TRANSPARENCY INTERNATIONAL MACEDONIA - Skopje

Financial Statements for the Year Ended 31 December 2012 and Independent Auditor's Report

Skopje, June 2013

BDO

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BDO

Tel. +389 2 3117 888
Fax. +389 2 3117 999
www.bdo.mk

11 Oktomvri no. 86-1/1
1000 Skopje
Republic of Macedonia

To:

The Management of

TRANSPARENCY INTERNATIONAL MACEDONIA

INDEPENDENT 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 2012, 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 far 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 and 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.

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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, in all material aspects, of the financial position of the Organization as of 31 December 2012, 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, 11 June 2013

Certified Auditor
Zvonko Kocovski

Manager
Dragan Dimitrov

STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 December 2012 and 2011
In MKD thousands

	Notes	2012	2011
Granted donations	4	13.556	8.673
Transfer surplus of revenues over expenses	5	2.276	1.257
TOTAL REVENUES		**15.832**	**9.930**
Operating expenses	6	(11.980)	(7.657)
TOTAL EXPENSES		**(11.980)**	**(7.657)**
Surplus of revenues over expenses before taxes		**3.852**	**2.273**
Income Taxes		(39)	-
Surplus of revenues over expenses after taxation	7	**3.813**	**2.273**

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 on 28 February 2013 and were signed on its behalf by:

Secretary General
Metodi Zajkov

BALANCE SHEET
As of 31 December 2012 and 2011
In MKD thousands

	Notes	31 December 2012	31 December 2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	564	362
		564	**362**
CURRENT ASSETS			
Inventories	9	195	-
Other current assets and prepayments	10	-	1.556
Cash and cash equivalents	11	3.913	724
		4.108	**2.280**
TOTAL ASSETS		**4.672**	**2.642**
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund		759	362
Surplus of revenues over expenses after taxation		3.813	2.273
	12	**4.572**	**2.635**
CURRENT LIABILITIES			
Other short term liabilities, accruals and deferred income	13	47	7
Accounts payables	14	53	-
		100	**7**
TOTAL LIABILITIES AND FUNDS		**4.672**	**2.642**

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 on 28 February 2013 and were signed on its behalf by:

Secretary General
Metodi Zajkov

STATEMENT OF CHANGES IN OPERATING FUND
For the Year Ended 31 December 2012
In MKD thousands

	Operating Fund	Surplus of revenues over expenses	TOTAL
Balance as of 1 January 2012	**362**	**2.273**	**2.635**
Transferred surplus of revenues over expenses from previous year	-	(2.273)	(2.273)
Additions	298	-	298
Revaluated fixed assets	24	-	24
Depreciation	(117)	-	(117)
Accountng corrections	(4)	-	(4)
Inventory	195	-	195
Surplus of revenues over expenses for 2012	-	3.813	3.813
Balance as of 31 December 2012	**759**	**3.813**	**4.572**

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2012
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 str. Naum Naumovski Borce 58. Organizationa has offices in Tetovo with address str. Vidoe Smilevski Bato 5/2 and Stip str. Toso Arsov no. 36.

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.

3.1 Cash and cash equivalents

The Organization's cash comprises of the cash on hand and the cash on bank 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 Material and non-material investments

Material and non-material investments (fixed assets) are stated at their cost value. The cost of the fixed assets comprise the purchasing price increased for the import customs, non-refundable 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 Foundation increases for the amount of the value of fixed assets purchased.

The revaluation of fixed assets (tangible and intangible assets), is performed because of additional valuation due to the increase of the annual inflation rate, measured with the official industrial product price index. Revaluation basis is the cost of the assets.

Revaluated value of the assets is determined by indexing.

3.3 Depreciation

Tangible and intangible assets (fixed assets) are depreciated using the straight-line method, so their cost and revaluated amount are depreciated in equal annual amounts during the estimated utilization period of the fixed assets.

The amount of the current depreciation is recorded on the burden of the operating fund.

The depreciation rates, applied by the Organization in 2012 are as follows: 25% for vehicles, 20% for electric and computer equipment, 20% for furniture.

