

**TRANSPARENCY INTERNATIONAL
MACEDONIA - Skopje**

**Financial Statements for the Year Ended
31 December 2018 and
Independent Auditor's Report**

March 2019, Skopje

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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 2018, 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 2018, 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, 08 March 2019

Certified Auditor
Zvonko Kocovski



Manager
Dragan Dimitrov



STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 December 2018 and 2017
In MKD thousands

	Notes	2018	2017
Revenues	4	10.322	11.022
TOTAL REVENUES		10.322	11.022
Operating expenses	5	(8.650)	(9.906)
Capital expenses	6	(96)	(115)
TOTAL EXPENSES		(8.746)	(10.021)
Surplus of revenues over expenses before taxes		1.576	1.001
Income Taxes		-	-
Surplus of revenues over expenses after taxation		1.576	1.001

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 2019 and were signed on its behalf by:


 Secretary General
 Metodi Zajkov



BALANCE SHEET
As of 31 December 2018 and 2017
In MKD thousands

	Notes	31 December 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	297	300
		<u>297</u>	<u>300</u>
CURRENT ASSETS			
Other current assets and prepayments	8	40	37
Cash and cash equivalents	9	1.637	964
		<u>1.677</u>	<u>1.001</u>
TOTAL ASSETS		<u>1.974</u>	<u>1.301</u>
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund	10	200	203
Reserves		97	97
Surplus of revenues over expenses		1.576	1.001
		<u>1.873</u>	<u>1.301</u>
CURRENT LIABILITIES			
Accounts payable	11	101	-
Other short term liabilities		-	-
		<u>101</u>	<u>-</u>
TOTAL LIABILITIES AND FUNDS		<u>1.974</u>	<u>1.301</u>

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

STATEMENT OF CHANGES IN OPERATING FUND
As of 31 December 2018 and 2017
In MKD thousands

	Operating Fund	Reserves	Surplus of revenues over expenses	TOTAL
Balance as of 01 January 2017	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	1.301
Transferred surplus of revenues over expenses from previous year	-	-	(1.001)	(1.001)
Additions of fixed assets	96	-	-	96
Depreciation	(99)	-	-	(100)
Surplus of revenues over expenses	-	-	1.576	1.576
Balance as of 31 December 2018	200	97	1.576	1.873

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

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 2018 is 5 employees (31 December 2017 - 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 2018

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 2018 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:

	2018	In MKD 2017
EUR	61.4950	61.4907
USD	53.6887	51.2722
CHF	54.7742	52.5472

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

All amounts are expressed in MKD thousand, unless otherwise stated

4. REVENUES

	2018	2017
Revenues from donations	9.321	10.636
Transferred surplus of revenues over expenses	1.001	386
Total	10.322	11.022

During 2018 the following revenues from donations were realized:

	Donor	Project	Amount
1	Ministry of Foreign Affairs Germany	Supporting citizens in fighting corruption in the Western Balkans	2.997
2	European Commission DG Enlargement	Strengthening National Integrity Systems in the Western Balkans and Turkey, and tracking developments of anti-corruption efforts -bridging grant	668
3	USAID CEP represented by the East West Management Institute	Strengthening CSO's Platform in Fight Against Corruption	1.925
4	European Commission DG Enlargement	Ending impunity for grand corruption in western Balkan and Turkey	3.014
5	CIVICA represented by Macedonian Center for International Cooperation (MCIC)	Together to the road of justice	182
6	Embassy of Canada	"Empowering Citizens in the Fight against Corruption in Macedonia"	435
7	Romanian Academic Society	Southeast Europe Coalition Whistleblower Protection	49
8	Transparency International Defence and Security UK	Government Defence Anti-corruption index	51
TOTAL 2018			9.321

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

All amounts are expressed in MKD thousand, unless otherwise stated

5. OPERATING EXPENSES

	<u>2018</u>	<u>2017</u>
Office Materials	520	492
Rents and utilities	613	498
Maintenance	45	60
Other (print, web, accounting)	876	880
Transportation, post, telephone	229	264
Marketing	1.081	720
Other project related expenses	293	295
Bank provision	29	33
Insurance	2	2
Per diems and travel costs	196	185
Salaries and other employee related costs	2.852	3.539
Foreign exchange loss	13	13
Intellectual and other services	1.741	2.786
Indirect taxes	28	29
Social transfers to other organisation	132	110
Total	<u>8.650</u>	<u>9.906</u>

6. CAPITAL EXPENSES

	<u>2018</u>	<u>2017</u>
Equipment	96	115
Total	<u>96</u>	<u>115</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

All amounts are expressed in MKD thousand, unless otherwise stated

7. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Total
Cost as of 01 January 2017	701	701
Additions in the year	115	115
Revaluation	11	11
Write off	(198)	(198)
Balance as of 31 December 2017	629	629
Additions in the year	96	96
Revaluation	-	-
Write off	-	-
Balance as of 31 December 2018	725	725
Accumulated depreciation as of 1 January 2017	414	414
Depreciation	113	113
Decrease of depreciation (write off)	(198)	(198)
Balance as of 31 December 2017	329	329
Depreciation	99	99
Balance as of 31 December 2018	428	428
Net book value as of:		
- 31 December 2018	297	297
- 31 December 2017	300	300

8. OTHER CURRENT ASSETS AND PREPAYMENTS

	2018	2017
Receivables for overpaid tax	37	37
Other prepayments- correspondent account for liabilities	3	-
Balance as of 31 December	40	37

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

All amounts are expressed in MKD thousand, unless otherwise stated

9. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Current account	1.637	964
Balance as of 31 December	<u>1,637</u>	<u>964</u>

10. OPERATING FUND

	<u>2018</u>	<u>2017</u>
Operating fund	297	1.301
Balance as of 31 December	<u>297</u>	<u>1.301</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>2018</u>	<u>2017</u>
Domestic account payable	101	-
Balance as of 31 December	<u>101</u>	<u>-</u>

12. OFF-BALANCE RECORDS

As of 31 December 2018 the Organization has no off-balance sheet exposure.

13. SUBSEQUENT EVENETS

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