




**“BULGARIAN
CENTER FOR
NOT-FOR-PROFIT
LAW”
FOUNDATION**

**ANNUAL
REPORT
2005**



**The mission of BCNL
is to provide legal support
for the development of
civil society in Bulgaria.**

Dear colleagues and friends,

Non-profit organizations (NPOs) in Bulgaria had a lot of opportunities to actively participate in public life in 2005. This was a year of elections and floods which had implications for the performance of NPOs, too. Many organizations took an active part in raising and distributing aid for those who suffered from the floods, and this evolved into one of the most significant philanthropy campaigns. This campaign also showed some serious problems with the coordination between donors and the need of exempting donations to NPOs from VAT (including those in the form of charitable SMSs).

After lengthy and intricate negotiations the National Assembly nominated a government and started functioning normally. We hope that the NPOs interaction with this institution will be even more active than compared to previous years, and for this we rely on the specialized Commission on Civil Society and Media.

2005 was also the first year when a state subsidy for NPOs was earmarked and provided through competition. This is a good start. Of course, the lack of sufficient transparency in funds allocation needs to be mentioned – unclear criteria, unclear selection process. We hope this will change in 2006 and we are ready to help the public administration in this endeavor. On the other hand, the tradition for allocating several million BGN from the state budget for some strictly specified organizations lived on. The Bulgarian Center for Not-for-Profit Law is of the opinion that this subsidy also needs to be allocated after holding a transparent competition with clear criteria.

In 2005 we started drafting a Concept Paper on the changes needed for improving the legislation for non-profit organizations in Bulgaria. After conducting a survey among more than 200 organizations and a public discussion we drafted the Concept Paper which has so far been supported by over 400 organizations nationwide. It sets the key priorities which should be followed in the forthcoming years – encouraging philanthropy, regulating voluntary labor, equality between governmental and non-governmental organizations having the same goals, tax concessions for pursuing related economic activity, etc. The setting up of several working groups on the key priorities set in the Concept Paper is under way. For many of them we expect support from public institutions, too. President Georgi Parvanov's support for future initiatives in the area of voluntarism was confirmed at a meeting with him, attended by a representative of BCNL.

The Bulgarian Center for Not-for-Profit Law continued its work for encouraging the process of social contracting - contracting out the delivery of

social services from municipalities to NPOs. Although the process started with many difficulties we find it essential for the future development of the social sphere, and for the development of the non-profit sector itself. At the end of the year we announced, together with Counterpart Bulgaria, a small grants competition for municipalities that want to develop social contracting. We hope this would give an even greater impetus to the process in 2006.

The upcoming European membership of Bulgaria has an impact on our work, too. We are committed to the judicial reform process – one of the key areas with a view to the forthcoming accession of Bulgaria to the EU. BCNL supports NPOs working for judicial reform. We have taken part in the Civil Initiative for Judicial Reform aiming to make political parties clearly state their commitments in this area, and in June we organized a public presentation of legislative priorities before the key political parties, together with the Judicial Strengthening Initiative.

On the other hand, Bulgaria's membership to the EU sets new challenges to non-profit organizations, related to European funds and participation in the work of European institutions. That is why the Bulgarian Center for Not-for-Profit Law supported the initiative of the Open Society Institute for setting up thematic families of NPOs, and was involved in coordinating the setting up the Social Policy family. We are positive that the family will grow and unite the organizations working in the social sphere by helping them present their interests before institutions.

These initiatives will continue in the current 2006. We hope this year will be even better for the non-profit sector in Bulgaria and we rely on your support and ideas.

Wishing you a successful year,



*Luben Panov
Director of the
Bulgarian Center for Not-for-Profit Law*



SHORT DESCRIPTION OF BCNL

The Bulgarian Center for Not-for-Profit Law (BCNL) was set up in 2001 as a non-profit legal entity with public benefit purposes. BCNL is registered in the Central Registry at the Ministry of Justice for public benefit NPOs.

