



Financial Statements and Independent audit report

For the year that ends at 31.12.2015

Of BALKAN CIVIL SOCIETY DEVELOPMENT NETWORK

APRIL, 2016



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TO

THE COUNCIL, BOARD AND EXECUTIVE DIRECTOR OF BALKAN CIVIL SOCIETY DEVELOPMENT NETWORK

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of BALKAN CIVIL SOCIETY DEVELOPMENT NETWORK, which comprise the balance sheet as of December 31, 2015 and the income statement for the year that 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 Law on Accounting for Not for Profit organizations in Republic of Macedonia. 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 judgment, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position as of December 31, 2015, and its financial performance, for the year then ended in accordance with Law on Accounting for Not for Profit organizations in Republic of Macedonia

Report on other legal and regulatory requirements

The Management is responsible for preparation of the year ended financial statement and annual report.

According to the article 34(d) of the Audit Law and according to the International Standard on Auditing (ISA) 720, "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements" our responsibility is to express an opinion on the consistency of the annual report with the annual accounts and financial statements for the same fiscal year.

In our opinion the annual report and annual accounts for the year ended 31.12.2015 are consistent in all material respects the financial information disclosed in the audited financial statements for the same period.

Skopje, 13.04.2016

For Effect Plus DOOEL Skopje

Certified Auditor responsible for the audit

Miov Nikolaki

Manager

Miov Nikolaki

FINANCIAL STATEMENTS FOR THE YEAR ENDED AT DECEMBER 31, 2015

Income statement

	notes	2015 In MKD	2014 In MKD
Income		<u>15,694,310</u>	<u>40,172,264</u>
Incomes from activities	(4)	505,861	261,186
Donors	(5)	2,496,185	36,492,217
Financial incomes	(6)	228,139	26,559
Other income		38,306	30,940
Transferred income from previous year		12,425,819	3,361,362
Expenses		<u>(15,694,310)</u>	<u>(23,101,460)</u>
Material costs and services	(7)	(896,054)	(2,055,252)
Other expenses	(8)	(10,891,888)	(17,555,115)
Salaries	(9)	(3,831,430)	(3,335,156)
Capital costs		(74,938)	(155,937)
Surplus of income over expenses before taxation		<u>(0)</u>	<u>17,070,804</u>
Income tax			8,422
Surplus of income over expenses after taxation		<u>(0)</u>	<u>17,062,382</u>

These financial statements have been approved and adopted by the management as of April 13, 2016.

For BCSDN



Notes on page 7-15 are integral part of the Financial Statements

BALANCE SHEET

	notes	2015 in MKD	2014 in MKD
<u>Assets</u>			
Non-current assets		332,697	345,846
Property, plant and equipment	(10)	332,697	345,846
Current assets		9,139,840	21,276,339
Receivables from states	(11)	28,822	42,734
Other receivables	(12)	542,386	121,702
Cash and cash equivalents	(13)	7,900,708	17,053,687
Deferred expenses	(14)	667,924	4,058,216
Total assets		<u>9,472,537</u>	<u>21,622,185</u>
<u>Funds and liabilities</u>			
Funds	(15)	952,697	345,846
Funds		952,697	345,846
Current liabilities		877,622	4,177,046
Payables	(16)	751,524	3,978,346
Tax payables	(17)	126,098	198,700
Deferred income	(18)	525,765	36,911
Project activities payables	(19)	5,122,903	
Surplus of income for transfer to next year		1,993,550	17,062,382
Funds and liabilities total		<u>9,472,537</u>	<u>21,622,185</u>

These financial statements have been approved and adopted by the management as of April 13, 2016.

For BCSDN



Notes on page 7-15 are integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Foundation Balkan Civil Society Development Network Skopje (hereinafter BCSDN) is legally registered on 06.07.2009 in Skopje, Macedonia with address Mitropolit Teodosij Gologanov 39-2/2 Skopje, Centar with ID number 6524710 and VAT number 4057009503419.

