

**TRANSPARENCY INTERNATIONAL
MACEDONIA - Skopje**

**Financial Statements for the Year
Ended 31 December 2011 and
Independent Auditor's Report**

Skopje, June 2012

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To:
The Management of
TRANSPARENCY INTERNATIONAL MACEDONIA

AUDITOR'S REPORT

We have audited the accompanying financial statements of Transparency International Macedonia (in the following text "the Organization"), which comprise the Balance Sheet as of 31 December 2011, the Statement of Revenues and Expenses and Statement of Changes in Funds for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Law for Non-profit Organizations and the standards for reporting under the cash basis of accounting. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To:
The Management of
TRANSPARENCY INTERNATIONAL MACEDONIA

INDEPENDENT AUDITOR'S REPORT (Continued)

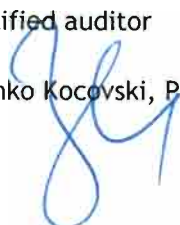
Auditor's opinion

In our opinion, the financial statements of Transparency International Macedonia give a true and fair view of the financial position of the Organization as of 31 December 2011, as well as the operating results and the changes in the funds for the year than ended, in accordance with the Accounting Law for Non-profit Organizations and standards for reporting under the cash basis of accounting.

Skopje, 31 June 2012

Certified auditor

Zvonko Kocovski, Partner



Manager

Dragan Dimitrov



MANAGEMENT'S REPRESENTATION

The Organization's management is responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs of the Organization as of the end of the financial period, and of its financial performance for the period than ended in accordance with the Accounting Law for Non-profit Organizations and standards for reporting under the cash basis of accounting. The management also has a general responsibility for implementation of processes and controls to safeguard the assets of the Organization and to prevent and detect fraud and other irregularities.

The Organization's management considers that, preparing the financial statements set out on pages 4 to 11, the Organization has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates in accordance with International Financial Reporting Standards.

For and on behalf of the management of
Transparency International Macedonia

Metodi Zajkov



BALANCE SHEET
As of 31 December 2011
In MKD thousands

	Note	2011	2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	724	1.281
Other receivables and prepayments	5	1.556	62
Total current assets		2.280	1.343
NON-CURRENT ASSETS			
Property, plant and equipment	6	362	425
Total non-current assets		362	425
TOTAL ASSETS		2.642	1.768
LIABILITIES AND OPERATING FUND			
CURRENT LIABILITIES			
Other short-term liabilities	7	7	101
Total current liabilities		7	101
OPERATING FUND AND SURPLUS OF REVENUES OVER EXPENSES			
Operating Fund		362	425
Current surplus of revenues over expenses deferred for future periods		2.273	1.242
Total Operating fund and surplus of revenues over expenses	8	2.635	1.667
TOTAL LIABILITIES AND OPERATING FUND		2.642	1.768

The accompanying notes form an integral part of these financial statements.

The accompanying financial statements were authorised for issue by the management of the Organization and were signed on its behalf by:

Secretary General
Metodi Zajkov



STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 December 2011
In MKD thousands

	Note	2011	2010
Granted donations	9	8.673	6.511
Other revenues	10	1.257	2.304
Total Revenues		9.930	8.815
Operating expenses	11	(7.657)	(7.573)
Total Expenses		(7.657)	(7.573)
Surplus of revenues over expenses		2.273	1.242
Tax		-	-
Surplus of revenues over expenses after tax	12	2.273	1.242

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN THE OPERATING FUND

For the Year Ended 31 December 2011

All amounts are expressed in MKD thousand, unless otherwise stated

	Operating Fund Fixed Assets	Total
Balance as of 01.01.2010	411	411
Additions	70	70
Depreciation	(85)	(85)
Revaluation	29	29
Balance as of 31.12.2010	425	425
Accounting corrections	(3)	(3)
Additions	17	17
Depreciation	(101)	(101)
Revaluation	24	24
Balance as of 31.12.2011	362	362

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2011

All amounts are expressed in MKD thousand, unless otherwise stated

1. ESTABLISHMENT AND ACTIVITY

TRANSPARENCY INTERNATIONAL MACEDONIA is a non-profit organization established in 2006 according to the Law of Associations of Citizens and Foundations.

The Foundation is registered in the Register of the Association of Citizens and Foundations. The main activity of the Organization is to establish a system of good governance for efficient fight and prevention against corruption, implemented through various project activities.

The Organization is located in Skopje, with address - Naum Naumovski Borce 58.

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Organization are conducted in accordance with the Non-Profit Organization Accounting Law and the International accounting standards for the public sector on cash basis published in the Republic of Macedonia for presentation of the balance sheet items, balances of the assets, liabilities, sources of the assets, revenues and expenses, and the operating results on true, fair, confidential, complete, punctual basis.

The amounts in the statements and the notes are stated in thousands of MKD, except when otherwise indicated in the text.

3. BASIC ACCOUNTING POLICIES

The basic accounting policies used for preparation of the financial statements are listed in the following text. The accounting policies of the Organization are being adequately applied from year to year.

3.1 Cash and cash equivalents

The Organization's cash comprises of the cash on hand and the cash on giro account in the commercial banks.

Money at the cash account and at the bank accounts stated in domestic currency are presented in the general ledger at their nominal value, while the foreign exchange currency is stated according to the exchange rate of NBRM at the reporting date.

3.2 Tangible and intangible assets

Tangible and intangible assets (fixed assets) are stated at cost. The cost of the fixed assets comprise the purchasing price increased for the import customs, VAT, manipulative expenses and all other expenses that can be added to the cost, i.e. to the purchasing expenses.

