

**Finance Think Institute
Skopje
Financial Statements for the Year Ended
31 December 2015 and
Independent Auditor's Report**

Skopje, November 2016

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To:
The Management of
Finance Think
Skopje

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Civil association „Finance Think“ - Economic Research and Policy Institute, Skopje, (in the following text “the Institute“), which comprise the Balance Sheet as of 31 December 2015, 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
Finance Think
Skopje

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's opinion

In our opinion, the financial statements of Civil association „Finance Think“ - Economic Research and Policy Institute, Skopje, give a true and fair view, in all material aspects, of the financial position of the Institute as of 31 December 2015, 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, 10 November 2016

Dragan Dimitrov, Certified Auditor



STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 December 2015 and 2014
In MKD thousands

	Notes	2015	2014
Granted donations	4	14.513	5.290
Transferred surplus of revenues from previous year		1.070	270
Other revenues		-	-
TOTAL REVENUES		15.583	5.560
Operating expenses	5	(9.054)	(3.389)
Salaries	6	(1.321)	(829)
Capital expenses	7	(100)	(229)
Other expenses	8	(22)	(43)
TOTAL EXPENSES		(10.497)	(4.490)
Surplus of revenues over expenses before taxes		5.086	1.070
Income Tax	9	-	-
Surplus of revenues over expenses after taxation		5.086	1.070

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

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


 Blagica Petreski



BALANCE SHEET
As of 31 December 2015 and 2014
In MKD thousands

	Notes	31 December 2015	31 December 2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	284	223
		284	223
CURRENT ASSETS			
Accounts receivable		-	-
Cash and cash equivalents	11	5.086	1.070
		5.086	1.070
TOTAL ASSETS		5.370	1.293
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund		284	223
Surplus of revenues over expenses after taxation		5.086	1.070
	12	5.370	1.293
CURRENT LIABILITIES			
Accounts payable		-	-
Other current liabilities		-	-
		-	-
TOTAL LIABILITIES AND FUNDS		5.370	1.293

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

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



 Blagica Petreski

STATEMENT OF CHANGES IN OPERATING FUND
For the Year Ended 31 December 2015 and 31 December 2014
In MKD thousands

	Operating Fund	Surplus of revenues over expenses	TOTAL
Balance as of 1 January 2014	-	270	270
Transferred surplus of revenues over expenses from previous year	-	(270)	(270)
Additions	229	-	229
Prior year adjustments	-	-	-
Sale of fixed assets	-	-	-
Depreciation on assets sold	-	-	-
Depreciation for the year	(6)	-	(6)
Surplus of revenues over expenses for 2014	-	1.070	1.070
Balance as of 31 December 2014	223	1.070	1.293
Transferred surplus of revenues over expenses from previous year	-	(1.070)	(1.070)
Additions	100	-	100
Prior year adjustments	-	-	-
Sale of fixed assets	-	-	-
Depreciation on assets sold	-	-	-
Depreciation for the year	(39)	-	(39)
Surplus of revenues over expenses for 2015	-	5.086	5.086
Balance as of 31 December 2015	284	5.086	5.370

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

1. ESTABLISHMENT AND ACTIVITY

Civil association „Finance Think“ - Economic Research and Policy Institute, Skopje is a non-for-profit economic research and policy institute established on 14.12.2012 according to the Law of Associations of Citizens and Foundations (Official Gazette of RM No.31/98). The Institute is registered in the register of the Association of Citizens and Foundations.

The Institute operates in accordance with the Law of Associations of Citizens and Foundations and a Statute. According to them, the Institute is non-governmental, non-party and non-profit association of citizens, with mission: to alleviate poverty, to strengthen macro-financial policies and to advance financial stability through economic research, advising and recommendations to economic policies and steering critical debate on economic processes.

The Institute's management bodies are Assembly, Executive Board and Advisory Board.

The Institute is located in Skopje, with address - St. Frederik Shopen 1/2.

The total number of the employees as of 31 December 2015 amounts 5 persons (31 December 2014 was 4).

