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## INDEPENDENT AUDITOR'S REPORT

Report No. 475/04-A3

The Members of  
**THE SMERU RESEARCH INSTITUTE**

We have audited the accompanying Statements of Financial Positions of **The SMERU Research Institute** for the years ended December 31, 2003 and 2002, and the related Statements of Activities and Fund Balances and Statements of Cash Flows for the years then ended. These Financial Statements are the responsibility of **The SMERU Research Institute's** management. Our responsibility is to express an opinion on these Financial Statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements of are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. 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 audits provide a reasonable basis for our opinion.

As described in Note 3a, these Financial Statements were prepared based on the Modified Cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles applied in Indonesia.

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the Financial Positions of the SMERU Research Institute as of December 31, 2003 and 2002, and the Changes in its Fund Balances and its Cash Flows for the years then ended, in conformity with the basis of accounting described in Note 3a.

Our audits were made for the purpose of forming an opinion on the basic Financial Statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic Financial Statements. Such information has been subjected to the procedures applied in the audits of the basic Financial Statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic Financial Statements taken as a whole.

**DRS JOHAN, MALONDA & REKAN**  
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Justinus A. Sidharta  
Public Accountant Licence No. 98.1.0478

April 23, 2004

**THE SMERU RESEARCH INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITIONS**  
**DECEMBER 31, 2003 AND 2002**

	<u>Notes</u>	<u>2 0 0 3</u> Rp	<u>2 0 0 2</u> Rp
<b>A S S E T S</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	4	6,009,961,533	8,338,396,524
Employee Receivables		<u>3,000,000</u>	<u>2,750,000</u>
Total Current Assets		<u>6,012,961,533</u>	<u>8,341,146,524</u>
<b>NON CURRENT ASSETS</b>			
Equipment - Net of Accumulated Depreciation	5	<u>651,041,042</u>	<u>384,907,550</u>
<b>TOTAL ASSETS</b>		<u><u>6,664,002,575</u></u>	<u><u>8,726,054,074</u></u>
<b>NET ASSETS AND LIABILITIES</b>			
<b>LIABILITIES</b>			
Payable on Purchase of Equipment	6	54,545,000	-
Tax Payable	7	<u>67,533,000</u>	<u>-</u>
Total Liabilities		<u>122,078,000</u>	<u>-</u>
<b>NET ASSETS</b>			
Donated Equipment	8	<u>380,457,675</u>	<u>379,357,675</u>
Fund Balances :	3d		
Restricted		669,960,062	1,932,311,850
Unrestricted		<u>5,491,506,838</u>	<u>6,414,384,549</u>
Total Fund Balances		<u>6,161,466,900</u>	<u>8,346,696,399</u>
Total Net Assets		<u>6,541,924,575</u>	<u>8,726,054,074</u>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<u><u>6,664,002,575</u></u>	<u><u>8,726,054,074</u></u>

See accompanying Notes to Financial Statements  
which are an integral part of these Statements

**THE SMERU RESEARCH INSTITUTE**  
**STATEMENTS OF ACTIVITIES AND FUND BALANCES**  
**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

Notes	2 0 0 3			2 0 0 2	
	Unrestricted Rp	Restricted Rp	Total Rp	Total Rp	
REVENUES					
9 Grants	-	3,347,165,211	3,347,165,211	11,660,177,800	
10 Consultant Fees	574,740,500	-	574,740,500	1,611,136,628	
Bank and Deposit Interest	61,759,287	-	61,759,287	20,594,385	
11 Others	42,774,571	-	42,774,571	267,450,353	
Total Revenues	679,274,358	3,347,165,211	4,026,439,569	13,559,359,166	
EXPENDITURES					
The Ford Foundation	-	2,651,945,000	2,651,945,000	2,945,991,229	
The Department For International Development	-	1,957,571,999	1,957,571,999	559,821,921	
The World Bank	983,545,855	-	983,545,855	273,173,255	
The Government of Australia (GOA)- AusAID	-	-	-	1,229,575,498	
PO Nos.PEG-07, 11, 14, 21 and 22	-	-	-	551,634,886	
Depreciation	166,944,554	-	166,944,554	112,082,364	
Exchange Rate Difference	451,661,660	-	451,661,660	333,411,792	
Total Expenditures	1,602,152,069	4,609,516,999	6,211,669,068	6,005,690,945	
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)					
	(922,877,711)	(1,262,351,788)	(2,185,229,499)	7,553,668,221	
FUND BALANCE, BEGINNING	6,414,384,549	1,932,311,850	8,346,696,399	736,552,323	
CORRECTION	-	-	-	56,475,855	
FUND BALANCE, ENDING	5,491,506,838	669,960,062	6,161,466,900	8,346,696,399	

See accompanying Notes to Financial Statements  
which are an integral part of these Statements

**THE SMERU RESEARCH INSTITUTE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2 0 0 3</u> Rp	<u>2 0 0 2</u> Rp
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of Revenues over Expenditures	(2,185,229,499)	7,553,668,221
Adjustments to Reconcile Excess of Revenues over Expenditure to Net Cash Provided by (Used in) Operating Activities :		
D e p r e c i a t i o n	166,944,554	112,082,364
Decrease (Increase) in :		
Employees Receivable	(250,000)	(2,750,000)
Payable on Purchase of Equipment	54,545,000	-
Tax Payable	67,533,000	-
Net Cash Provided by (Used in) Operating Activities	<u>(1,896,456,945)</u>	<u>7,663,000,585</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Equipment	<u>(431,978,046)</u>	<u>(61,156,384)</u>
Net Cash Used in Investing Activities	<u>(431,978,046)</u>	<u>(61,156,384)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(2,328,434,991)	7,601,844,201
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>8,338,396,524</u>	<u>736,552,323</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u><u>6,009,961,533</u></u>	<u><u>8,338,396,524</u></u>
<b>NON CASH ACTIVITIES</b>		
Donated Equipment	1,100,000	379,357,675
E q u i p m e n t	1,100,000	379,357,675

See accompanying Notes to Financial Statements  
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