



Association of citizens “Reactor – research in action” Skopje

FINANCIAL STATEMENTS

for the year ended on 31 December 2015

with

INDEPENDENT AUDITOR’S REPORT

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GENERAL DATA

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Damjan Zdravev

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REPORT OF THE INDEPENDENT AUDITORS

To ASSOCIATION OF CITIZENS “REACTOR - RESEARCH IN ACTION” SKOPJE

Report on financial statements

We have audited the accompanying financial statements of the ASSOCIATION OF CITIZENS “REACTOR - RESEARCH IN ACTION” SKOPJE, which include the balance sheet as of 31 December 2015, as well as the income statement and the summary of the 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 Law on Accounting for Non-profit Organizations, prepared on a modified cash basis, 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.

Auditors' 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. When making those risk assessments, the auditor considers internal control relevant to the entity's preparation and

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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 of the ASSOCIATION OF CITIZENS "REACTOR - RESEARCH IN ACTION" SKOPJE as of December 31, 2015 and its financial success for the year ended on that date, in accordance with the Law on Accounting for nonprofit organizations.

Highlighting the issue

We draw attention to Note 4 to the financial statements, which describes the incomes from the donors. Regarding the incomes per donors, the amount of 5.011 thousand denars are with a negative sign, and it represents a reversal of the incomes for transactions, which represent transfers of funds to other entities (associates / sub recipients), and where Reactor emerges as the primary recipient of funds. Our opinion is not qualified in respect of this issue.

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Report on Compliance with Grant Contracts

The ASSOCIATION OF CITIZENS "REACTOR - RESEARCH IN ACTION" SKOPJE has signed contracts with more donors. A list of Donors and signed Contracts for financing of Projects are attached to the report. The obligations of fund user are specified in the signed Contracts.

Opinion

In our opinion, the ASSOCIATION OF CITIZENS "REACTOR - RESEARCH IN ACTION" SKOPJE used granted funds in compliance with articles in signed contracts.

Skopje, 28.12.2016

Certified Auditor
Stojan Jordanov

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke.

Audit company
RSM MACEDONIA Skopje

The RSM logo, featuring the letters "RSM" in a bold, sans-serif font, with the text "Друштво за ревизија РСМ" and "МАКЕДОНИЈА ДООЕЛ Скопје" below it. A handwritten signature in blue ink is overlaid on the logo.

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PROFIT AND LOSS STATEMENT

<i>(in thousand denars)</i>	Note	Year ended 31 Dec	
		2015	2014
INCOME			
Income from donors	4	8,588	10,174
Self generated income (from services)	4	-	51
Interest and exchange gains	4	135	85
Other income	4	7	22
Profits/losses carried from previous years	4	5,273	3,722
TOTAL INCOME		14,003	14,054
EXPENSES			
Operating expenditures	5	(7,936)	(8,781)
TOTAL EXPENSES		(7,936)	(8,781)
Income surplus before tax/ (uncovered expenses before tax)		6,067	5,273
Tax on unrecognized costs		-	-
Income surplus / (uncovered expenses)		6,067	5,273

Skopje, 29.02.2016

Damjan Zdravev
 president

BALANCE SHEET

<i>(in thousand denars)</i>	Note	Year ended on 31 Dec	
		2015	2014
ASSETS			
<u>Long-term assets</u>		225	164
Tangible assets	6	225	161
Intangible assets	7	-	3
<u>Current assets</u>		5,980	5,252
Inventories		-	-
Receivables	7	-	-
Short-term financial receivables		62	62
Cash	8	5,918	5,190
<u>Prepaid expenses</u>		-	-
TOTAL ASSETS		6,205	5,416
FUNDS AND LIABILITIES			
<u>Funds and reserve</u>		100	39
Business fund		100	39
Revaluation reserves		-	-
<u>Current liabilities</u>		38	104
Accounts payable		26	23
Other taxes and contributions		12	81
<u>ACCRUALS</u>		6,067	5,273
Transfer of surplus of revenues for the next year		6,067	5,273
TOTAL FUNDS AND LIABILITIES		6,205	5,416

Skopje, 29.02.2016

 Damjan Zdravev
 President

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL ON ASSOCIATION OF CITIZENS "REACTOR - RESEARCH IN ACTION" SKOPJE

Reactor is an independent, non-profit organization [think-tank]. It is formally established in January 2005, but existed as a grass-root organization from May 2004.