BCNL is a local partner of the International Center for Not-for-Profit Law and the European Center for Not-for-Profit Law.

The purposes of BCNL are to provide assistance for the development of a good legal framework and encourage transparency, accountability and establishment of an adequate governance structure of non-profit organizations in Bulgaria.

OUR WORK IN 2005

I. WORK ON IMPROVING THE LEGISLATION FOR NON-PROFIT ORGANIZATIONS

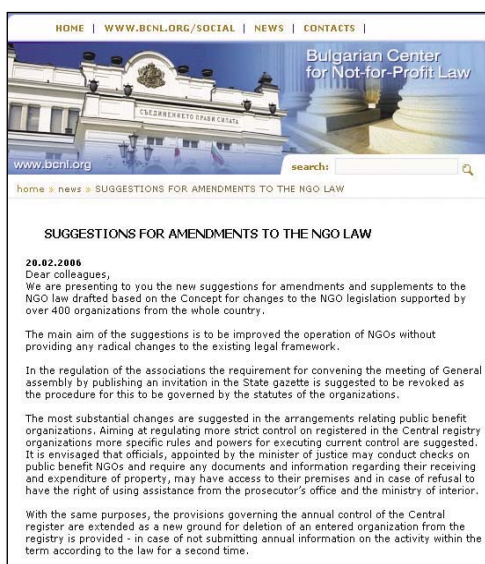
1. Survey of the legal problems of non-profit organizations in Bulgaria

In February BCNL made a survey of the legal problems of NPOs in Bulgaria. The survey was based upon an anonymous questionnaire sent to over 1000 active NPOs all throughout Bulgaria. The questionnaire contained 50 questions divided into 6 sections: General Legal Framework of NPOs, Social Enterprises, Financial Sustainability of NPOs, Taxation and Philanthropy, Volunteering, and Others. At the end, filled-in questionnaires were received from a total of 205 organizations from Bulgaria.

2. Concept paper for changes to the legislation for non-profit organizations in Bulgaria

A concept paper was drafted for amending NPO legislation based on the analysis of the survey results concerning their legal problems. The Concept Paper is a strategic document reflecting the views of a major part of the active organizations in Bulgaria in the priority areas relevant to the activity and development of NPOs in Bulgaria that require changes in the legislation.

BCNL organized a campaign for discussing the Concept Paper with a wide range of Bulgarian NPOs. The document was sent to over 1500 organizations



The screenshot shows the website of the Bulgarian Center for Not-for-Profit Law. The header includes navigation links: HOME | WWW.BCNL.ORG/SOCIAL | NEWS | CONTACTS |. The main content area features a news article titled "SUGGESTIONS FOR AMENDMENTS TO THE NGO LAW" dated 20.02.2006. The article text is as follows:

20.02.2006
Dear colleagues,
We are presenting to you the new suggestions for amendments and supplements to the NGO law drafted based on the Concept for changes to the NGO legislation supported by over 400 organizations from the whole country.

The main aim of the suggestions is to be improved the operation of NGOs without providing any radical changes to the existing legal framework.

In the regulation of the associations the requirement for convening the meeting of General assembly by publishing an invitation in the State gazette is suggested to be revoked as the procedure for this to be governed by the statutes of the organizations.

The most substantial changes are suggested in the arrangements relating public benefit organizations. Aiming at regulating more strict control on registered in the Central registry organizations more specific rules and powers for executing current control are suggested. It is envisaged that officials, appointed by the minister of justice may conduct checks on public benefit NGOs and require any documents and information regarding their receiving and expenditure of property, may have access to their premises and in case of refusal to have the right of using assistance from the prosecutor's office and the ministry of interior.

With the same purposes, the provisions governing the annual control of the Central register are extended as a new ground for deletion of an entered organization from the registry is provided - in case of not submitting annual information on the activity within the term according to the law for a second time.

and was publicized in a series of public events and meetings. As a result the Concept Paper was supported by over 400 organizations from all over the country and will serve as a basis for specific steps aimed at improving NPO legislation in 2006.



