

**ASSOCIATION FOR SUSTAINABLE
DEVELOPMENT “MILIEUKONTAKT
Macedonia” Skopje**

**Financial Statements for the year ended
31 December 2015 in accordance with
accounting standards accepted in the Republic
of Macedonia and**

Independent Auditor’s Report

Skopje, April 2016

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Revenues and Expenses	3
Balance Sheet	4
Statement of Changes in Operating Fund	5
Notes to the Financial Statements	6 - 13

To:

The management of

**ASSOCIATION FOR SUSTAINABLE DEVELOPMENT "MILIEUKONTAKT MACEDONIA"
SKOPJE**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Association for sustainable development "MILIEUKONTAKT Macedonia", Skopje (in the following text "the Association"), which comprise the Balance Sheet as of 31 December 2015, 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

**ASSOCIATION FOR SUSTAINABLE DEVELOPMENT "MILIEUKONTAKT MACEDONIA"
SKOPJE**

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's opinion

In our opinion, the financial statements of the Association for sustainable development "MILIEUKONTAKT Macedonia", Skopje give a true and fair view of the financial position of the Association as of 31 December 2015, 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 April 2016



Certified Auditor
Elena Petrovska-Lazarevski



Manager
Dragan Dimitrov

ASSOCIATION FOR SUSTAINABLE DEVELOPMENT "MILIEUKONTAKT Macedonia" SKOPJE

STATEMENT OF REVENUES AND EXPENSES

For the Year Ended 31 December 2015

In MKD thousands

	Notes	2015	2014
Revenues from donations	4	37.821	40.968
Financial revenues	5	1	2
Surplus of revenues over expenses from previous years	6	5.229	3.590
TOTAL REVENUES		43.051	44.560
Operating expenses	7	(31.414)	(33.789)
Personnel expenses	8	(7.422)	(5.474)
Capital expenses	9	(542)	(68)
Social and other transfers	10	(12)	-
TOTAL EXPENSES		(39.390)	(39.331)
Surplus of revenues over expenses before taxes		3.661	5.229
Income Taxes		-	-
Surplus of revenues over expenses after taxation		3.661	5.229

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

The accompanying financial statements were authorised for issue by the management of the Association on 26 February 2016 and were signed on its behalf by:

Executive Manager
Igor Slavkoski

ASSOCIATION FOR SUSTAINABLE DEVELOPMENT "MILIEUKONTAKT Macedonia" SKOPJE

BALANCE SHEET
As of 31 December 2015
In MKD thousands

	Notes	31 December 2015	31 December 2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	1.489	1.676
Intangible assets	12	43	65
		<u>1.532</u>	<u>1.741</u>
CURRENT ASSETS			
Other receivables	13	2.161	2.705
Prepayments	14	143	80
Cash and cash equivalents	15	1.520	2.441
		<u>3.824</u>	<u>5.226</u>
TOTAL ASSETS		<u><u>5.356</u></u>	<u><u>6.967</u></u>
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund		1.492	1.701
Surplus of revenues over expenses after taxation		3.661	5.229
	16	<u>5.153</u>	<u>6.930</u>
CURRENT LIABILITIES			
Accounts payable	17	184	6
Other short term liabilities	18	19	31
		<u>203</u>	<u>37</u>
TOTAL LIABILITIES AND FUNDS		<u><u>5.356</u></u>	<u><u>6.967</u></u>

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

The accompanying financial statements were authorised for issue by the management of the Association on 26 February 2016 and were signed on its behalf by:

Executive Manager
Igor Slavkoski

ASSOCIATION FOR SUSTAINABLE DEVELOPMENT "MILIEUKONTAKT Macedonia" SKOPJE

STATEMENT OF CHANGES IN OPERATING FUND

As of 31 December 2015

In MKD thousands

	<u>Fixed assets</u>	<u>Small value inventory</u>	<u>Total</u>
Balance as of 01 January 2014	2.254	-	2.254
Additions	65	3	68
Small inventory write off	-	(3)	(3)
Depreciation for 2014	(618)	-	(618)
Balance as of 31 December 2014	<u>1.701</u>	<u>-</u>	<u>1.701</u>
Additions	419	-	419
Depreciation for 2015	(628)	-	(628)
Balance as of 31 December 2015	<u><u>1.492</u></u>	<u><u>-</u></u>	<u><u>1.492</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

1. ESTABLISHMENT AND ACTIVITY OF THE ASSOCIATION

Association for sustainable development "MILIEUKONTAKT Macedonia" is citizen's organization founded according to the Law for Associations and Foundations. The Association was established on 23 February 2012 and registered in Central Register of the Republic of Macedonia.

The association works in accordance with the Law on Associations and Foundations and its Statute, in fulfillment of the following objectives: preparation and implementation of projects, programs, plans and activities for sustainable development, performing of public interest activities in the environmental protection and sustainable development, building of the capacity of civil society organizations, local government and the business sector in line with sustainable development, strengthening the cooperation between all society contributors at local, national and international level to promote the values of sustainable development, advocacy and lobbying on issues related to civil society and sustainable development, initiatives for promoting sustainable development of local communities, public participation in decision-making in the field of sustainable development, access to information in the field of sustainable development and raising public awareness of sustainable development.

The Association head office is located in Skopje, at Kukushka street no. 4A.

The Association finances its activities from the following sources: Income from donations, contributions and sponsorships, from the Budget of The Republic of Macedonia and its local governments, providing services to third parties and other sources of funds prescribed by law and statute.

The total number of the employees as of 31 December 2015 amounts 8 employees (31 December 2014 was 8 employees).

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Association 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

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 Association are being adequately applied from year to year.

