

**TRANSPARENCY INTERNATIONAL
MACEDONIA - Skopje**

**Financial Statements for the Year Ended
31 December 2017 and**

Independent Auditor's Report

March 2018, Skopje

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Revenues and Expenses	3
Balance Sheet	4
Statement of Changes in Funds	5
Notes to the Financial Statements	6 - 11

To:
The Management of
TRANSPARENCY INTERNATIONAL MACEDONIA
SKOPJE

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the "Transparency International Macedonia" (in the following text "the Organization"), which comprise the Balance Sheet as of 31 December 2017, 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
SKOPJE

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's opinion

In our opinion, the financial statements of "Transparency International Macedonia", Skopje give a true and fair view of the financial position of the Organization as of 31 December 2017, 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, 09 March 2018

Certified Auditor
Zvonko Kocovski




Manager
Dragan Dimitrov

STATEMENT OF REVENUES AND EXPENSES
 For the Year Ended 31 December 2017 and 2016
 In MKD thousands

	Notes	2017	2016
Revenues	4	11.022	15.877
TOTAL REVENUES		11.022	15.877
Operating expenses	5	(9.906)	(15.465)
Capital expenses	6	(115)	(26)
TOTAL EXPENSES		(10.021)	(15.491)
Surplus of revenues over expenses before taxes		1.001	386
Income Taxes		-	-
Surplus of revenues over expenses after taxation		1.001	386

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 2018 and were signed on its behalf by:


 Secretary General
 Metodi Zajkov



BALANCE SHEET
As of 31 December 2017 and 2016
In MKD thousands

	Notes	31 December 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	300	287
		<u>300</u>	<u>287</u>
CURRENT ASSETS			
Other current assets and prepayments	8	37	237
Cash and cash equivalents	9	964	375
		<u>1.001</u>	<u>612</u>
TOTAL ASSETS		<u><u>1.301</u></u>	<u><u>899</u></u>
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund	10	203	193
Reserves		97	94
Surplus of revenues over expenses		1.001	386
		<u>1.301</u>	<u>673</u>
CURRENT LIABILITIES			
Accounts payable	11	-	220
Other short term liabilities	12	-	6
		<u>-</u>	<u>226</u>
TOTAL LIABILITIES AND FUNDS		<u><u>1.301</u></u>	<u><u>899</u></u>

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

STATEMENT OF CHANGES IN OPERATING FUND
As of 31 December 2017 and 2016
In MKD thousands

	Operating Fund	Reserves	Surplus of revenues over expenses	TOTAL
Balance as of 01 January 2016	275	94	4.964	5.333
Transferred surplus of revenues over expenses from previous year	-	-	(4.964)	(4.964)
Additions of fixed assets	26	-	-	26
Depreciation	(108)	-	-	(108)
Surplus of revenues over expenses	-	-	386	386
Balance as of 31 December 2016	193	94	386	673
Transferred surplus of revenues over expenses from previous year	-	-	(386)	(386)
Additions of fixed assets	115	-	-	116
Revaluation	8	3	-	-
Depreciation	(113)	-	-	(104)
Surplus of revenues over expenses	-	-	1.001	1.001
Balance as of 31 December 2017	203	97	1.001	1.303

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

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.

The total number of the employees as of 31 December 2017 is 5 employees (31 December 2016 - 5 employees).

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 standards for reporting under the cash basis of accounting 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

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, 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 Organization increases for the amount of the value of fixed assets purchased.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

All amounts are expressed in MKD thousand, unless otherwise stated

3. BASIC ACCOUNTING POLICIES (Continued)**3.2. Tangible and intangible assets (Continued)**

The revaluation of fixed assets (tangible and intangible assets) is performed because of additional valuation if the annual inflation rate, measured with the official industrial product price index, is higher than 30%. Revaluation basis is the cost of the assets.

Revaluated i.e. market 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 2017 are as follows: 1-2,5% for buildings, 10-20% for equipment and vehicle, 12-16% for furniture and 25% for computer equipment.

