



Association of citizens “Reactor – research in action” Skopje

FINANCIAL STATEMENTS
FOR THE YEAR THAT ENDED ON 31 DECEMBER 2016
WITH

INDEPENDENT AUDITOR’S REPORT

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GENERAL DATA

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Marija Bashevska

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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 attached financial statements of the ASSOCIATION OF CITIZENS “REACTOR - RESEARCH IN ACTION” SKOPJE, which include the Balance Sheet as of 31 December 2016, 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 Standards on Auditing 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.

The 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, notwithstanding whether they are due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements of the entity 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 internal control. The audit also includes an evaluation of the appropriateness

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of accounting policies used and the rationality of accounting estimates made by the management, as well as evaluation of 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 ASSOCIATION OF CITIZENS "REACTOR - RESEARCH IN ACTION" SKOPJE as of 31 December 2016, and its financial performance for the year then ended, in accordance with the Law on Accounting for Non-profit Organizations.

Emphasis of Matter

We draw attention to Note 4 of the financial statements, which describes the revenues from donors. The amount of 781 thousand denars is presented with a negative sign and it represents transfers of funds to other entities (associates / sub recipients), where Reactor is the primary recipient of funds. Our opinion is not qualified in respect of this matter.

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, 06.02.2018

Certified Auditor
Stojan Jordanov

A blue ink handwritten signature, appearing to be 'S. Jordanov', written over the printed name.

Audit firm
RSM MACÉDONIA Skopje

A blue ink stamp featuring the RSM logo (three horizontal bars) and the text 'RSM Друштво за ревизија РСМ МАКЕДОНИЈА ДООЕЛ Скопје'.

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PROFIT AND LOSS STATEMENT

<i>(in thousand denars)</i>	Note	Year ended 31 Dec	
		2016	2015
INCOME			
Income from donors	4	12.346	8.588
Interest and exchange gains	4	199	135
Other income	4	-	7
Profits/losses carried from previous years	4	6.067	5.273
TOTAL INCOME		18.612	14.003
EXPENSES			
Operating expenditures	5	(10.200)	(7.936)
TOTAL EXPENSES		(10.200)	(7.936)
Income surplus before tax/ (uncovered expenses before tax)		8.412	6.067
Tax on unrecognized costs		-	-
Income surplus / (uncovered expenses)		8.412	6.067

Skopje, 28.02.2017

Marija Bashevaska
president

BALANCE SHEET

<i>(in thousand denars)</i>	Note	Year ended on 31 Dec	
		2016	2015
ASSETS			
<u>Long-term assets</u>		240	225
Tangible assets	6	240	225
Intangible assets	7	-	-
<u>Current assets</u>		8.321	5.980
Short-term financial receivables		64	62
Cash	8	8.257	5.918
<u>Prepaid expenses</u>		19	-
Prepaid expenses		19	-
TOTAL ASSETS		8.580	6.205
FUNDS AND LIABILITIES			
<u>Funds and reserve</u>		115	100
Business fund	9	115	100
<u>Current liabilities</u>		53	38
Accounts payable		26	26
Other taxes and contributions		27	12
<u>ACCRUALS</u>		8.412	6.067
Transfer of surplus of revenues for the next year		8.412	6.067
TOTAL FUNDS AND LIABILITIES		8.580	6.205

Skopje, 28.02.2017

Marija Bashevska
 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
Primary activity	94.99 – Activities of other membership organizations n.e.c

2. BASES FOR PREPARATION OF FINANCIAL STATEMENTS

Reactor -Research in action Skopje prepares its financial statements in accordance with law regulations that are applicable in the Republic of Macedonia, and refer to the activities of non-profit organizations, primarily Law on Accounting for Non-Profit Organizations ("Official Gazette of RM" no. 24/03, 17/11 and 154/15) and Rulebook on Accounting for Non-Profit Organizations ("Official Gazette of RM" no.42/03, 08/09, 12/09 and 175/11), and the specific by-law regulations adopted on basis of the Law on 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 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 - Research in action Skopje has no intention and no reason to discontinue the operation in a near future.

Financial statements are presented in thousands MKD, 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 2016 are presented below.

3.1 Revenue and expense recognition policy

Revenue and expense recognition is performed according to the article 13 from the Law on Accounting for Non-Profit Organizations, i.e. in accordance with the accounting principle for modified occurrence of business changes, i.e. transactions.