Global Forum on Civil Society Law, Istanbul, November 2005

3. Other initiatives

- **Problems with VAT in European programs financing**

BCNL had a leading role in the working group of NPOs which aimed at solving the problems linked to the obligation introduced by the state that organizations financed through the PHARE Civil Society Development Program should be registered under the VAT Law. The group initiated a letter sent to the Ministry of Finance describing the problems which the VAT Law registration causes for NPOs receiving grants under European Programs. A meeting was held with the Delegation of the European Commission in Bulgaria. The setting up of a joint working group for discussing this issue was raised at a meeting in October with the new Deputy Minister of Finance Georgi Kadiev, attended by a BCNL representative. Unfortunately, the VAT problem has not been solved yet but we hope it will be taken into consideration when the new VAT Law is tabled for discussion.

До
Г-н Милен Велчев
Министър на финансите
София
Копие до:

Комисията по въпросите на гражданското общество
Делегацията на Европейската комисия

Относно: Прилагане на освобождаване от данък върху добавената стойност по чл. 92 от ЗДДС на проекти, осъществявани от юридически лица с нестопанска цел

Уважаеми господин министър,

Обръщаме се към Вас за да изразим безпокойството си от тенденцията за промяна в данъчната практика по прилагането на чл. 92 от ЗДДС, както и несъгласието си с изготвения проект за указания на Главна данъчна дирекция по приложението на чл. 92 от ЗДДС и Рамковото споразумение между Република България и Европейската общност за съдействие по Програмата ФАР. Считаме, че проектът за указания ще доведе до практическа невъзможност за освобождаване от ДДС на проекти, осъществявани от юридически лица с нестопанска цел и финансирани със средства на Европейската общност или по международни договори, предвиждащи освобождаване от косвени данъци.

Letter of a group of NGOs to the Minister of finance concerning the problems with VAT on grants under the PHARE programme, April 2005

- **Problems with VAT on donations and charitable SMSs**

Immediately after the destructive floods in Bulgaria in August a large number of fund-raising campaigns were started for supporting calamity victims, and this brought to the surface some of the most serious problems linked to the taxation of donations, such as VAT on donations of goods and services for supporting the victims and VAT on the short text messages (SMS) sent for charitable purposes.

BCNL, in partnership with Bulgarian Charities Aid Foundation and Bulgarian Donors' Forum initiated a meeting of donor organizations and drafted a document identifying the problems and proposing legislative changes. The document was supported by a wide range of NPOs, donor organizations and business representatives. The proposals were sent to the Ministry of Finance.

- **Expert group on the draft Maecenas Law**

In October BCNL took part in an experts' group that made additional proposals to the Maecenas Law prior to its second reading in Parliament. The Law stipulates the possibility for public benefit NPOs called organizations supporting culture to be able to play the role of mediators between donors and artists.

- **Working group for legal regulation of volunteering in Bulgaria**

On the invitation of the National Alliance for Volunteer Action a representative of BCNL participated in a meeting with the President of the Republic

of Bulgaria, Mr. Georgi Parvanov, which took place in the beginning of December to mark the International Volunteer Day – 5 December. The President expressed his willingness to support a future initiative for passing an adequate legal framework on the



Meeting of representatives of voluntary organizations with the President of Bulgaria, December 2005

status of volunteers and voluntary labor. BCNL started working on a comparative legal research of the regulation of voluntary labor in different European countries. A working group is to be set up which will discuss the need of a specialized legal regulation of voluntary labor.

