

**Nansen Dialogue Centre
Skopje
Financial Statements for the Year Ended
31 December 2016 and
Independent Auditor's Report**

Skopje, May 2017

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To:
The Management of
Nansen Dialogue Centre
Skopje

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of NGO Nansen Dialogue Centre Skopje, (in the following text "the Organization"), 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 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
Nansen Dialogue Centre
Skopje


INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's opinion

In our opinion, the financial statements of NGO Nansen Dialogue Centre Skopje, give a true and fair view, in all material aspects, of the financial position of the Organization 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, 8 May 2017




Certified Auditor

Dragan Dimitrov

STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 December 2016 and 2015
In MKD thousands

	Notes	2016	2015
Granted donations	4	18.022	17.776
Transferred surplus of revenues		7.594	10.235
Other revenues	5	732	2.109
TOTAL REVENUES		26.348	30.120
Operating expenses		(14.395)	(20.410)
Capital expenses		(1.885)	(2.116)
TOTAL EXPENSES	6	(16.280)	(22.526)
Surplus of revenues over expenses before taxes		10.068	7.594
Income Taxes		-	-
Surplus of revenues over expenses after taxation	7	10.068	7.594

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

The accompanying financial statements were authorised for issue by the management of the Organization and were signed on its behalf by:

 Executive Director
 Sasho Stojkoski

BALANCE SHEET
As of 31 December 2016 and 2015
In MKD thousands

	Notes	31 December 2016	31 December 2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1.975	1.815
		<u>1.975</u>	<u>1.815</u>
CURRENT ASSETS			
Accounts receivable		-	-
Cash and cash equivalents	9	10.123	7.711
		<u>10.123</u>	<u>7.711</u>
TOTAL ASSETS		<u>12.098</u>	<u>9.526</u>
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund		1.975	1.815
Surplus of revenues over expenses after taxation		10.068	7.594
	10	<u>12.043</u>	<u>9.409</u>
CURRENT LIABILITIES			
Accounts payable	11	55	117
Other current liabilities		-	-
		<u>55</u>	<u>117</u>
TOTAL LIABILITIES AND FUNDS		<u>12.098</u>	<u>9.526</u>

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 Executive Director
 Sasho Stojkoski

STATEMENT OF CHANGES IN OPERATING FUND

For the Year Ended 31 December 2016 and 31 December 2015

In MKD thousands

	Operating Fund	Surplus of revenues over expenses	TOTAL
Balance as of 1 January 2015	1.466	10.235	11.701
Transferred surplus of revenues over expenses from previous year	-	(10.235)	(10.235)
Additions	1.055	-	1.055
Sale of fixed assets	(604)	-	(604)
Depreciation on assets sold	218	-	218
Depreciation for the year	(320)	-	(320)
Surplus of revenues over expenses for 2015	-	7.594	7.594
Balance as of 31 December 2015	<u>1.815</u>	<u>7.594</u>	<u>9.409</u>
Transferred surplus of revenues over expenses from previous year	-	(7.594)	(7.594)
Additions	799	-	799
Sale of fixed assets	(531)	-	(531)
Depreciation on assets sold	176	-	176
Depreciation for the year	(284)	-	(284)
Surplus of revenues over expenses for 2016	-	10.068	10.068
Balance as of 31 December 2016	<u>1.975</u>	<u>10.068</u>	<u>12.043</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**

Nansen Dialogue Center - NDC is association of citizens established at 17.01.2000 according to the Law of Associations of Citizens and Foundations (Official Gazette of RM No.31/98). The Association is registered in the register of the Association of Citizens and Foundations with Registration No. 01/ZG.956/2000.

The Association operates in accordance with the Law of Associations of Citizens and Foundations and a Statute. According them, the Association is non-governmental, non-party and non-profit association of citizens, which operates in the field of strengthening the democratic consciousness, peace, mutual tolerance, dialogue and cooperation in the society, as well as giving basic assistance to those who need it. The Association's management bodies are Assembly, Executive Body - Board, Manager of the Executive Body - Board and Council.

The Association is located in Skopje, with address Bahar Mois No.4 - Skopje.

The total number of the employees as of 31 December 2016 amounts 5 persons (31 December 2015 was 2).

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Organization 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.

3. BASIC ACCOUNTING POLICIES

The basic accounting policies used for preparation of the financial statements are listed in the following text.

3.1 Cash and cash equivalents

The Foundation's cash comprises of the cash on hand and the cash on bank account 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 investments (fixed assets) are stated at their cost value. The cost of the fixed assets comprise the purchasing price increased for the import customs, non-refundable 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 Foundation 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 due to the increase of the annual inflation rate, measured with the official industrial product price index. Revaluation basis is the cost of the assets.

Revaluated value of the assets is determined by indexing.