Accounting principle for modified occurrence of business changes, i.e. transactions means recognition of revenues in the accounting period when they occurred, 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 generated in the accounting period or within a period of 30 days upon expiry of the accounting period, provided that the revenues refer to the accounting period and serve to cover the liabilities of that accounting period.

Accounting principle for modified occurrence of business changes, i.e. transactions, means recognition of expenses in the accounting period in which they occurred or in a period of 30 days upon expiry of the accounting period, provided that the payment liability has occurred within that accounting period.

Inventory items are recognized as expenses at purchasing value. The purchasing value is consisted of net purchasing price, increased by the import customs, Value Added Tax, transportation costs and all other expenditures that are directly attributed to the purchasing value, i.e. purchasing expenses, decreased for the discounts and commissions.

3.2 Long-term assets

Long-term assets are presented at purchase value. Purchase value of long-term assets is consisted of the net purchase price increased by the import duties, Value Added Tax, transportation costs and all other expenditures that are directly attributable to the purchasing value, i.e. purchase costs.

Decpeciation

The depreciation is calculated separately for each asset within the groups prescribed in the Rulebook on Accounting for Non-Profit Organizations until the value of the long-term assets has been fully compensated. When the value, which represents the basis for calculation of the depreciation, has been compensated, i.e, when the amount of purchase value of the assets is equal to the written-off value, further calculation of depreciation ceases. This also applies if the assets are being further used for operational activities.

Long-term assets' value write-off is performed by using straight-line depreciation method by applying annual rates prescribed by the Minister of Finance in the Rulebook on Accounting for Non-Profit Organizations. The annual rates for depreciation applied on some significant items, are presented below:

Building structures - buildings	1%
Equipment	14% to 20%
Computers	20%
Furniture	10% to 20%

The basis for long-term assets' write-off is the purchase value, i.e. the revaluated value of long-term assets.

The calculation of depreciation of tangible assets begins on the first day of the next month when those assets were put into usage for operational activities.

Revaluation

Reactor -Research in action Skopje calculates revaluation of long-term assets, in accordance with Article 15 of the Law on Accounting for Non-Profit Organizations and Articles 29 and 29-a of the Rulebook on Accounting for Non-Profit Organizations. In accordance with the previously mentioned legislation, calculation of revaluation is carried out in the following cases:

- Retirement and disposal of assets, or
- Revaluation in line with the increase of prices by manufacturers of industrial products.

The basis for revaluation of long-term assets is the cost of assets and their accumulated depreciation.

The revaluation of the long-term assets shall be carried out by applying the rate of increase of prices by the manufacturers of industrial products, published by the State Statistical Office.

The revaluation shall be carried out by reconciliation of the balances of the long-term assets with the performed valuation by the end of the month when the assets are retired from use, or disposed.

The revaluation of the long-term assets shall be carried out by multiplying the balances of the long-term assets from the preceding year with the index of the cumulative price increase of industry products from the start until the end of accounting period, while for the long-term assets which were purchased during the accounting period, their balance is multiplied with the index of the cumulative price increase of industry products from the first day in the month subsequent to the month of the purchase until the end of the accounting period.

The result of the revaluation of long-term assets shall be carried forward as credit or debit to the sources of financing.

3.3. Receivables and liabilities

The balances of receivables and liabilities are recognized in accordance with the amounts agreed in the contract.

3.4 Cash

Cash consists of cash at hand, cash deposits in a bank and cash deposits in bank in foreign currency accounts. The cash at hand and the cash deposits in a bank shall be presented in the general ledger at a nominal value, while the foreign currency shall be presented using the exchange rate of the National Bank of the Republic of Macedonia on the balance sheet date.

NOTE 4

	<i>(in thousand denars)</i>	
	2016	2015
Revenues	18.612	14.003
REVENUES FROM SALES OF PRODUCTS, GOODS AND SERVICES	-	-
Revenues from services	-	-
REVENUES FROM INTEREST AND POSITIVE EXCHANGE RATES	199	135
Revenues from interest on bank deposits	1	1
Revenues from positive exchange rates	198	134
REVENUES FROM MEMBERSHIP FEES, GIFTS, DONATIONS AND REVENUES FROM OTHER SOURCES	12.346	8.588
Revenues from membership fees, gifts and donations	12.346	8.588
OTHER REVENUES	-	7
Other revenues	-	7
PROFITS/LOSSES FROM PREVIOUS YEARS	6.067	5.273
Profits/losses from previous years	6.067	5.273

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.