II. PARTNERSHIP OF THE NON-PROFIT SECTOR WITH THE STATE

1. The social sphere

The ideas of the Bulgarian Center for Not-for-Profit Law on the development of the social contracting system (contracting out social service delivery from the municipalities to non-profit providers after holding a competition) were supported by different organizations and institutions in 2005. We helped five municipalities prepare the documentation for running social competitions. We also assisted in solving the problem that emerged with the state subsidy for some social activities that were already transferred to private providers after a competition. The experience gained in the course of the year was very helpful and enabled us to cope with future problems in the social contracting process.

Experts from the Bulgarian Center for Not-for-Profit Law assisted UNDP in drafting a strategy for the development of the Social Assistant social service in the framework of the SANE program. We hope this cooperation would continue in 2006 as well.

The concept for the role of the social enterprise as an effective measure for implementing active social policy becomes more and more popular in Bulgaria. Because of the interest in the term and the possibility for integrating it into a legal text, BCNL experts made a comparative legal analysis on the regime



of social enterprises in European Union member states which was distributed among organizations dealing with the topic of social entrepreneurship, and among interested state institutions and municipalities. A practical brochure was prepared consisting of questions and answers on social enterprise in Bulgaria in line with the established practice in Bulgaria and the legislation linked to this special form of economic initiative.

2. Judicial reform

One of the most important steps in the process of Bulgaria's accession to the EU is the reform in judiciary. The Bulgarian Center for Not-for-Profit Law is a partner of the Judicial Strengthening Initiative. An important part of this cooperation is organizing public forums with representatives of the state and civil society for discussing key priorities of judicial reform in Bulgaria. We organized a forum in June where political parties presented their views on the legislative priorities of the judiciary. We plan to continue this type of public discussions in 2006 as well.



Public discussion of the legislative priorities of the political parties, concerning the judiciary, June 2005

III. JOINT INITIATIVES WITH PARTNER NON-PROFIT ORGANIZATIONS

1. Social Policies Family

Informal NPO alliances were set up in 2005 in some areas of the non-profit sector under the project Strategy for Strengthening the Sustainability of the Non-Profit Sector in Bulgaria. BCNL had a leading role in organizing and

coordinating the activities of the Initiative Committee for setting up a Social Policies family by chairing the meetings of the Committee and assisting in the drafting of the family's governing documents. The family was set up on 4 October 2005 with a main goal of joining the efforts of organizations in the social sphere for solving the topical problems in the area, by aiming to work on problems that are common to all organizations and providing assistance to its members. After the setting up of the family, BCNL continued to actively participate in its activity by becoming a coordinator of the working group on the problems of the decentralization of social services.

2. Partnership with the Bulgarian Association for Persons with Intellectual Disabilities (BAPID)

BCNL and BAPID signed a partnership agreement in 2005 which expressed their commitment to provide mutual support on projects, trainings, initiatives in the social sphere. BCNL provides legal aid to BAPID linked to the activity of the organization and will help organize trainings of the local BAPID units on the possibilities for decentralization of social services and running competitions for contracting out social services to external providers. In the framework of the partnership BCNL experts took part in international conferences in Lisbon and Brussels, organized by Inclusion Europe, the European network of organizations of persons with intellectual disabilities. The new dimensions of the guarantees for the rights of the persons with intellectual disabilities and the possibilities for improving the legislative framework in the different countries were discussed at these international forums.

3. Association of Social Enterprises in Bulgaria

An Association of Social Enterprises in Bulgaria was set up in November in Varna by 26 organizations from all over Bulgaria which have determined themselves as social enterprises. According to the established practice in Bulgaria social enterprise is an economic activity performed by non-profit legal entities with a strong focus on the social impact on underprivileged persons.

Experts from the Bulgarian Center for Not-for-Profit Law provided legal and methodological assistance in the establishment of the organization.

