

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

**Financial Statements for the year ended
31 December 2016 in accordance with
accounting standards accepted in the Republic
of Macedonia and**

Independent Auditor’s Report

Skopje, April 2017

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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 2016, 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 of the Association 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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the auditing standards applicable in the Republic of Macedonia. 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 2016, 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, 25 April 2017

Certified Auditor
Elena Petrovska-Lazarevski

Manager
Dragan Dimitrov

STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 December 2016
In MKD thousand

	Notes	2016	2015
Revenues from donations	4	57.360	37.821
Financial revenues	5	1	1
Surplus of revenues over expenses from previous years	6	3.661	5.229
TOTAL REVENUES		61.022	43.051
Operating expenses	7	(46.277)	(31.414)
Personnel expenses	8	(9.079)	(7.422)
Capital expenses	9	(243)	(542)
Social and other transfers	10	-	(12)
TOTAL EXPENSES		(55.599)	(39.390)
Surplus of revenues over expenses before taxes		5.423	3.661
Income Taxes		-	-
Surplus of revenues over expenses after taxation		5.423	3.661

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 28 February 2017 and were signed on its behalf by:

Executive Manager
Igor Slavkoski

ASSOCIATION FOR SUSTAINABLE DEVELOPMENT “MILIEUKONTAKT Macedonia” SKOPJE

BALANCE SHEET
As of 31 December 2016
In MKD thousand

	Notes	31 December 2016	31 December 2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	869	1.489
Intangible assets	12	22	43
		891	1.532
CURRENT ASSETS			
Other receivables	13	1.700	2.161
Prepayments	14	5.525	143
Cash and cash equivalents	15	2.432	1.520
		9.657	3.824
TOTAL ASSETS		10.548	5.356
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund		852	1.492
Surplus of revenues over expenses after taxation		5.423	3.661
	16	6.275	5.153
CURRENT LIABILITIES			
Accounts payable	17	4.216	184
Other short term liabilities	18	54	19
Accruals	19	3	-
		4.273	203
TOTAL LIABILITIES AND FUNDS		10.548	5.356

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The accompanying financial statements were authorised for issue by the management of the Association on 28 February 2017 and were signed on its behalf by:

Executive Manager
Igor Slavkoski

STATEMENT OF CHANGES IN OPERATING FUND

As of 31 December 2016

In MKD thousand

	<u>Fixed assets</u>	<u>Small value inventory</u>	<u>Total</u>
Balance as of 01 January 2015	1.701	-	1.701
Additions	419	-	419
Depreciation for 2015	(628)	-	(628)
Balance as of 31 December 2015	<u>1.492</u>	<u>-</u>	<u>1.492</u>
Additions	61	182	243
Small inventory write off	-	(182)	-
Depreciation for 2016	(701)	-	(701)
Balance as of 31 December 2016	<u><u>852</u></u>	<u><u>-</u></u>	<u><u>852</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

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 2016 amounts 11 employees (31 December 2015 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 MKD thousand, except when otherwise indicated in the text.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

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 2016 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 2016

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 2016 are as follows:

	2016	In MKD 2015
EUR	61,4812	61,5947
USD	58,3258	56,3744
CHF	57,2504	56,9583

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

All amounts are expressed in MKD thousand, unless otherwise stated

4. REVENUES FROM DONATIONS	2016	2015
Grants from USAID	41.522	32.236
Other grants and donations	15.744	2.886
Other revenues	94	2.699
Total	57.360	37.821
5. FINANCIAL REVENUES	2016	2015
Interests	1	1
Total	1	1
6. SURPLUS OF REVENUES FROM PREVIOUS YEARS	2016	2015
Surplus of revenues from previous years	3.661	5.229
Total	3.661	5.229
7. OPERATING EXPENSES	2016	2015
Materials	2.156	636
Energy and water	457	452
Marketing and representation	17	-
Transport and postal services	410	729
Rents	1.286	708
Expenses for seminars, training, memberships	204	2.817
Other materials expenses	14.707	10.237
Bank provisions	370	374
Insurance premiums	200	99
Per diems and traveling expenses	391	330
Intellectual services	2.876	4.362
Other costs for operative services	22.758	10.374
Other costs	445	296
Total	46.277	31.414