Founders of the BCSDN according to the article 3 from the Statute of BCSDN form 18.06.2014 are as follows:

1. Albanian Civil Society Foundation, Tirana, Albania;
2. Center for Development of NGO's, Podgorica, Montenegro;
3. Centre for Information Services, Cooperation and Development of NGO's, Ljubljana, Slovenia;
4. Center for Promotion of Civil Society, Sarajevo, Bosnia and Herzegovina;
5. Cenzura Plus, Split, Croatia;
6. Civic Initiatives, Belgrade, Serbia;
7. Diakonia Agapes, Tirana, Albania;
8. Kosovar Civil Society Foundation, Pristina, Kosovo;
9. Macedonian Center for International Cooperation, Skopje, Macedonia;
10. Opportunity Associates Romania, Bucharest, Romania;
11. Vesta Association, Tuzla, Bosnia and Herzegovina.

The vision of the BCSDN is sustainable peace, harmony and prosperity of societies in the Balkan region

The goals of the BCSDN are:

- Increase the role of civil society by strengthening its voice in policy- and decision-making at national, regional and EU level;
- Promote the civil dialogue between the civil society actors, state institutions and the European Union in order to influence the public policies;
- Developed advocacy knowledge and skills among civil society actors as a base for greater impact; and
- Strengthen communication, coordination and cooperation between the civil society actors in the Balkan region.

The initial fund as registered in the Central Registry of Macedonia is amounting 10.000 EUR.

The legal form is 10.6 Foundation

Code of activity: 94.99 Activities of other organizations based on membership, not mentioned under other codes.

The Governing bodies are the Council and the Board.

The Executive bodies are the Executive Office and The Executive Director.

Authorized person is Mrs. Tanja Hafner Ademi.

2. BASIS OF PREPARATION

The financial reports are based on the legal framework comprising Law on accounting, Rulebook on chart of accounts for Non-profit organizations, Rulebook on contents of Accounts in Chart of Accounts for Non-profit organizations.

The financial reports are based on accounting principle of modified recognition of the effects of transactions and other events. The transactions related to income and expenses are recognized when they occur if the cash or its equivalent is received or paid latest the thirty day after the date of the financial reports. Otherwise they are recorded in the accounting records and reported in financial statements as deferred expenses and income (Official gazette No 24/03).

All amounts in these financial statements and the accompanying notes are presented in Macedonian denars. The Denar is the functional currency in the Republic of Macedonia. All information unless otherwise stated are presented rounded in nearest denar.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used for the preparation of the financial statements are as follows:

3.1 Recognition of income

The income is recognized based on accounting principle of modified recognition of the effects of transactions and other events. The transactions related to income are recognized when they occur if the cash or its equivalent is received latest the thirty day after the date of the financial reports. Otherwise they are recorded in the accounting records and reported in financial statements as deferred income.

The recognition of revenue from donations with the clause to return the unspent funds occurs at the level of project costs reported in the current year. The rest of the received donation is presented as liability.

The interest income is recognized according the reflection of the effective inflow of the assets, if received latest after 30 days after the date of the financial reports.

3.2 Recognition of expenses

The expenses are recognized based on accounting principle of modified recognition of the effects of transactions and other events. The transactions related to expenses are recognized when they occur if the cash or its equivalent is paid latest the thirty day after the date of the financial reports. Otherwise they are recorded in the accounting records and reported in financial statements as deferred expenses.

The income tax is applicable with rate of 10% on the difference of the total income and expenses, increased for the expenses not recognized for tax reporting purposes according the Income tax Law. The income from donations and membership payments is exempt from income tax.

3.3 Capital costs

Capital costs are recognized when purchased asset increases the expected future economic benefits of intangible assets. Capital costs are recorded when fixed assets are purchased or manufactured which adds value to existing fixed assets. At the same time, they are recorded as an asset in the balance and recorded in the funds of BCSDN.

3.4 Calculation of the foreign currencies and accounting treatment of the exchange rate differences

Calculation of all receivables and liabilities in foreign currencies in their MKD equivalent, are stated at average exchange rate valid on the balance sheet.