IV. INFORMATION SERVICES

1. www.bcnl.org

In 2005 BCNL continued to inform the public about the current affairs in the NPO sector. The news published at the website provide information about ongoing competitions for financing NPO projects, important changes to the legal framework and new pieces of legislation relevant to NPOs, initiatives related

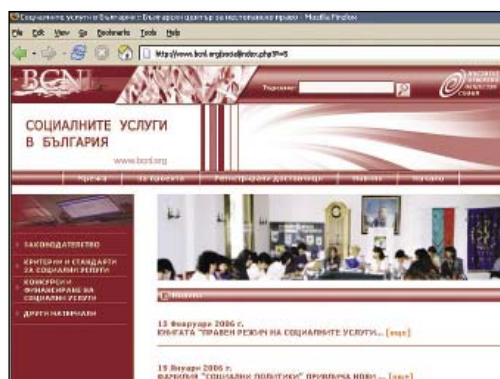
to improving the legislation on NPOs. All news items for important events are also published in English.

The BCNL website forum gives an opportunity to all visitors to ask questions they are interested in on the legal framework of NPOs and to receive timely reply from BCNL experts. There are Instructions on how to prepare Rules and Procedures for conducting public

benefit activities that are accessible to all public benefit NPOs to be entered in the Central Registry under the Ministry of Justice. The website informs visitors about the analyses and publications made by BCNL in 2005. On average the website has been visited over 5100 times a month in 2005.

2. www.bcnl.org/social

The webpage for social services under the BCNL website continued functioning during the year. It was set up as part of the project "Raising the capacity of the administration and NPOs for delegating/undertaking social services" which was implemented jointly by the Bulgarian Center for Not-for-Profit Law and the Open Society Institute – Sofia. The webpage



provides information even after the end of the project about ongoing competitions for contracting out social services pursuant to the Social Assistance Act and its Implementing Regulations, about other competitions in the social sphere where NPOs may participate, as well as other important events in the social sphere.

V. CONSULTATIONS AND TRAININGS

Presentation skills training of the team of BCNL, December 2005



In 2005 BCNL experts have provided a total of 112 free consultations, including by phone and email. The consultations focused on issues regarding the legal regulation of non-profit legal entities and the legal regime of social services. Twenty NPOs have been registered and 23 non-profit

legal entities have been re-registered with the help of BCNL, while 91 organizations have been entered in the Central Registry of not-for-profit legal entities for public benefit activities under the Ministry of Justice.

Beside consultations, BCNL conducts thematic trainings throughout Bulgaria. Trainings were organized in 2005 on the legal framework for social services, performing economic activities by non-profit legal entities, the general legal framework of non-profit organizations, etc. Trainings are visited by both representatives of non-profit organizations and staff in the municipal administrations and other interested organizations.



Checking the accounting practices of BCNL by the Vice-president on finance of the International Center for Not-for-Profit Law, November 2005

VI. PUBLICATIONS

1. “Social Entrepreneurship and Control on the Social Services in Bulgaria and in the European Union”

The analysis is part of the project “New possibilities for vulnerable groups – raising the quality of social services and supporting social enterprises” in funded by the PHARE Civil Society Development 2002 Program. The material includes four sections: 1/ Legal framework of social enterprise in Bulgarian legislation; 2/ Legal framework of social enterprises in European Union member states; 3/ Control on social services in the context of the social reform under way in Bulgaria and 4/ Control on social services in the European Union. The purpose of the analysis is to provide qualitative study of the legislation and practice in Bulgaria and the European Union on the above issues and to study the legislative possibilities for social entrepreneurship and functioning of social enterprises in the conditions and legal environment in Bulgaria.



2. “What is a Social Enterprise?”

is a publication of the Bulgarian Center for Not-for-Profit Law (BCNL) published with the financial support of the European Union in the framework of the PHARE Civil Society Development 2002 Program. The publication is designed in the form of questions and answers and provides the regulation of legal environment on services and activities carried out by social enterprises. The separate sections discuss various issues such as: the legal mechanisms for public financing, taxation of social enterprises, possibilities for assistance, etc.



