



**Finance Think – Economic
Research and Policy
Institute, Skopje**

Financial Statements for the Year Ended
31 December 2020 and

Independent Auditor's Report

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To:
The Management of
Finance Think economic research and policy institute, Skopje

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Finance Think Economic Research and Policy Institute, Skopje (in the following text "the Institute"), which comprise the Balance Sheet as of 31 December 2020, 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 the Auditing Standards applicable in the Republic of North Macedonia¹. 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.

¹ International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board (IAASB), which are in effect from 15 December 2009, translated and published in Official Gazette of RM no. 79 from 2010

To:
The Management of
Finance Think economic research and policy institute, Skopje

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's opinion

In our opinion, the financial statements of Finance Think, give a true and fair view, in all material aspects, of the financial position of the Institute as of 31 December 2020, 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.

Certified Auditor, Partner

Darko Kalin



Director

Darko Kalin

05 October 2021

STATEMENT OF REVENUES AND EXPENSES

As of 31 December 2020 and 2019

In MKD thousands

	Notes	2020	2019
Granted donations	4	23.341	16.625
Revenue from financing	5	-	9
Other revenues	6	9.648	1.221
Transferred surplus of revenue from the previous year		8.779	6.650
TOTAL REVENUES		41.768	24.505
Material expenses and services	7	(744)	(4.231)
Operating expenses	8	(10.621)	(7.448)
Capital expenses	9	(46)	(165)
Expenses for employees	10	(4.001)	(3.766)
TOTAL EXPENSES		(15.412)	(15.610)
Surplus of revenues over expenses before taxes		26.356	8.895
Income Tax	11	86	(2)
Surplus of revenues over expenses after taxation		26.270	8.893

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

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

Blagica Petreski

Chief Economist (CEO)

BALANCE SHEET
As of 31 December 2020 and 2019
In MKD thousands

	Notes	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	293	315
		293	315
CURRENT ASSETS			
Cash and cash equivalents	13	26.333	9.613
Accounts receivable	14	311	3.005
Other current assets	15	-	-
Prepayments	16	11	5
		26.655	12.623
TOTAL ASSETS		26.948	12.938
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund		293	315
Surplus of revenues over expenses after taxation		26.270	8.893
	17	26.563	9.208
CURRENT LIABILITIES			
Accounts payable	18	81	719
Other current liabilities	19	304	5
Accruals	20	-	3.006
		385	3.730
TOTAL LIABILITIES AND FUNDS		26.948	12.938

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

STATEMENT OF CHANGES IN OPERATING FUND
For the Year Ended 31 December 2020 and 31 December 2019
In MKD thousands

	Operating Fund	Surplus of revenues over expenses	Total
Balance as of 1 January 2019	241	6.650	6.891
Transferred surplus of revenues over expenses from previous year	-	(6.650)	(6.650)
Additions	165	-	165
Revaluation	6	-	6
Depreciation for the year	(93)	-	(93)
Revaluation of depreciation	(4)	-	(4)
Surplus of revenues over expenses	-	8.893	8.893
Balance as of 31 December 2019	315	8.893	9.208
Transferred surplus of revenues over expenses from previous year	-	(8.893)	(8.893)
Additions	46	-	46
Revaluation	13	-	13
Depreciation for the year	(73)	-	(73)
Revaluation of depreciation	(8)	-	(8)
Surplus of revenues over expense	-	26.270	26.270
Balance as of 31 December 2020	293	26.270	26.563

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

1. ESTABLISHMENT AND ACTIVITY

Finance Think is an independent and non-for-profit economic research and policy institute, founded on 14.12.2012. The institute is registered in the register of Associations and Unions under the number 6838804. Finance Think is an independent and non-profit institute for economic research and policy whose mission is to improve the impact of economic and social trends and policies on citizens in North Macedonia and the Western Balkans region through economic research, evidence-based and data-driven advocacy, and encouraging a critical debate on economic processes. Research helps policy makers, policy advocates, opinion makers, journalists and the public understand the issues affecting ordinary citizens. Programmatic domains in which the Institute is active are: poverty, employment and skills, fiscal transparency and accountability, gender and income inequalities, social entrepreneurship and women, migration and remittances, sectoral economic policies.