The main aim is foster policy oriented research and initiate debates and public discussions on policies in Macedonia thus contributing to the development and EU integration of the country.

The Association of citizens "Reactor – research in action" is governed by Executive Board, President and Assembly.

Reactor is consisted of multidisciplinary team of young researchers committed to provide adequate, timely and independent data on the conditions in Macedonia and providing expert analysis.

Today, Reactor has friends in all country from Western Balkans, and cooperates with the other think-tanks from Macedonia.

Current situation of legal person in the Register of Citizens' Associations and Funds

Unique ID of the entity	5954096
Full name of the entity	Zdruzenie na gragjani "Reaktor – istrazuvanje vo akcija" Skopje, Republika Makedonija
Headquarters	Str. Franklin Ruzvelt 46-2/8 SKOPJE - CENTAR, SKOPJE
Established on	25.01.2005
Unique tax number	4030005548897

2. BASES FOR PREPARATION OF FINANCIAL STATEMENTS

Reactor prepares its financial statements in compliance with the Law on Accounting for Non-profit Organizations.

The financial statements are prepared according to the accounting principle for modified incurrence of business changes, i.e. transactions. The present Financial Statements are prepared on a cash basis, whereas revenues are recognized when are collected, and expenses are recognized when settled, within a period of 30 days after the end of the reporting period.

Financial statements are prepared with assumption for going concern, i.e. Reactor has no intention and no reason to discontinue the operation in a near future.

Financial statements are presented in thousands denars, unless it is otherwise stated.

3. BASIC ACCOUNTING POLICIES

The fundamental accounting policies that have been applied in the preparation of the Financial Statements for year 2015 are presented below.

3.1 Revenue and expense recognition policy

Revenue and expense recognition is performed according to the accounting principle for modified incurrence of business changes, i.e. transactions.

Accounting principle for modified incurrence of business changes, i.e. transactions means recognition of revenues for the accounting period in which they incurred, in accordance with the criteria for scalability and availability. Revenues are measurable when they can be presented as a value. Revenues are available when they are realized in the accounting period or in a period of 30 days after the accounting period, under the condition that revenues refer to the accounting period and serve to cover the liabilities from that period.

Accounting principle for modified incurrence of business changes, i.e. transactions, means recognition of expenses for the accounting period in which they incurred or in a period of 30 days after the accounting period, under the condition that the payment liability has incurred in that accounting period.

3.2 Cash

Cash consists of cash at hand, cash deposits in a bank and cash deposits in bank in foreign currency accounts.

NOTE 4

(in thousand denars)

	2015	2014
Revenues	14,003	14,054
REVENUES FROM SALES OF PRODUCTS, GOODS AND SERVICES	-	51
Revenues from services	-	51
REVENUES FROM INTEREST AND POSITIVE EXCHANGE RATES	135	85
Revenues from interest on bank deposits	1	1
Revenues from positive exchange rates	134	84
REVENUES FROM MEMBERSHIP FEES, GIFTS, DONATIONS AND REVENUES FROM OTHER SOURCES	8,588	10,174
Revenues from membership fees, gifts and donations	8,588	10,174
REVENUES FROM RENTS AND LEASES	0	0
SELF-GENERATED REVENUES	0	0
OTHER REVENUES	7	22
Other revenues	7	22
PROFITS/LOSSES FROM PREVIOUS YEARS	5,273	3,722
Profits/losses from previous years	5,273	3,722
EXTRAORDINARY REVENUES	-	-

The primary sources of funds for the association's activities are donations.

The donors with which contracts have been concluded and amounts of transferred assets in this year can be seen in the table below.

(in thousand denars)

Received funds by donors	2015	2014
French embassy	-	1,345
CID Kumanovo (Center for Intercultural Dialogue)	-	315
MCET (Macedonian Centre for European Training)	310	401
Foundation Open Society	-	-
Gender Equality Council	-	2,331
TTF (Think Tank Fund)	-	1,032
USAID	2,049	1,231
OSI (Open Society Institute)	2,712	-
Transfers to other entities	(5,011)	-
Eko-svest	-	129
GGAN	-	498
RRPP (Regional Research Promotion Programme)	-	2,493
UNDP (United Nations Development Programme)	928	398
Kvinna till Kvinna	589	-
National Youth Council of Macedonia	85	-
University of Fribourg	6,926	-
TOTAL RECEIVED FUNDS	8,588	10,173
Transferred funds from previous year	5,273	5,327
Transferred funds to next year	(6,067)	(5,273)
TOTAL INCOME	7,794	10,227

