own services and merchandise Total		419
1. Sales of own products		110
2. Sales of services		309
IV. Other revenues Total		8 071
15. Interests		195
16. Foreign exchange gains		14
17. Settlement of funds		7 448
18. Other revenues		414
V. Revenues from sale of assets, reserves and provisions Total		3 051
19. Revenues from sale of long-term intangible and tangible assets		35
20. Revenues from sale of bonds and shares		21
24. Revenues from long-term financial assets		2 995
VI. Contributions received Total		469
27. Contributions received (donations)		469
VII. Operating subsidies Total		12 223
29. Operating subsidies		12 223
REVENUES TOTAL		24 233
C. PROFIT/LOSS		1 065

Financial Report - Comments

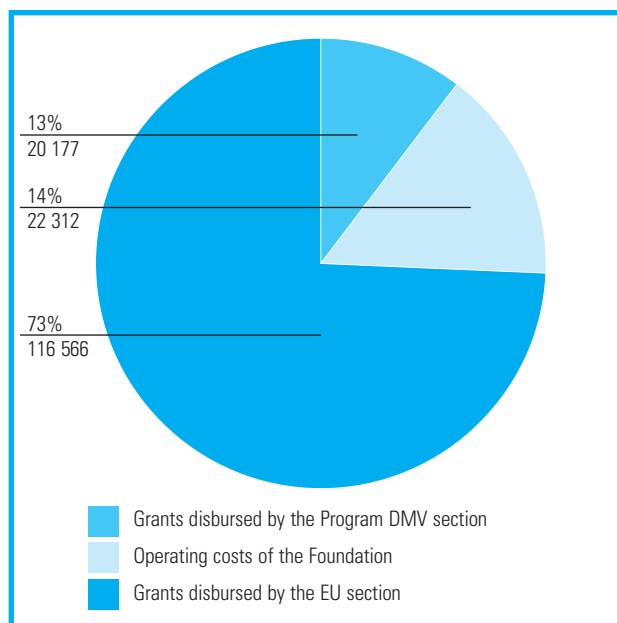
a) The profit of 1,065,000 CZK in 2005 is in accordance with the Act No. 563/1991 Coll., the Accounting Act, Decree No.504/2002 Coll., and the Czech Accounting Standards 401 - 413.

The profit reflects

- The contributions received by own foundation programs;
- Revenues from the foundation equity to be distributed through grants awarded in an open tender in 2006;
- Loss from implementation of the Villa Čerych and „Help the Children!“ programs

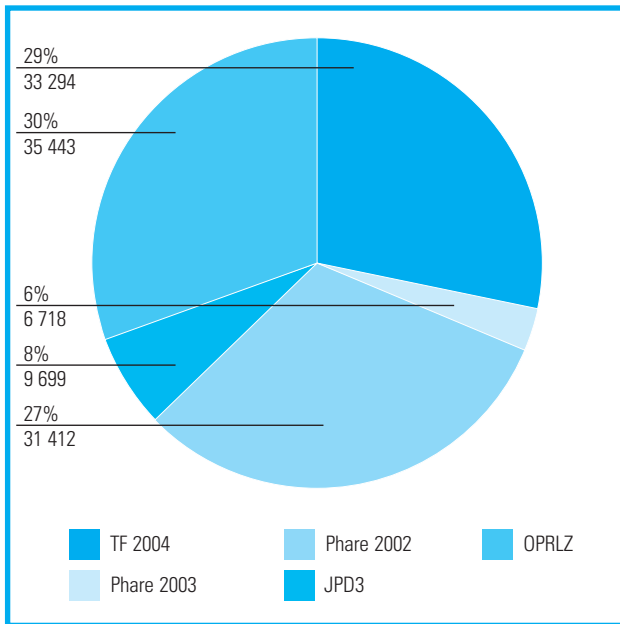
Grants disbursed and operating costs	(‘000 CZK)	(%)
Foundation Contributions/Grants		
TF 2004	33 294	
Phare 2003	6 718	
Phare 2002	31 412	
JPD3	9 699	
OPRLZ	35 443	
Help the Children	11 362	
Make a Connection	3 669	
Klub-net	3 881	
NIF	1 265	
Grants disbursed in total	136 743	
Operating costs of the Foundation	22 312	
	<i>(16,32%)</i>	
Grants disbursed by the EU section	116 566	73%
Grants disbursed by the Program DMV section	20 177	13%
Operating costs of the Foundation	22 312	14%
	<i>(159 055)</i>	