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

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:

	2017	In MKD 2016
EUR	61.4907	61.4812
USD	51.2722	58,3258
CHF	52.5472	57,2504

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

All amounts are expressed in MKD thousand, unless otherwise stated

4. REVENUES

	<u>2017</u>	<u>2016</u>
Revenues from donations	10.636	10.913
Transferred surplus of revenues over expenses	386	4.964
Total	<u>11.022</u>	<u>15.877</u>

During 2017 the following revenues from donations were realized:

	<u>Donor</u>	<u>Project</u>	<u>Amount</u>
1	Ministry of Foreign Affairs Germany	Advocacy and Legal Advice Centers(ALAC) - Speaking Up Against Corruption in SEE	424
2	European Commission DG Enlargement	Strengthening National Integrity Systems in the Western Balkans and Turkey, and tracking developments of anti-corruption efforts	922
3	Embassy of the Kingdom of the Netherlands	Protecting of the reporting persons and role of the media and civil society	613
4	European Commission DG Enlargement	Strengthening National Integrity Systems in the Western Balkans and Turkey, and tracking developments of anti-corruption efforts -bridging grant	2.490
5	USAID CEP represented by the East West Management Institute	Strengthening CSO's Platform in Fight Against Corruption	1.200
6	Embassy of the Kingdom of the Netherlands	Monitoring of Pre-electoral and Electoral Budget Expenditure and Political Financing	1.263
7	CIVICA represented by Macedonian Center for International Cooperation (MCIC)	Together to the road of justice	794
8	Ministry of Foreign Affairs Germany	Supporting citizens in fighting corruption in the Western Balkans	2.878
9	Romanian Academic Society	Southeast Europe Coalition Whistleblower Protection	52
	TOTAL		10.636

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

All amounts are expressed in MKD thousand, unless otherwise stated

5. OPERATING EXPENSES

	<u>2017</u>	<u>2016</u>
Office Materials	492	618
Rents and utilities	498	680
Maintenance	60	39
Other (print, web, accounting)	880	1.082
Transportation, post, telephone	264	291
Marketing	720	1.230
Other project related expenses	295	84
Bank provision	33	27
Insurance	2	2
Per diems and travel costs	185	605
Salaries and other employee related costs	3.539	3.286
Foreign exchange loss	13	15
Intellectual and other services	2.786	7.431
Indirect taxes	29	75
Social transfers to other organisation	110	-
Total	<u>9.906</u>	<u>15.465</u>

6. CAPITAL EXPENSES

	<u>2017</u>	<u>2016</u>
Equipment	115	26
Total	<u>115</u>	<u>26</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

All amounts are expressed in MKD thousand, unless otherwise stated

7. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Total
Cost as of 01 January 2016	675	675
Additions in the year	26	26
Balance as of 31 December 2016	701	701
Additions in the year	115	115
Revaluation	11	11
Write off	(198)	(198)
Balance as of 31 December 2017	629	629
Accumulated depreciation as of 1 January 2016	308	308
Depreciation	106	106
Balance as of 31 December 2016	414	414
Depreciation	113	113
Decrease of depreciation (write off)	(198)	(198)
Balance as of 31 December 2017	329	329
Net book value as of:		
- 31 December 2017	300	300
- 31 December 2016	287	287

8. OTHER CURRENT ASSETS AND PREPAYMENTS

	2017	2016
Receivables for overpaid tax	37	37
Other prepayments- correspondent account for liabilities	-	200
Balance as of 31 December	37	237

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

All amounts are expressed in MKD thousand, unless otherwise stated

9. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
Current account	964	375
Balance as of 31 December	<u>964</u>	<u>375</u>

10. OPERATING FUND

	<u>2017</u>	<u>2016</u>
Operating fund	1.301	673
Balance as of 31 December	<u>1.301</u>	<u>673</u>

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

11. ACCOUNTS PAYABLE

	<u>2017</u>	<u>2016</u>
Domestic account payable	-	220
Balance as of 31 December	<u>-</u>	<u>220</u>

12. OTHER SHORT-TERM LIABILITIES

	<u>2017</u>	<u>2016</u>
Other liabilities	-	6
Balance as of 31 December	<u>-</u>	<u>6</u>

14. OFF-BALANCE RECORDS

As of 31 December 2017 the Organization has no off-balance sheet exposure.

15. SUBSEQUENT EVENETS

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