The positive and negative exchange rate differences caused by the calculation of receivables and liabilities in the value of foreign currencies in their MKD equivalent are shown in the income statement as income or funding expenses in the year to which they apply.

The value of foreign currencies used to 31.12.2015 is as follows:

Currency	2015 MKD	2014 MKD
1 EUR	61,5947	61,4814
1 USD	56,3744	50,5604

3.5 Property, plant and equipment

An asset is recognized as equipment when it is certain that the entity owns it and that he will realize future economic benefits and when the cost of its acquisition can be objectively measured.

The cost of an asset includes the cost of its acquisition, which includes:

- ✓ invoice value of the asset (decreased by any discounts and rebates)
- ✓ customs and taxes during the purchasing;
- ✓ initial costs associated with shipping and handling;
- ✓ installation costs and
- ✓ compensate for experts related to the asset.

Equipment is recognized by its historical value lowered for the accumulated depreciation. The costs incurred for the maintenance are recognized as administrative costs. In case of disposal of the assets their value is recognized as other costs. The value of assets up to 100 EUR is recorded as an inventory.

Expenditure incurred during the use of tangible assets are recorded separately and are capitalized only if they are probable future economic benefits that would represent inflows into the Foundation.

The calculation of depreciation is straight-line depreciation method prescribed under the annual depreciation rates for 2014 are as follows:

Description	Rate
Office and computer equipment	12-20%

The depreciation is lowering the funds for fixed assets of the Organization.

3.6 Receivables

Receivables are recognized by the calculated amounts in accordance with the legal regulations.

3.7 Cash and equivalents

The cash and cash equivalents include cash and accounts in domestic banks and deposits with maturity up to three months. Transactions denominated in foreign currencies have been translated into Denars at rates, set by the National Bank of the Republic of Macedonia (NBRM), at the dates of transactions.

3.8 Liabilities and other liabilities

Liabilities to suppliers and other liabilities are translated at the height of the nominal amounts resulting from business transactions

3.9 Funds and reserves

Funds are principal sources for the own assets. They include initial deposit for founding of BCSDN and additionally assets.

3.10 Revalorization

The revalorization is calculated on long-term assets for its revaluing, with using the growth products prices rate on industrial products published by the State Statistical Office.

The revalorization base is represented by the assets historical value and accounting reported accumulated depreciation. The result is reported in revalorization reserves.

3.11 Contributions for pension and disability insurance

Foundation made payments of contributions for pension and disability insurance to employees in accordance with domestic legislation. Contributions based on salaries of employees shall be paid into the national fund and through it to private pension funds to individual employees. Foundation doesn't have any additional obligations related to the payment of these contributions.

Foundation is obligated to pay the employees who leave for retirement severance minimum corresponding to two average monthly salaries paid in state at the time of retirement. Foundation doesn't have any reservations for this right to employees because it is considered that the amount is insignificant for the financial statements and the probability of their occurrence is currently low.

4. Incomes from activities

Description	2015	2014
Incomes from membership fees	168,414	230,761
Income from other services	337,447	30,425
Total	505,861	261,186

5. Donations

The recognition of revenue from donations with the clause to return the unspent funds occurs at the level of project costs reported in the current year. According to this policy in 2015 BCSDN has incomes from donations amounting 2,496,185 MKD.

<i>Donor</i>	2015	2014
Cenzura Plus Croatia	124,547	
The German Marshall Fund Of US	1,754,396	1,584,102
Stiftung Open Society Inst	196,746	469,713
Hauptkasse Der Freien Universi	410,335	1,262,996
Nadacia Pontis Zelinarska	10,162	645,744
European Commission		32,529,662
Total	2,496,185	36,492,217

6. Financial incomes

<i>Description</i>	2015	2014
Interest income	5,682	11,432
Incomes from positive exchange rate differences	222,457	15,127
Total	228,139	26,559