Grants Disbursed and NROS Operating Costs in 2005 (in % and ‘000 CZK)

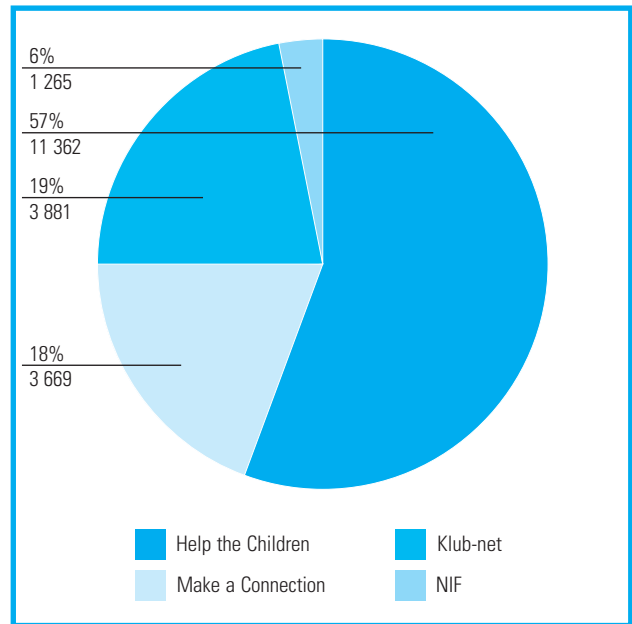


b) The Foundation’s total operating costs for 2005 of 22,312,000 CZK represent 16.3 % of the value of the grants awarded. Thus the Article 6.9 of the Foundation’s Statutes, which limits operating costs to a maximum of 20% of the annual value of grants awarded, was adhered to, and the Foundation complied with s.22(1)(b) of the Foundation Act, regulating the foundation operating costs. The grants disbursed by the Foundation reached 136,743,000 CZK.

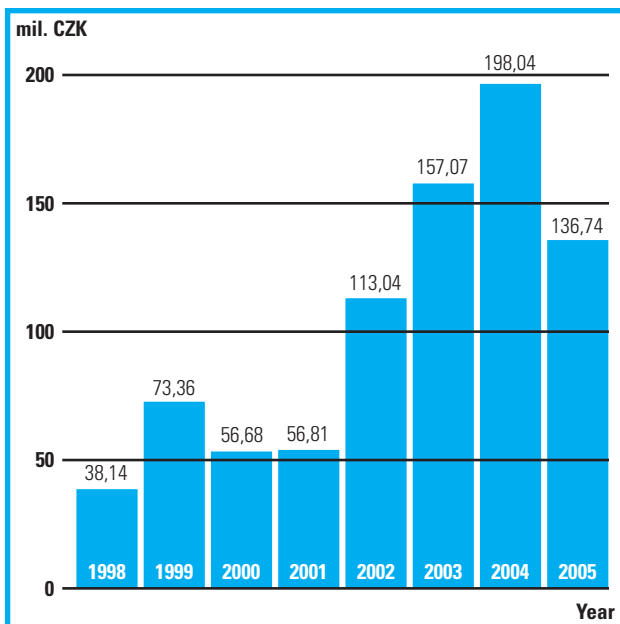
Grants Disbursed by the EU Section in 2005
(in % and '000 CZK)



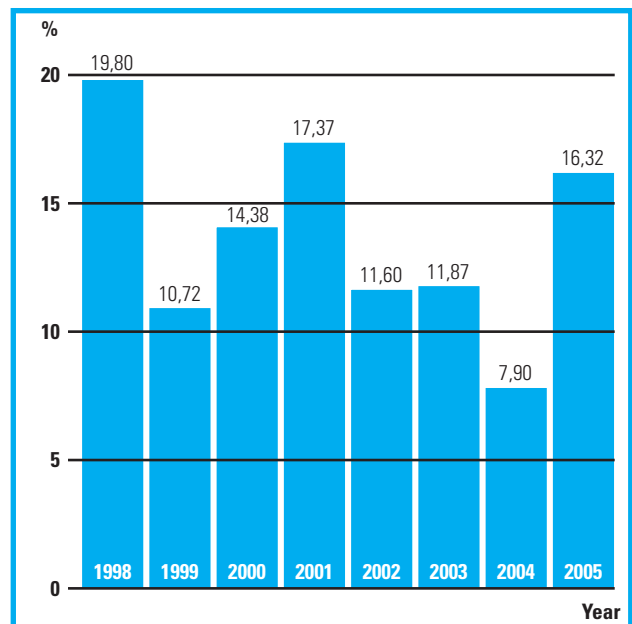
Grants Disbursed by the DMV Section in 2005
(in % and '000 CZK)