3. The publication “Philanthropy for Cultural Organizations in Bulgaria” is published by the Bulgarian Center for Not-for-Profit Law with the support of USAID. The authors aim to present the existing legal regime of cultural organizations and the legally stipulated possibilities for philanthropy and sponsorship of cultural initiatives and tax preferences in this area. Some samples of donation contracts and other useful documents are provided at the end of the publication.



VII. BCNL PROJECTS IN 2005

1. An Optimistic Look at Non-Profit Organizations and Local Resources

The project addresses problems related to the individual and corporate charity and the work of Bulgarian non-governmental organizations. They include the still rare and weak partnership between non-profit organizations and companies, the low capacity for local fund-raising by NPOs, the poor understanding of the motivation for charity, the lack of innovations and diversity of charity models. Another group of problems is linked to improving the governance and capacity of NPOs for creating a more favorable legal framework for their operation. The project is implemented in partnership with the Bulgarian Charities Aid Foundation. The project started at the beginning of 2005 and will finish at the end of 2006. The work under the project includes raising the awareness and improving the mechanisms for training in the area of philanthropy, increasing the number and effectiveness of philanthropy models on a national and local level and improving the trust in NPOs by achieving better governance and cooperation with local authorities. A key priority for 2005 was the development of a general NPO strategy for better legislation as well as raising the institutional capacity of organizations implementing the project. The project is financed by the Trust for Civil Society in Central and Eastern Europe.

2. Judicial Strengthening Initiative in Bulgaria

In 2005 the Bulgarian Center for Not-for-Profit Law (BCNL), together with the International Center for Not-for-Profit Law (ICNL) was a partner of the East West Management Institute (EWMI) under the Judicial Strengthening Initiative (JSI) project in Bulgaria funded by the United States Agency for International Development (USAID). The main goal of JSI is improving the legal framework, enhancing public awareness and support for the judiciary. This is achieved through improving the material and procedural legislation, advocacy for specific pieces of legislation and working with the public.

BCNL was actively involved in the project through several initiatives. A discussion was organized in June with representatives of the main political groups and magistrates, scholars and representatives of legal NPOs. There



Public discussion of the legislative priorities of the political parties, concerning the judiciary, June 2005

political commitments and ideas for constitutional and legislative reforms in the judiciary were discussed. A next stage of the project implementation is the survey conducted among eminent professionals – magistrates, researchers and representa-

tives of legal NPOs – in order to analyze and summarize the key priorities for legislative reform. On the basis of the survey, a team of BCNL experts made an analysis where the main proposals of the professional community for reforms of the judiciary were outlined. A series of



Training on advocacy for NGOs, grantees of the Judicial Strengthening Initiative, December 2005

meetings were held in 2005 with MPs who were actively involved in the debates on the proposed reforms, and the goal was to discuss the possibilities for support and cooperation which the JSI may provide to the National Assembly in its work on the legislative priorities for judicial reform in Bulgaria.

In December the Bulgarian Center for Not-for-Profit Law organized a three-day training on advocacy for non-profit organizations where experts from Hungary took part. The feedback from the training is extremely positive and we are planning to repeat the training in 2006.

3. Social Contracting

In 2005 the Bulgarian Center for Not-for-Profit Law (BCNL) in partnership with Counterpart – Bulgaria continued to actively work on the Social Contracting project for encouraging the decentralization of social services. Several important initiatives were organized in the past period. A model methodology for social contracting was developed and discussions were organized where experience was shared among the municipalities involved in the project. These activities were aimed at enhancing the capacity and awareness of local authorities about the process of decentralization of social services. BCNL experts continuously provided ongoing consultations to municipalities and organizations that were partners under the project. Apart from the pilot municipalities Gabrovo and Stara Zagora, some other municipalities also took part – Dryanovo, Tryavna and Troyan, and this confirms the need and practical benefit of expanding the geographic scope of the project. In the past year monitoring was made on the pro-activeness of local authorities in Gabrovo and Stara Zagora in the social sphere and meetings were held with representatives of the municipal administration in order to earmark funds in the 2006 municipal budgets for contracting out social services.