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

All amounts are expressed in MKD thousand, unless otherwise stated

8. PERSONNEL EXPENSES

	<u>2016</u>	<u>2015</u>
Gross salaries	<u>9.079</u>	<u>7.422</u>
Total	<u>9.079</u>	<u>7.422</u>

9. CAPITAL EXPENSES

	<u>2016</u>	<u>2015</u>
Equipment	<u>243</u>	<u>542</u>
Total	<u>243</u>	<u>542</u>

10. SOCIAL AND OTHER TRANSFERS

	<u>2016</u>	<u>2015</u>
Other transfers	<u>-</u>	<u>12</u>
Total	<u>-</u>	<u>12</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

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 2015	1.629	1.222	2.851
Additions	302	117	419
Balance as of 31 December 2015	<u>1.931</u>	<u>1.339</u>	<u>3.270</u>
Additions	61	-	61
Balance as of 31 December 2016	<u>1.992</u>	<u>1.339</u>	<u>3.331</u>
Accumulated depreciation			
as of 1 January, 2015	563	611	1.174
Depreciation	284	323	607
Balance as of 31 December 2015	<u>847</u>	<u>934</u>	<u>1.781</u>
Depreciation	346	335	681
Balance as of 31 December 2016	<u>1.193</u>	<u>1.269</u>	<u>2.462</u>
Net book value as of:			
- 31 December 2016	<u>799</u>	<u>70</u>	<u>869</u>
- 31 December 2015	<u>1.066</u>	<u>423</u>	<u>1.489</u>

12 . INTANGIBLE ASSETS

	<u>Intangible assets</u>	<u>Total</u>
Cost as of 01 January 2015	107	107
Additions	-	-
Balance as of 31 December 2015	<u>107</u>	<u>107</u>
Additions	-	-
Balance as of 31 December 2016	<u>107</u>	<u>107</u>
Accumulated amortization		
as of 1 January 2015	42	42
Amortization	22	22
Balance as of 31 December 2015	<u>64</u>	<u>64</u>
Amortization	21	21
Balance as of 31 December 2016	<u>85</u>	<u>85</u>
Net book value as of:		
- 31 December 2016	<u>22</u>	<u>22</u>
- 31 December 2015	<u>43</u>	<u>43</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

All amounts are expressed in MKD thousand, unless otherwise stated

13. OTHER RECEIVABLES

	<u>2016</u>	<u>2015</u>
VAT	1.688	2.153
Accounts receivable	3	-
Receivables for prepaid taxes	9	8
Balance as of 31 December	<u>1.700</u>	<u>2.161</u>

14. PREPAYMENTS

	<u>2016</u>	<u>2015</u>
Prepayments	5.525	143
Balance as of 31 December	<u>5.525</u>	<u>143</u>

15. CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
Current account	2.371	1.469
Other monetary assets	61	51
Balance as of 31 December	<u>2.432</u>	<u>1.520</u>

16. OPERATING FUND

	<u>2016</u>	<u>2015</u>
Operating fund	852	1.492
Surplus of revenues over expenses	5.423	3.661
Balance as of 31 December	<u>6.275</u>	<u>5.153</u>

17. ACCOUNTS PAYABLES

	<u>2016</u>	<u>2015</u>
Domestic accounts payable	4.216	184
Balance as of 31 December	<u>4.216</u>	<u>184</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

All amounts are expressed in MKD thousand, unless otherwise stated

18. OTHER SHORT-TERM LIABILITIES

	<u>2016</u>	<u>2015</u>
Liabilities for employees	54	19
Balance as of 31 December	<u>54</u>	<u>19</u>

19. ACCRUALS

	<u>2016</u>	<u>2015</u>
Accruals	3	-
Balance as of 31 December	<u>3</u>	<u>-</u>

20. OFF-BALANCE RECORDS

As of 31 December 2016, the Association does not have off-balance sheet exposure.

21. SUBSEQUENT EVENETS

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