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Institute 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 Institute'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 Institute 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 2015

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 Institute in 2015 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% (2014: 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 2015

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:

	2015	In MKD 2014
EUR	61,5947	61,4814
USD	56,3744	50,5604
CHF	56,9583	51,1152
GBP	83,4617	78.5906

4. GRANTED DONATIONS

	2015	2014
Revenues from donations	14.513	5.290
Total	14.513	5.290

Breakdown of granted donations by donors:

	Amounts
British Embassy	2.814
Global Development Network	111
CERGE-EI Foundation	221
KEP Austria	1.234
Partnership for Economic Policies	593
Regional Research Promotion Program	7.221
Increasing Market Employability Project	54
The Friedman Foundation for Educational Choice	53
TTF Open Society Foundations	864
Us Embassy Macedonia	1.221
Metamorfozis	126
Total	14.513

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

5. OPERATING EXPENSES

	<u>2015</u>	<u>2014</u>
Office materials	(84)	(92)
Utilities, telephone, fuel	(201)	(228)
Other project related costs	(1)	-
Transportation and communication costs	(73)	(3)
Travel expenses and contributions	(647)	(29)
Marketing	(206)	(123)
Insurance	-	(4)
Bank services	(70)	(17)
Intellectual and other services	(7.668)	(2.873)
Other transfers	(104)	(9)
Exchange rate losses	-	(11)
Total	<u>(9.054)</u>	<u>(3.389)</u>

6. SALARIES

	<u>2015</u>	<u>2014</u>
Salaries	1.321	829
Total	<u>1.321</u>	<u>829</u>

7. CAPITAL EXPENSES

	<u>2015</u>	<u>2014</u>
Computers and equipment	47	119
Furniture	30	110
Other equipment	23	-
Total	<u>100</u>	<u>229</u>

8. OTHER EXPENCES

	<u>2015</u>	<u>2014</u>
Other expences	22	43
Total	<u>22</u>	<u>43</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

9. INCOME TAX

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

	<u>2015</u>
1 Surplus od revenues over expenses before taxes	<u>5.086</u>
2 Unrecognized expenses	-
3 Taxable income from related parties	-
4 Unclosed balances loans given	-
5 Tax base (1 + 2 + 3 + 4)	<u>5.086</u>
6 Tax base reliefs	<u>5.086</u>
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	<u>-</u>
<i>Effective tax rate</i>	<u>0%</u>

The Institute has not made reservations on the deferred tax assets in these financial statements because Association 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 2015

All amounts are expressed in MKD thousand, unless otherwise stated

10. PROPERTY, PLANT AND EQUIPMENT

	Computers and equipment	Furniture	Other equipment	Total
Balance as of 01.01.2014	-	-	-	-
Additions in the year	119	110	-	229
Sale of fixed assets	-	-	-	-
Balance as of 31.12.2014	119	110	-	229
Additions in the year	47	30	23	100
Sale of fixed assets	-	-	-	-
Balance as of 31.12.2015	166	140	23	329
Accumulated depreciation as of 01.01.2014	-	-	-	-
Current depreciation	(4)	(2)	-	(6)
Sale of fixed assets	-	-	-	-
Balance as of 31.12.2014	(4)	(2)	-	(6)
Current depreciation	(24)	(14)	(1)	(39)
Sale of fixed assets	-	-	-	-
Balance as of 31.12.2015	(28)	(16)	(1)	(45)
Net book value as of:				
- 31 December 2015	138	124	22	284
- 31 December 2014	115	108	-	223

11. CASH AND CASH EQUIVALENTS

	2015	2014
Current account	4.513	568
Foreign exchange account	573	502
Cash	-	-
Balance at 31 December	5.086	1.070

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

All amounts are expressed in MKD thousand, unless otherwise stated

12. OPERATING FUND

	<u>2015</u>	<u>2014</u>
Operating fund	284	223
Current surplus of revenues over expenses	<u>5.086</u>	<u>1.070</u>
Balance at 31 December	<u>5.370</u>	<u>1.293</u>

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

13. OFF-BALANCE RECORDS

As of 31 December 2015 the Institute has no off-balance sheet exposure.

14. SUBSEQUENT EVENETS

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