At the end of 2005 a small grants competition was announced for municipalities that, on their part, were obliged to run competitions for contracting out social services to external providers.

4. Raising the Capacity of Administration and NPOs for Delegating/Undertaking Social Services

The project started in mid 2004 and ended in October 2005. It was implemented in partnership with Open Society Institute. The aim is to increase the capacity of local authorities towards encouraging decentralization, stimulating partnership between NPOs and municipalities and 'social contracting' between them.

In the course of the project in 2005 methodological support was offered in organizing competitions for outsourcing social services in the municipalities of Pazardjik and Ruse. In the municipality of Pazardjik BCNL experts helped draft Internal Rules of the local municipal council for social services.

Another area of activity was researching the possibility for non-profit organizations to participate in public procurement bids. An analysis was developed and published on the legal requirements of public procurement



*BCNL seminar "NGOs and the Public Procurement",
October 2005*

which was presented at a seminar in January 2005. The Public Procurement Agency provided support in drafting the publication.

An important activity under the same project was the development of a draft Municipal Ordinance for financing non-profit organizations in the municipality of Russe. A survey of municipal practices nationwide was carried out for this purpose on partnership and financing of non-profit organizations, and an analysis was made of the legal framework regarding the mandate of municipalities in managing property, allocating budget and the possibilities for partnership. The draft Ordinance was presented at a public discussion in Russe involving all interested local institutions, members of the Municipal Council and non-profit organizations. The draft was tabled for discussion at a session of the Municipal Council.

The initiative for extending the informal network for social services encompassing organizations from all over Bulgaria working in the area of social reform continued in 2005 as well. A second meeting of the network was organized in Sofia where the key priorities of the network were outlined.

The project ended with a National Conference held on October 5, 2005 in Sofia where some of the key problems and obstacles in contracting out social services to private law providers were discussed: lack of motivation for participation in the competitions and ill-preparedness of providers in some municipalities, lack of coordination between state institutions in providing funding to the providers that won the competitions, confusing the competi-

tion processes under the Social Assistance Act and the Public Procurement Act, some providers not delivering the full volume of the contracted service, etc. The good practice from a competition organized in the municipality of Dryanovo was presented.

5. New Perspectives to Vulnerable Groups – Improving the Quality of Social Services and Support for Social Enterprises

The project is implemented in partnership with the Programme and Analytical Centre for European Law (PACEL) Foundation. It started in December 2004 and will

end in May 2006. The main goal of the project is to overcome the exclusion of vulnerable groups which will be achieved by working towards two objectives: creating a favorable legal environment



*Discussion of the problems of Social Enterprises,
March 2005*

for the development of social enterprises and creating a mechanism for quality control in the provision of social services.

At the beginning of 2005 was organized a survey among non-profit organizations which have determined themselves as social enterprises on the problems regarding the lack of legal regime which they encounter in their practice. The survey results, as well as the public discussion held in March, helped identify priorities for expert work under the project when drafting the legislative set of measures for encouraging social enterprises. An analysis was made of the laws linked to the performance and status of social enterprises in Bulgaria, as well as a comparative analysis of the legal regime of social enterprises in European Union member states. The material collected thereby will

serve to inform the working group that will draft the legislative package. The working group was set up at the end of 2005 and has to finalize the package of measures at the end of February 2006.

**6. Municipal Model for Partnership
between the State, Local Authorities and NPOs in
Decentralization of Social Services for Offenders**

At the beginning of 2005 the activities under the project Municipal Model for Partnership between the State, Local Authorities and NPOs in Decentralization of Social Services for Offenders were finalized. A model was designed under the project for social contracting between the state, local authorities and NPOs in social service provision for offenders. The project was financed by the British Department for International Development (DFID) and was implemented together with Regional Fund IGA – Pazardjik.