NOTE 5

	<i>(in thousand denars)</i>	
	2015	2014
Expenses	(7,936)	(8,781)
OPERATING EXPENSES, SERVICES AND DEPRECIATION	(1,004)	(758)
Supplies	(150)	(42)
Spent energy	(55)	(59)
Maintenance of assets	(93)	(10)
Other services	(248)	(85)
Transport services	(311)	(368)
Advertising, propaganda and representation	(4)	-
Rents and utilities	(123)	(194)
Other material expenses	(20)	-
OTHER EXPENSES	(3,694)	(4,814)
Bank fee	(92)	(36)
Insurance premium	(5)	-
Business trips and travel expenses	(22)	(30)
Allowances for expenses for workers and citizens	(109)	-
Negative currency adjustment costs	(5)	(11)
Membership fees	(10)	(1)
Intellectual and other services	(3,414)	(4,394)
Other expenses	(37)	(342)
NON-CURRENT AND OTHER ASSETS	(163)	-
Equipment	(163)	-
SALARIES AND CONTRIBUTIONS	(3,075)	(3,209)
Salaries	(3,075)	(3,209)

Allocation of expenses to certain accounts reflects the regulation which determinates accounts for non-profit organizations.

NOTE 6

(in thousand denars)

Tangible assets

	013	015	
<u>2014</u>	Equipment	Furniture	Total
Cost			
Balance January 1	562	218	780
Additions	37	-	37
Disposals	-	-	-
Balance December 31	599	218	817
Accumulated depreciation			
Balance January 1	(535)	(50)	(585)
Depreciation for the year	(51)	(20)	(71)
Disposals	-	-	-
Reclassification	76	(76)	-
Balance December 31	(586)	(70)	(656)
Net book value December 31	13	148	161

	Equipment	Furniture	Вкупно
<u>2015</u>			
Cost			
Balance January 1	599	218	817
Additions	149	14	163
Disposals	-	-	-
Balance December 31	748	232	980
Accumulated depreciation			
Balance January 1	(586)	(70)	(656)
Depreciation for the year	(79)	(20)	(99)
Disposals	-	-	-
Balance December 31	(665)	(90)	(755)

The depreciation of material assets is being posted as a decrease in the capital fund and not as an expense in the same period. The calculations regarding depreciation of assets are being conducted according to the legally determined rates of depreciation for different tangible assets.

NOTE 7

<i>(in thousand denars)</i>		
Intangible assets	2015	2014
Supply values		
Balance January 1	13	13
New supplies	-	-
Disposed assets	-	-
Balance December 31	13	13
Depreciation		
Balance January 1	(10)	(6)
Current depreciation	(3)	(4)
Disposed assets	-	-
Balance December 31	(13)	(10)
Current value at 31.12	-	3

NOTE 8

<i>(in thousand denars)</i>		
Monetary assets	2015	2014
	5,918	5,190
Cash in bank	2,030	3,194
Foreign currency account	3,832	1,939
Other cash	56	57

The monetary assets at the end of year 2015 stand in the amount of 5.918 thousand denars and are sum of the assets on the bank account of the association in a commercial bank.

NOTE 9

Review of movement of business fund, revaluation reserves and accumulated surplus of revenues

<i>(in thousand denars)</i>	Business fund	Revaluation reserves	Accumulated surplus of revenues	Total
Balance at 01.01.2014	67	47	3,723	3,837
Income for the year			10,332	10,332
Expenses for the year			(8,781)	(8,781)
Tax on unrecognized costs			-	-
Increase of tangible assets / (capital expenditures - business premises)	37			37
Depreciation	(75)		-	(75)
Correction	10	(47)		
Write-off of tangible assets	-		-	-
Balance at 31.12.2014	39	-	5,274	5,313
Balance at 01.01.2015	39	-	5,274	5,313
Income for the year			8,730	8,730
Expenses for the year			(7,773)	(7,773)
Tax on unrecognized costs			-	-
Increase of tangible assets / (capital expenditures - business premises)	163		(163)	-
Depreciation	(102)		-	(102)
Write-off of tangible assets	-		-	-
Balance at 31.12.2015	100	-	6,068	6,168