3.1. Cash and cash equivalents

The Association's cash comprises of the cash on hand and the cash on bank accounts 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 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 Association 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 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 Association in 2015 are as follows: 10-25% for equipment, 25% for vehicle, 20% for furniture, 25% for computer equipment and 20% for intangible assets.

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 2015

All amounts are expressed in MKD thousand, unless otherwise stated

3. BASIC ACCOUNTING POLICIES (Continued)**3.4. Inventories**

Inventories of materials are stated at their cost value. The operating fund of the Association increases for the amount of the value of fixed assets purchased. Inventories of materials are reduced in the time of their spending and also reduces operating fund.

Small value inventories comprise those long-term assets whose value at the time of purchase is less than 100 EUR in MKD. Small inventory is written off once fully in the moment of purchase.

3.5. 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).

3.6. 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:

	2015	In MKD 2014
EUR	61,5947	61,4814
USD	56,3744	50,5604
CHF	56,9583	51,1152

ASSOCIATION FOR SUSTAINABLE DEVELOPMENT "MILIEUKONTAKT Macedonia" SKOPJE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

4. REVENUES FROM DONATIONS

	2015	2014
Grants from USAID	32.236	36.044
Other grants and donations	2.886	4.922
Other revenues	2.699	2
Total	37.821	40.968

5. FINANCIAL REVENUES

	2015	2014
Interests	1	2
Total	1	2

6. SURPLUS OF REVENUES FROM PREVIOUS YEARS

	2015	2014
Surplus of revenues from previous years	5.229	3.590
Total	5.229	3.590

7. OPERATING EXPENSES

	2015	2014
Materials	636	363
Energy and water	452	282
Marketing and representation	-	28
Transport and postal services	729	2.244
Rents	708	618
Expenses for seminars, training, memberships	2.817	1.770
Other materials expenses	10.237	96
Bank provisions	374	277
Insurance premiums	99	5
Per diems and traveling expenses	330	164
Intellectual services	4.362	5.530
Other costs for operative services	10.374	21.565
Other costs	296	847
Total	31.414	33.789

ASSOCIATION FOR SUSTAINABLE DEVELOPMENT "MILIEUKONTAKT Macedonia" SKOPJE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

8. PERSONNEL EXPENSES

	<u>2015</u>	<u>2014</u>
Gross salaries	<u>7.422</u>	<u>5.474</u>
Total	<u>7.422</u>	<u>5.474</u>

9. CAPITAL EXPENSES

	<u>2015</u>	<u>2014</u>
Equipment	<u>542</u>	<u>68</u>
Total	<u>542</u>	<u>68</u>

10. SOCIAL AND OTHER TRANSFERS

	<u>2015</u>	<u>2014</u>
Other transfers	<u>12</u>	<u>-</u>
Total	<u>12</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

11. PROPERTY, PLANT AND EQUIPMENT

	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost as of 01 January 2014	1.564	1.222	2.786
Additions	65	-	65
Balance as of 31 December 2014	<u>1.629</u>	<u>1.222</u>	<u>2.851</u>
Additions	302	117	419
Balance as of 31 December 2015	<u>1.931</u>	<u>1.339</u>	<u>3.270</u>
Accumulated depreciation as of 1 January 2014	294	306	600
Depreciation	269	305	574
Balance as of 31 December 2014	<u>563</u>	<u>611</u>	<u>1.174</u>
Depreciation	302	305	607
Balance as of 31 December 2015	<u>865</u>	<u>916</u>	<u>1.781</u>
Net book value as of:			
- 31 December 2015	<u>1.066</u>	<u>423</u>	<u>1.489</u>
- 31 December 2014	<u>1.065</u>	<u>611</u>	<u>1.676</u>

12. INTANGIBLE ASSETS

	<u>Intangible assets</u>	<u>Total</u>
Cost as of 01 January 2014	107	107
Additions	-	-
Balance as of 31 December 2014	<u>107</u>	<u>107</u>
Additions	-	-
Balance as of 31 December 2015	<u>107</u>	<u>107</u>
Accumulated depreciation as of 1 January 2014	-	-
Depreciation	42	42
Balance as of 31 December 2014	<u>42</u>	<u>42</u>
Depreciation	22	22
Balance as of 31 December 2015	<u>64</u>	<u>64</u>
Net book value as of:		
- 31 December 2015	<u>43</u>	<u>43</u>
- 31 December 2014	<u>65</u>	<u>65</u>

ASSOCIATION FOR SUSTAINABLE DEVELOPMENT "MILIEUKONTAKT Macedonia" SKOPJE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

13. OTHER RECEIVABLES	2015	2014
VAT	2.153	2.696
Receivables for prepaid taxes	8	9
Салдо на 31 декември	2.161	2.705
14. PREPAYMENTS	2015	2014
Prepayments	143	80
Balance at 31 December	143	80
15. CASH AND CASH EQUIVALENTS	2015	2014
Current account	1.469	2.372
Other monetary assets	51	69
Balance at 31 December	1.520	2.441
16. OPERATING FUND	2015	2014
Operating fund	1.492	1.701
Surplus of revenues over expenses	3.661	5.229
Balance at 31 December	5.153	6.930
17. ACCOUNTS PAYABLES	2015	2014
Domestic accounts payable	184	6
Balance at 31 December	184	6

ASSOCIATION FOR SUSTAINABLE DEVELOPMENT "MILIEUKONTAKT Macedonia" SKOPJE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

18. OTHER SHORT-TERM LIABILITIES

	<u>2015</u>	<u>2014</u>
Liabilities for employees	<u>19</u>	<u>31</u>
Balance at 31 December	<u><u>19</u></u>	<u><u>31</u></u>

19. OFF-BALANCE RECORDS

As of 31 December 2015 the Association does not have off-balance sheet exposure.

20. SUBSEQUENT EVENETS

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