7. Material expenses and services

<i>Description</i>	2015	2014
Consumable supplies	64,469	105,116
Electricity	57,914	58,566
Investment and maintenance of assets	13,911	2,669
Other services		559,368
Transport services	419,667	415,871
Current maintenance costs	44,893	47,116
Rents	295,200	398,799
Other material costs		467,747
Total	896,054	2,055,252

8. Other expenses

Description	2015	2014
Bank provision	95,660	159,166
Insurance	7,202	5,137
Per diems and travel expenses	1,230,978	2,387,098
Foreign exchange differences	96,571	74,205
Membership fees	4,364	
Intellectual and other services	9,297,788	14,929,509
Other expenses	157,620	
Costs from previous year	1,705	
Total	10,891,888	17,555,115

In intellectual and other services are included costs for the delegated project activities of the Partners according the agreements for the project implementation.

9. Salaries

Description	2015	2014
Calculated gross salaries	3,755,728.	3,272,296
Vacation fee payment	75,702.	62,860
Total	3,831,430	3,335,156

As 31.12.2015 BCSDN has 6 employees.

10. Fixed assets

BCSDN in 2015 has purchased new computer equipment and office furniture amounting 72,658 MKD.

Description	Equipment and office furniture
Cost	
At 01.01.2015	488,738
Increase	72,658
Balance at 31.12.2015	561,396
Accumulated depreciation	
At 01.01.2015	142,892
Depreciation for the current period	85,807
Balance at 31.12.2015	228,699
Net value as 01.01.2015	345,846
Net value as 31.12.2015	332,697

11. Tax receivables

BCSDN has pre-paid income tax as 31.12.2015 from previous years and requested contribution for project activities paid VAT.

<i>Description</i>	<i>2015</i>	<i>2014</i>
Income tax	7,589	5,823
Other taxes	21,233	36,911
Total	28,822	42,734

12. Other receivables

<i>Description</i>	<i>2015</i>	<i>2014</i>
Advances given to project partners	504,531	60,897
Business card advances	34,080	44,695
Other receivables	3,775	16,110
Total	542,386	121,702

13. Cash and cash equivalents

<i>Description</i>	<i>2015</i>	<i>2014</i>
Denar bank accounts	281,835	1,359,998
Petty cash	12,481	33,591
Foreign currency bank accounts	5,606,392	15,660,098
Deposits	2,000,000	0
Total	7,900,708	17,053,687

14. Deferred expenses

BCSDN on 31.12.2015 has calculated not paid expenses as 31.01.2016 as follows:

<i>Description</i>	<i>2015</i>	<i>2014</i>
Prepaid expenses	667,924	4,027,465
Deferred income		30,751
Total	667,924	4,058,216

15. Funds

In 2015 BCSDN has reconciled the Funds with the initial fund prescribed in the Central registry of Macedonia.

<i>Description</i>	<i>2015</i>	<i>2014</i>
Funds – Fixed assets	332,697	345,846
Funds – Initial fund	620,000	
Total	952,697	345,846

16. Payables

Description	2015	2014
Payables in country	65,334	270,587
Foreign payables	686,190	3,707,759
Total	751,524	3,978,346

17. Tax payables

Description	2015	2014
Income tax		8,422
Personal tax	126,098	190,278
Total	126,098	198,700

18. Deferred income

BCSDN as of 31.12.2015 has deferred income amounting 525,765 MKD (2014:36,911 MKD). This amount represents not spent advances given to the partners for project activities.

19. Project activities liabilities

BCSDN has liabilities for the project activities that will be implementing during the next year. The details are given below:

Donor	Period of implementation	Amount
The Balkan Trust for Democracy – German Marshall fund	01.03.2015-30.11.2016	2,088,577
European commission	01.12.2014-30.11.2016	1,746,755
FREIE UNIVERSITAET BERLIN – GERMANY	01.04.2013-31.03.2016	1,006,279
FOUNDATION OPEN SOCIETY INSTITUTE	01.11.2015-31.05.2016	281,292
Total		5,122,903

20. Events after the balance sheet date

No events have been occurred after the balance sheet date which should be included in this report.