Contributions/Grants Disbursed during 1998 - 2005



% of NROS Operating Costs during 1998 - 2005



(* According to the Foundation Act and NROS Statutes the percentage shall not exceed 20%)

6. AUDIT REPORT

FINANCIAL STATEMENTS AND ANNUAL REPORT AUDIT REPORT OF THE CIVIL SOCIETY DEVELOPMENT FOUNDATION (NROS) FOR THE 2005 ACCOUNTING PERIOD

Auditing Company: **EURO-Trend Audit, a.s.**
Senovážné náměstí 23, 110 00 Prague 1
Registered in the Commercial Register - Section B, Entry 5767
Company Registration Number (IČ) 25733834

Audit Report for the Founder of the Civil Society Development Foundation (NROS)

Based upon our audit of financial statements of the Civil Society Development Foundation (NROS) by December 31, 2005, we issued an independent audit report of financial statements dated May 24, 2006 with an unqualified assent. The audit report of financial statements has been issued in the following wording:

"We have audited the enclosed financial statements of the Civil Society Development Foundation (hereinafter referred to as "the Foundation") by December 31, 2005. These financial statements are the responsibility of the Board of Directors of the Foundation. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the Auditors' Act and International Auditing Standards and associated application clauses of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit includes examining, on a test basis, the integrity of and evidence supporting the amounts and disclosures in the financial statements. The audit also includes an assessment of the accounting principles used and significant estimates made by the Foundation, as well as evaluation of the overall financial statements presentation. Due to the importance of funds provided by the National Property Fund through the Foundation Investment Fund, the audit paid special attention to specific use of such funds and their appreciation in compliance with the defined terms and conditions. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and funds of the Foundation, financial position of the Foundation by December 31, 2005, and of costs, revenues and profit in 2005 in accordance with the accounting rules and regulations in force in the Czech Republic."

In relation to our opinion on the financial statements we have audited the fact that the total operating costs of the Foundation were 16.32% of the grants disbursed by the Foundation in 2005, i.e. that the Foundation complied with s.22(1) of the Foundation Act and with the Article 6.9. of the Foundation's Statutes, regulating the foundation operating costs.

We have also reviewed the consistency of the Annual Report with the above-mentioned financial statements. The Annual Report is the responsibility of the Board of Directors of the Foundation. Our responsibility is to express an opinion on consistency of the Annual Report with the financial statements based on our review.

We conducted our review in accordance with the International Auditing Standards and associated application clauses of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the review to obtain reasonable assurance about whether the information provided in the Annual Report and adapted or copied from the financial statements is consistent with the financial statements in all material respects. We believe that our review provides a reasonable basis for our opinion on the consistency.

In our opinion, the information included in the Annual Report is consistent, in all material respects, with the above-mentioned financial statements.

In Prague on May 31, 2006

Auditing Company:
EURO-Trend Audit, a.s.
Certificate No.317




Responsible auditor:
Ing. Petr Ryneš
Certificate No.1299

On behalf of the Company: Ing. Petr Ryneš, Chairman of the Board of Directors

7. BOARD OF DIRECTORS AND BOARD OF SUPERVISORS

BOARD OF DIRECTORS

Pavel Rozsypal – Chairman

Josef Alán – Vice Chairman

Helena Dluhošová – Vice Chairwoman

Renata Elhenická

Ladislav Čerych

Martin Fuk

Anna Šabatová

Eva Vavroušková

Robert Tamchyna

BOARD OF SUPERVISORS

Zdeněk Vaněk – Chairman

Olga Nováková

František Hauser

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Civil Society Development Foundation

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NROS would like to thank all our partners and donors for their trust, support and cooperation.



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