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

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:

	In MKD	
	2012	2011
EUR	61,5000	61,5050
USD	46,6510	47,5346
CHF	50,9106	50,5964

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2012
All amounts are expressed in MKD thousand, unless otherwise stated

4. GRANTED DONATIONS

	2012	2011
Revenues from donations	13.556	8.673
Total	**13.556**	**8.673**

Breakdown of granted donations by donors:

	2012	2011
Royal Norwegian Embassy Skopje	400	679
German Foreign Ministry	2.054	2.417
European Commission	-	1.632
Norwegian Ministry of Foreign Affairs	2.943	3.110
National endowment for democracy	2.287	793
Transparency International	779	-
Embacy of Kingdom of Netherland	4.635	-
OSCE Mission in Skopje	424	-
Other donations	34	42
Total	**13.556**	**8.673**

5. SERVICES

	2012	2011
Surplus of revenues over expenses from previous year	2.273	1.242
Interest	1	1
Other revenues	2	14
Total	**2.276**	**1.257**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2012
All amounts are expressed in MKD thousand, unless otherwise stated

6. OPERATING EXPENSES

	2012	2011
Office materials	418	217
Rents and utilities	837	652
Maintenance	54	42
Other (print, web, accounting)	592	636
Transportation, post, telephone	848	308
Marketing	1.211	100
Other project related expenses	309	3.075
Bank provision	18	23
Insurance	11	4
Per diems and travel costs	514	150
Salaries and remunerations	2.834	2.397
Foreign exchange loss	34	36
Purchased assets	298	17
Intellectual and other services	3.990	-
Other expenses	12	-
Total	**11.980**	**7.657**

7. INCOME TAX

	2012	2011
I. Surplus of revenues over expenses	3.852	2.273
II. Tax base	398	-
III. Income Tax (II * 10%)	39	-
IV. Surplus of revenues over expenses after tax (I-III)	**3.813**	**2.273**

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2012
All amounts are expressed in MKD thousand, unless otherwise stated

8. EQUIPMENT

	Equipment	Total
Cost as of 1 January 2011	**608**	**608**
Accounting corrections	2	2
Additions	17	17
Revaluation	47	47
Balance as of 31 December 2011	**674**	**674**
Accounting corrections	4	4
Additions	298	298
Revaluation	50	50
Balance as of 31 December 2012	**1.026**	**1.026**
Accumulated depreciation as of 1 January 2011	**(183)**	**(183)**
Accounting corrections	(5)	(5)
Current depreciation	(102)	(102)
Revaluation	(22)	(22)
Balance as of 31 December 2011	**(312)**	**(312)**
Accounting corrections	(8)	(8)
Current depreciation	(117)	(117)
Revaluation	(24)	(24)
Balance as of 31 December 2012	**(462)**	**(462)**
Net book value as of:		
- **31 December 2012**	**564**	**564**
- **31 December 2011**	**362**	**362**

9. INVENTORIES

	2012	2011
Small inventory	195	-
Balance at 31 December	**195**	-

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2012
All amounts are expressed in MKD thousand, unless otherwise stated

10. OTHER CURRENT ASSETS AND PREPAYMENTS

	2012	2011
Other receivables and prepayments	-	1.556
Balance at 31 December	**-**	**1.556**

11. CASH AND CASH EQUIVALENTS

	2012	2011
Gyro account	3.449	424
Cash	464	300
Balance at 31 December	**3.913**	**724**

12. OPERATING FUND

	2012	2011
Operating fund	668	299
Revaluation	91	63
Current surplus of revenues over expenses	3.813	2.273
Balance at 31 December	**4.572**	**2.635**

The changes in the Operating fund are stated in the Statement of changes in the operating funds on page 5.

13. OTHER SHORT-TERM LIABILITIES AND ACCRUALS

	2012	2011
Personal tax	7	-
Other liabilities	40	7
Balance at 31 December	**47**	**7**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2012
All amounts are expressed in MKD thousand, unless otherwise stated

14. ACCOUNTS PAYABLE

	2012	2011
Domestic accounts payable	53	-
Balance at 31 December	**53**	**-**

15. OFF-BALANCE RECORDS

As of 31 December 2012 the Organization has no off-balance sheet exposure.

16. SUBSEQUENT EVENETS

There are no material subsequent events that would have an impact on understanding of financial statements.

БДО д.о.о. Скопје
11 Октомври бр. 86/1-1
1000 Скопје
Република Македонија

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BDO d.o.o. Skopje
11 Oktomvri no. 86/1-1
1000 Skopje
Republic of Macedonia

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