

**TRANSPARENCY INTERNATIONAL
MACEDONIA - Skopje**

**Financial Statements for the Year
Ended 31 December 2013 and
Independent Auditor's Report**

Skopje, October 2014

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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 2013, 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 2013, 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, 02 October 2014

Certified auditor

Zvonko Kocovski, Partner



Manager

Dragan Dimitrov



Друштво за ревизија БДО
BDO
ДОО Скопје

BALANCE SHEET
As of 31 December 2013
In MKD thousands

	Note	2013	2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1.435	3.913
Other receivables and prepayments	5	37	-
Inventories	6	-	195
Total current assets		1.472	4.108
NON-CURRENT ASSETS			
Property, plant and equipment	7	363	564
Total non-current assets		363	564
TOTAL ASSETS		1.835	4.672
LIABILITIES AND OPERATING FUND			
CURRENT LIABILITIES			
Other short-term liabilities	8	66	100
Total current liabilities		66	100
OPERATING FUND AND SURPLUS OF REVENUES OVER EXPENSES			
Operating Fund		363	759
Current surplus of revenues over expenses deferred for future periods		1.406	3.813
<i>Total Operating fund and surplus of revenues over expenses</i>	9	1.769	4.572
TOTAL LIABILITIES AND OPERATING FUND		1.835	4.672

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 2013
 In MKD thousands

	Note	2013	2012
Granted donations	10	9.031	13.556
Transferred surplus of revenues over expenses from previous year	11	3.813	2.276
Total Revenues		12.844	15.832
Operating expenses	12	(11.438)	(11.980)
Total Expenses		(11.438)	(11.980)
Surplus of revenues over expenses		1.406	3.852
Tax		-	39
Surplus of revenues over expenses after tax	13	1.406	3.813

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

STATEMENT OF CHANGES IN THE OPERATING FUND
For the Year Ended 31 December 2013
All amounts are expressed in MKD thousand, unless otherwise stated

	Operating Fund Fixed Assets	Total
Balance as of 01.01.2012	362	362
Accounting corrections	(4)	(4)
Additions	298	298
Inventory	195	195
Depreciation	(117)	(117)
Revaluation	24	24
Balance as of 31.12.2012	759	759
Inventory write off	(196)	(196)
Depreciation	(156)	(156)
Disposal of non-current assets in the year	(44)	(44)
Balance as of 31.12.2013	363	363

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2013

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 Organization 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, 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 2011 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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2013

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:

	2013	In MKD 2012
EUR	61,5113	61,5000
USD	44,6284	46,6510
CHF	50,1764	50.9106

NOTE 4. CASH AND CASH EQUIVALENTS

	2013	2012
Gyro account	434	3.449
Cash and cash equivalents	1.001	464
Total	1.435	3.913

NOTE 5. OTHER RECEIVABLES AND PREPAYMENTS

	2013	2012
Receivables for overpaid tax	37	-
Total	37	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2013

All amounts are expressed in MKD thousand, unless otherwise stated

NOTE 6. INVENTORIES

	2013	2012
Inventories	-	195
Total	-	195

NOTE 7. PROPERTY, PLANTS AND EQUIPMENT

	Equipment, vehicles
Cost	
Balance at 01.01.2012	674
Accounting corrections	4
Additions in the year	298
Revaluation	50
Balance at 31.12.2012	1.026
Disposal of the equipment	(277)
Accounting corrections (for revaluation)	3
Balance at 31.12.2013	752
Valuation allowance	
Balance at 01.01.2012	(312)
Accounting corrections	(8)
Current depreciation	(117)
Revaluation	(24)
Balance at 31.12.2012	(462)
Disposal of the equipment	229
Current depreciation	(156)
Balance at 31.12.2013	(389)
Carrying value at 31.12.2012	564
Carrying value at 31.12.2013	363

NOTE 8. OTHER SHORT-TERM LIABILITIES

	2013	2012
Personal tax	-	7
Other liabilities	3	39
Accounts payable	63	54
Total	66	100

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2013

All amounts are expressed in MKD thousand, unless otherwise stated

NOTE 9. OPERATING FUND AND SURPLUS OF REVENUES OVER EXPENSES

	2013	2012
Operating fund	270	668
Revaluation	93	91
Current surplus of revenues over expenses	1.406	3.813
Total	1.769	4.572

Changes of the operating fund are stated in the Statement of Changes in the Operating Fund on page 5.

NOTE 10. GRANTED DONATIONS

Donors	2013	2012
Royal Norwegian Embassy	848	400
German Foreign Ministry	2.335	2.054
Norwegian Ministry of Foreign Affairs	222	2.943
National endowment for democracy	1.182	2.287
Transparency International	174	779
Embassy of Kingdom of Netherland	4.172	4.635
OSCE Mission in Skopje	98	424
Other donations	-	34
Total	9.031	13.556

NOTE 11. OTHER REVENUES

	2013	2012
Surplus of revenues over expenses from previous year	3.813	2.273
Interest	-	1
Other revenues	-	2
Total	3.813	2.276

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2013

All amounts are expressed in MKD thousand, unless otherwise stated

NOTE 12. EXPENSES

	2013	2012
Office materials	363	418
Rents and utilities	949	837
Maintenance	17	54
Other (print, web, accounting)	761	592
Transportation, post, telephone	459	848
Marketing	1.545	1.211
Other project related expenses	130	309
Bank provision	16	18
Insurance	8	11
Per diems and travel costs	316	514
Salaries and remunerations	3.927	2.834
Foreign exchange loss	20	34
Purchased assets	-	298
Intellectual and other services	2.927	3.990
Other expenses	-	12
Total	11.438	11.980

NOTE 13. INCOME TAX

	2013	2012
I. Surplus of revenues over expenses	1.406	3.852
II. Tax base	-	398
III. Income tax (II *10%)	-	39
IV. Surplus of revenues over expenses after taxes (I- III)	1.406	3.813

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 Income tax law.