The management of the Institute is comprised of the Assembly, the Executive Board and the Advisory Board.

The headquarters of the Institute is located in Skopje, at ul. Frederick Chopin no. 1/2 Skopje, Kisela Voda. The total number of employees on December 31, 2020 is 7 employees (December 31, 2019 - 7 employees).

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 North 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.

The comparative figures for the year ended 31 December 2019 are presented as audited.

3. BASIC ACCOUNTING POLICIES

These financial statements are prepared in accordance with the terms set in the Law for accounting of the non-for-profit organizations (Official Gazette of RM no.24/2003, 17/2011, C court 80.2005, 154/2015), the Rulebook for accounting of non-for-profit organizations (Official Gazette of RM no. 42/2003, 8/2009, 12/2009, 175/2011), the Rulebook for accounting nomenclature and financial statements of non-for-profit organizations (Official Gazette of RM no. 117/2005, 11/2006) and the Rulebook of the content of accounts of the accounting nomenclature of the non-for-profit organizations (Official Gazette of RM no.117/2005).

Financial statement is prepared for the years ended 31 December 2020 and 2019. Operational and reporting currency of the Institute is the Macedonian Denar. Current and comparative data presented in these financial statements are stated in thousands of MKD, except stated otherwise.

3.1 Cash and cash equivalents

The Institute's cash comprises 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

3. BASIC ACCOUNTING POLICIES (continued)

3.2 Material and non-material investments

Classified as material and non-material assets are:

- Assets kept for performing the activity
- Assets which are expected to be used more than one financial period and whose separate value at the moment of purchase is higher than 300 EUR in Macedonian denar counter-value.

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 purchase related costs. 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. Sources of funding of the Foundation are increased for the amount of the material and non-material assets. Material and Non-Material assets are recognized as capital expenditure at the moment when they occur (payment).

All other continuous maintenance is evidenced as cost in the Statement of Revenues and Expenses during the period in which they occur.

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 depreciation rates, applied by the Institute in 2020 are as follows: 20% for computer equipment, 16% for air conditioners, 14% for TV and 12% for furniture.

The amount of the current depreciation is recorded on the burden of the operating fund. The calculation of the depreciation is performed separately for each item, and not for groups of assets.

3.4. Receivables

Receivables are recognized at their nominal value in the accounting document in accordance with the agreed amount, decreased for the valuation allowance.

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 North Macedonia. Income tax is payable at the rate of 1% on the amount of revenues generated from operations above the threshold of 1 million (2019: Income tax is payable at the rate of 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).

The Organization does not calculate income tax due to the reason that it only operates with project related funds and costs performed are for project purpose only.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

3. BASIC ACCOUNTING POLICIES (Continued)*(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 Sources of funding

Sources of funding are valued at the amount of assets and revaluation reserve.

3.7 Liabilities

Liabilities to suppliers, employees, salaries, taxes and other current liabilities are stated at their nominal value. Liabilities in other currencies are stated at mid-exchange rate of NBRM.

3.8 Recognition of the revenues and expenses

Revenues and expenses of the non-profit Institutes 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).

3.9 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. 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:

In MKD	2020	2019
EUR	61,6940	61,4856
GBP	68,3136	72,1577
USD	50,2353	54,9518
CHF	56,8242	56,5593

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

4. GRANTED DONATIONS

	<u>2020</u>	<u>2019</u>
Revenues from donations	23.341	16.625
Total	<u>23.341</u>	<u>16.625</u>

In the course of 2020, revenues from the following donors were realized:

Breakdown of granted donations by donors:

<u>Donor</u>	<u>2020</u>
European Union	7.265
FOSI - Foundation open society institute (via OSF Services Berlin GmbH)	5.414
BTD The Balkan Trust for Democracy	4.423
Macedonian Center for International Cooperation (MCIC)	1.309
USAID (East-West Management Institute-EWMI)	1.112
Foundation Open Society - Macedonia	860
U.S Department of state	833
General Secretariat of the Government of the Republic of North Macedonia	809
British Embassy	599
Ministry of Finance of The Republic of N. Macedonia (CFCD- The Central Financing and Contracting Department)	594
Center for Research and Policy Making - CRPM	98
Partnership for economic policy - PEP	25
Total	<u>23.341</u>