The operating fund of the Association increases for the amount of the value of fixed assets purchased. According to the accounting policy concerning fixed assets, they are all recognized as expenses for the period they are purchased, i.e. when the funds (in cash or non-current assets) are received from the donors.

3.3 Depreciation

Tangible and intangible assets (fixed assets) are depreciated using the straight-line method, by using the official depreciation rates prescribed in the Nomenclature for depreciable assets for non-profit association, so their cost and revaluation are depreciated in equal annual amounts during the estimated utilization period of the fixed assets. The current depreciation amount is entered on the burden of the operating fund.

The calculation of the depreciation is performed separately for each item, and not for groups of assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2011

All amounts are expressed in MKD thousand, unless otherwise stated

3. BASIC ACCOUNTING POLICIES (Continued)

3.4 Recognition of the revenues and expenses

Revenues and expenses of the non-profit organizations are recognized according to the modified accrual basis of accounting.

According to the modified accrual basis of accounting the revenues i.e. expenses are recognized in the accounting period of calculation in which they appear under criteria of measurement and availability. Revenues i.e. expenses are measurable when they can be stated by their value. Revenues i.e. expenses are available when they are realized, i.e. when they appear (paid) in the accounting period or within the period of 30 days after the accounting period, under condition to be related to the accounting period and serve for payment of the liabilities for the period (if liabilities for payment appear in the accounting period).

3.5 Amounts stated in foreign currency

The transactions in foreign currency are stated in MKD according to the Official exchange rate of NBRM at the date of transaction.

Foreign exchange assets and liabilities of the balance sheet are stated in MKD according to the official exchange rates on the balance sheet date.

The Income Statement includes the net foreign exchange gains and losses that resulted from the conversion of the amounts in foreign currency in the period when they occur.

The average (closing) exchange rates of the denar related to the foreign exchange currencies (for one unit of foreign exchange currency) as of 31 December are as follows:

	2011	In MKD 2010
EUR	61,5050	61,5050
USD	47,5346	46,3140
CHF	50,5964	49,3026

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2011

All amounts are expressed in MKD thousand, unless otherwise stated

NOTE 4. CASH AND CASH EQUIVALENTS

	2011	2010
Gyro account	424	967
Cash	300	314
Total	724	1.281

NOTE 5. OTHER RECEIVABLES AND PREPAYMENTS

	2011	2010
Other receivables and prepayments	1.556	62
Total	1.556	62

NOTE 6. PROPERTY, PLANTS AND EQUIPMENT

	Equipment, vehicles	Total
Cost		
Balance at 01.01.2010	494	494
Additions	70	70
Revaluation	44	44
Balance at 31.12.2010	608	608
Accounting corrections	2	2
Additions in the year	17	17
Revaluation	47	47
Balance at 31.12.2011	674	674
Valuation allowance		
Balance at 01.01.2010	(83)	(83)
Current depreciation	(85)	(85)
Revaluation	(15)	(15)
Balance at 31.12.2010	(183)	(183)
Accounting corrections	(5)	(5)
Current depreciation	(101)	(101)
Revaluation	(22)	(22)
Balance at 31.12.2011	(312)	(312)
Carrying value at 31.12.2011	362	362
Carrying value at 31.12.2010	425	425

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2011

All amounts are expressed in MKD thousand, unless otherwise stated

NOTE 7. OTHER SHORT-TERM LIABILITIES

	2011	2010
Personal tax	-	25
Other liabilities	7	76
Total	7	101

NOTE 8. OPERATING FUND AND SURPLUS OF REVENUES OVER EXPENSES

	2011	2010
Operating fund	299	388
Revaluation	63	37
Current surplus of revenues over expenses	2.273	1.242
Total	2.635	1.667

Changes of the operating fund are stated in the Statement of Changes in the Operating Fund on page 6.

NOTE 9. GRANTED DONATIONS

Donors	2011	2010
Royal Norwegian Embassy Skopje	679	100
German Foreign Ministry	2.417	2.750
European Commission	1.632	756
Norwegian Ministry of Foreign Affairs	3.110	2.741
National endowment for democracy	793	-
Ministry of Justice of RM	-	164
Other donations	42	-
Total	8.673	6.511

NOTE 10. OTHER REVENUES

	2011	2010
Surplus of revenues over expenses from previous year	1.242	2.030
Interest	1	10
Other revenues	14	-
VAT refund	-	264
Total	1.257	2.304

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2011

All amounts are expressed in MKD thousand, unless otherwise stated

NOTE 11. EXPENSES

The operating expenses are from the operating activities of the Association. They are presented in the following table:

	2011	2010
Office materials	217	187
Rents and utilities	652	756
Maintenance	42	89
Other (print, web, accounting)	636	675
Transportation, post, telephone	308	306
Marketing	100	147
Other project related expenses	3.075	3.108
Bank provision	23	23
Insurance	4	8
Per diems and travel costs	150	535
Salaries and remunerations	2.397	1.571
Foreign exchange loss	36	17
Purchased assets	17	70
Total	7.657	7.573

NOTE 12. INCOME TAX

	2012	2011
I. Surplus of revenues over expenses	2.273	1.242
II. Tax base	-	-
III. Income tax (II *10%)	-	-
IV. Surplus of revenues over expenses after taxes (I- III)	2.273	1.242

Income tax rate is 10% of the tax base and is calculated according to the tax statement. The tax base represents expenses which are not recognised in the tax statement according to the Profit tax law.