STRUCTURE AND MANAGEMENT

BOARD OF TRUSTEES – supreme body

David Moore – Chairman

Vyara Mukova – Toneva

Stephan Klingelhofer

Ivo Hristov

Luben Panov, BCNL Director, ex officio member

DIRECTOR – governing body

Luben Panov

TEAM

Luben Panov – Director

Mira Ivanova – Financial Manager

Tony Dimov – Legal Consultant

Nadia Shabani – Legal Consultant

Marieta Dimitrova – Legal Consultant

Andriana Petrova – Legal Advisor

Dimitar Burnev – Legal Expert

Atanas Slavov – Legal Expert

Alexander Yolovski – Office Manager



FINANCIAL REPORT



AUDITOR'S REPORT

To the management of Bulgarian Center for Not-for-Profit Law

We have audited the accompanying balance sheet of Bulgarian Center for Not-for-Profit Law (the Foundation) as at December 31, 2005, and the related statements of income, and cash flows and of changes in shareholder's equity for the year then ended. These financial statements are the responsibility of the Foundation's management. 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. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statement presents fairly in all material respects, the financial position of the Foundation as of December 31, 2005, and the results of its operations and cash flows, in accordance with the Bulgarian National Accounting Legislation.

FOR AND ON BEHALF OF
ATA KO LTD


Radosveta Vesselinova
Certified public accountant



Sofia, Bulgaria
March 16, 2006

BALANCE			
of the Bulgarian Center for Not-for-Profit Law as of 31 December 2005			
		Current Year	Previous Year
		in leva	in leva
ASSETS			
	Long-term Assets		
1	Long-term Tangible Assets	5534,07	4664,3
2	Long-term Intangible Assets	580,97	1162,55
3	Long-term Financial Assets	841,43	841,43
	Total Long-term Assets	6956,47	6668,28
	Short-term Assets		
1	Cash	683,23	
2	Funds in Bank Accounts	132 866,85	390,47
3	Deposits Granted		73 075,67
4	Receivables	21 725,52	57,01
5	Expenses for Future Periods	0,00	4965,81
	Total Short-term Assets	155 275,6	78 488,96
	Total Assets	162 232,07	85 157,24
LIABILITIES			
1	Liabilities to the Budget	3,22	570,98
2	Social Security Liabilities	58,77	54,88
3	Personnel Liabilities	0	0
4	Liabilities to Suppliers	2,59	2,93
5	Other Short-term Liabilities	0,00	0,00
6	Financing	115 524,33	54 336,14
	Total Liabilities	115 588,91	54 964,93
	Incomes for Future Periods	0,00	0,00
	Total Liabilities	115 588,91	54 964,93
	Net Asset Value	46 643,16	30 192,31
	including		
	capital in Long-term Assets	0	3978,92
	Reserves	46 643,16	26 213,39
	Total	46 643,16	30 192,31

PROFIT AND LOSS STATEMENT			
as of 31 December 2005			
Bulgarian Center for Not-for-Profit Law			
		Current Year	Previous Year
		in leva	in leva
INCOMES			
1	Incomes from incorporation	0,00	0,00
2	Incomes from financing	233 030,55	169 072,56
3	Incomes from donations	0,00	1999,50
4	Incomes from for-profit activity	19 969,00	20 357,88
5	Incomes from currency transactions	7719,24	1294,81
6	Incomes from interests	3203,78	119,89
7	Incomes for future periods	0,00	0,00
	Total income	263 922,57	192 844,64
EXPENSES			
1	Expenses on incorporation	0,00	0,00
2	Expenses on financed activity	232 638,63	170 390,48
3	Expenses on for-profit activity	8304,68	5871,99
4	Expenses on currency transactions	2788,94	924,54
5	Other financial expenses	391,92	681,58
6	Tax Expenses	1749,65	2824
	Total Expenses	245 873,82	180 692,59
	REMAINDER FOR THE NEXT PERIOD	18 048,75	12 152,05