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)**3.3 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 Organization in 2016 are as follows: 15% for vehicles, 20% for computer equipment, 16% for air conditioners and 20% for software.

The calculation of the depreciation is performed separately for each item, and not for groups of assets.

3.4 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).

3.5 Income tax*(a) Current Income Tax*

Current income tax represents an amount that is calculated and paid in accordance with the effective Profit Tax Law of the Republic of Macedonia. Income tax is payable at the rate of 10% (2015: 10%) on the tax base reported in the annual corporate income tax return as reduced by any applicable tax credits. The tax base stated in the income tax return includes profit for the year increased for unrecognized expenses, taxable income from related parties and unclosed balances of loans given, in accordance with the regulations in the Income Tax Law, decreased for any tax reliefs.

(b) Deferred taxes

Deferred taxes are recognized in cases of differences between the carrying amounts of assets and the liabilities in the financial statements and the carrying amounts as per tax regulations and are reported using the balance sheet liability method. Deferred tax liabilities are recognised for all deductible temporary differences given that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. In these financial statements, there are no temporary tax differences.

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.

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)

3.6 Amounts stated in foreign currency (Continued)

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:

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

4. GRANTED DONATIONS

	2016	2015
Revenues from donations	18.022	17.776
Total	18.022	17.776

Breakdown of granted donations by donors:

	2016	2015
Ministry of Foreign Affairs of Kingdom of Norway	16.068	17.358
ERASMUS	51	418
OSCE	1.903	-
Total	18.022	17.776

5. OTHER REVENUES

	2016	2015
Sale of fixed assets	464	646
Other revenues	268	1.463
Total	732	2.109

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

All amounts are expressed in MKD thousand, unless otherwise stated

6. EXPENSES

	2016	2015
Office materials	1.088	2.684
Energy, fuel	178	212
Other project related costs	330	506
Transportation and communication costs	588	1.453
Maintenance services	68	40
Rents	774	577
Travel expenses and contributions	877	717
Marketing and international cooperation	187	2.411
Insurance	64	31
Bank services	75	208
Intellectual and other services	531	323
Tax	60	45
Salaries and wages	9.575	11.202
Capital expenses	1.885	2.117
Total	16.280	22.526

7. INCOME TAX

Adjustments of income tax and surplus of revenues over expenses
multiplied by the prescribed rate income tax

	2016
1 Surplus of revenues over expenses before taxes	10.068
2 Unrecognized expenses	-
3 Taxable income from related parties	-
4 Unclosed balances loans given	-
5 Tax base (1 + 2 + 3 + 4)	10.068
6 Tax base reliefs	10.068
7 The tax base after reduction (5-6)	-
8 Estimated income tax (7 x 10%)	-
9 Decrease of calculated income tax	-
Income tax after decrease	-
<i>Effective tax rate</i>	<i>0%</i>

The Organisation has not made reservations on the deferred tax assets in these financial statements because the Organisation does not have reasonable certainty to determine the level of the tax asset used in future.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

All amounts are expressed in MKD thousand, unless otherwise stated

8. EQUIPMENT

	Equipment	Total
Cost as of 1 January 2015	2.597	2.597
Additions	1.055	1.055
Sale of fixed assets	(605)	(605)
Balance as of 31 December 2015	3.047	3.047
Additions	799	799
Sale of fixed assets	(531)	(531)
Balance as of 31 December 2016	3.315	3.315
Accumulated depreciation as of 1 January 2015	1.130	1.130
Depreciation	320	320
Sale of fixed assets	(218)	(218)
Balance as of 31 December 2015	1.232	1.232
Depreciation	284	284
Sale of fixed assets	(176)	(176)
Balance as of 31 December 2016	1.340	1.340
Net book value as of:		
- 31 December 2016	1.975	1.975
- 31 December 2015	1.815	1.815

9. CASH AND CASH EQUIVALENTS

	2016	2015
Current account	1.138	5.034
Foreign exchange account	8.892	2.482
Cash	93	195
Balance at 31 December	10.123	7.711

10. OPERATING FUND

	2016	2015
Operating fund	1.975	1.815
Current surplus of revenues over expenses	10.068	7.594
Balance at 31 December	12.043	9.409

The changes in the Operating fund are stated in the Statement of changes in the operating funds on page 5.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

All amounts are expressed in MKD thousand, unless otherwise stated

11. OTHER SHORT-TERM LIABILITIES AND ACCRUALS

	<u>2016</u>	<u>2015</u>
Domestic account payable	<u>55</u>	<u>117</u>
Balance at 31 December	<u><u>55</u></u>	<u><u>177</u></u>

12. OFF-BALANCE RECORDS

As of 31 December 2016 the Organization has no off-balance sheet exposure.

13. SUBSEQUENT EVENETS

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