	<i>(in thousand denars)</i>	
Received funds by donors	2016	2015
MCET (Macedonian Centre for European Training)	-	310
Foundation Open Society	1.461	-
Gender Equality Council	827	-
TTF (Think Tank Fund)	1.404	-
USAID	2.560	2.049
OSI (Open Society Institute)	-	2.712
Transfers to other entities	(781)	(5.011)
Foundation Metamorphosis	341	-
Citizen Association H.E.R.A	56	-
European centre for nonprofit law	909	-
UNDP (United Nations Development Programme)	-	928
Kvinna till Kvinna	1.316	589
National Youth Council of Macedonia	-	85
University of Fribourg	2.574	6.926
Center for ethics, law and applied philosophy	279	-
National democratic institute for international affairs	836	-
IPA 2 mechanism for civil society organizations	448	-
Other	116	-
TOTAL RECEIVED FUNDS	12.346	8.588

NOTE 5

(in thousand denars)

	2016	2015
Expenses	(10.200)	(7.936)
OPERATING EXPENSES, SERVICES AND DEPRECIATION	(1.904)	(1.004)
Supplies	(13)	(150)
Spent energy	(49)	(55)
Maintenance of assets	-	(93)
Other services	(791)	(248)
Transport services	(534)	(311)
Advertising, propaganda and representation	(4)	(4)
Rents and utilities	(513)	(123)
Other material expenses	-	(20)
OTHER EXPENSES	(4.394)	(3.694)
Bank fee	(98)	(92)
Insurance premium	-	(5)
Business trips and travel expenses	(133)	(22)
Allowances for expenses for workers and citizens	-	(109)
Negative currency adjustment costs	(13)	(5)
Membership fees	(4)	(10)
Intellectual and other services	(3.894)	(3.414)
Other expenses	(252)	(37)
NON-CURRENT AND OTHER ASSETS	(112)	(163)
Equipment	(112)	(163)
SALARIES AND CONTRIBUTIONS	(3.768)	(3.075)
Salaries	(3.768)	(3.075)
ADDITIONAL EXPENSES	(22)	-
Additional expenses	(22)	-

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

NOTE 6

<u>2015</u>	Equipment	Furniture	Total
<u>Cost</u>			
Balance January 1	599	218	817
Additions	149	14	163
Disposals	-	-	-
Balance December 31	748	232	980
<u>Accumulated depreciation</u>			
Balance January 1	(510)	(146)	(656)
Depreciation for the year	(79)	(20)	(99)
Disposals	-	-	-
Balance December 31	(589)	(166)	(755)
Net book value December 31	159	66	225

<u>2016</u>	Equipment	Furniture	Вкупно
<u>Cost</u>			
Balance January 1	748	232	980
Additions	112	-	112
Disposals	-	-	-
Balance December 31	860	232	1.092
<u>Accumulated depreciation</u>			
Balance January 1	(589)	(166)	(755)
Depreciation for the year	(75)	(22)	(97)
Disposals	-	-	-
Balance December 31	(664)	(188)	(852)
Net book value December 31	196	44	240

Depreciation of fixed assets is recorded as decrease of a business fund, but not as an expense for the period. Calculation of the depreciation is performed in accordance with the legal depreciation rates for individual fixed assets.

NOTE 7

Intangible assets

	2016	2015
Supply values		
Balance January 1	13	13
New supplies	-	-
Disposed assets	-	-
Balance December 31	13	13
Depreciation		
Balance January 1	(13)	(10)
Current depreciation	-	(3)
Disposed assets	-	-
Balance December 31	(13)	(13)
Current value at 31.12	-	-

NOTE 8

(in thousand denars)

	2016	2015
Monetary assets	8.257	5.918
Cash in bank	3.279	2.030
Foreign currency account	4.935	3.832
Other cash	43	56

NOTE 9

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

<i>(in thousand denars)</i>	Business fund	Accumulated surplus of revenues	Total
Balance at 01.01.2015	39	5.273	5.312
Income for the year		8.730	8.730
Expenses for the year		(7.773)	(7.773)
Increase of tangible assets / (capital expenditures - business premises)	163	(163)	-
Depreciation	(102)	-	(102)
Balance at 31.12.2015	100	6.067	6.167
Balance at 01.01.2016	100	6.067	6.167
Income for the year		12.545	12.545
Expenses for the year		(10.088)	(10.088)
Increase of tangible assets / (capital expenditures - business premises)	112	(112)	-
Depreciation	(97)	-	(97)
Balance at 31.12.2016	115	8.412	8.527