5. REVENUE FROM FINANCING

	<u>2020</u>	<u>2019</u>
Revenue from interest and exchange rate differences	-	9
Total	<u>-</u>	<u>9</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

6. OTHER REVENUES

	<u>2020</u>	<u>2019</u>
Revenues from services	9.586	1.193
Other revenues	62	28
Total	<u>9.648</u>	<u>1.221</u>

7. MATERIAL EXPENSES AND SERVICES

	<u>2020</u>	<u>2019</u>
Office materials	158	131
Electricity, telephone and utilities costs	31	24
Maintenance	206	1.030
Other services	166	2.494
Transport	103	115
Marketing	8	6
Rent	57	420
Other costs	15	11
Total	<u>744</u>	<u>4.231</u>

8. OPERATING EXPENSES

	<u>2020</u>	<u>2019</u>
Bank charges	79	55
Per diems and travel costs	122	644
Exchange rates	826	1
Intellectual services	9.414	3.437
Taxes	12	23
Transferred funds	110	3.204
Other expenses	58	84
Total	<u>10.621</u>	<u>7.448</u>

9. CAPITAL EXPENSES

	<u>2020</u>	<u>2019</u>
Equipment	46	165
Total	<u>46</u>	<u>165</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

10. EXPENSES FOR EMPLOYEES

	<u>2020</u>	<u>2019</u>
Salaries	3.964	3.766
Recourse for vacation	37	-
Total	<u>4.001</u>	<u>3.766</u>

11. INCOME TAX

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

	<u>2020</u>
1 Sales	-
2 Revenues from services	9.586
3 Revenues from rents	-
4 Own revenues	-
5 Total revenues from operations	<u>9.586</u>
6 Tax base reliefs	<u>1.000</u>
7 Tax base	<u>8.586</u>
8 Income tax of 1%	<u>86</u>

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

Tax charge in amount of 2 thousand MKD has been calculated for the year of 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment and furniture	Total
Cost as of 1 January 2019	517	517
Additions	165	165
Revaluation	6	6
Balance as of 31 December 2019	688	688
Additions	46	46
Revaluation	13	13
Balance as of 31 December 2020	747	747
Accumulated depreciation as of 1 January 2019	276	276
Depreciation 2019	93	93
Revaluation of depreciation for 2019	4	4
Balance as of 31 December 2019	373	373
Depreciation 2020	73	73
Revaluation of depreciation	8	8
Balance as of 31 December 2020	454	454
Net book value as of:		
31 December 2019	315	315
31 December 2020	293	293

13. CASH AND CASH EQUIVALENTS

	2020	2019
Bank account	9.925	5.057
Petty cash	2	5
Foreign currency bank account	16.406	4.551
Balance at 31 December	26.333	9.613

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

14. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Accounts receivable – grants donations	311	3.005
Balance at 31 December	<u>311</u>	<u>3.005</u>

15. OTHER CURRENT ASSETS

	<u>2020</u>	<u>2019</u>
Other receivables	-	-
Balance at 31 December	<u>-</u>	<u>-</u>

16. PREPAYMENTS

	<u>2020</u>	<u>2019</u>
Prepayments	11	5
Balance at 31 December	<u>11</u>	<u>5</u>

17. OPERATING FUND

	<u>2020</u>	<u>2019</u>
Operating fund	293	351
Current surplus of revenues over expenses	26.270	8.893
Balance at 31 December	<u>26.563</u>	<u>9.208</u>

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

18. ACCOUNTS PAYABLE

	<u>2020</u>	<u>2019</u>
Accounts payable	81	719
Balance at 31 December	<u>81</u>	<u>719</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2020

All amounts are expressed in MKD thousand, unless otherwise stated

19. OTHER CURRENT LIABILITIES

	2020	2019
VAT	206	-
Taxes for payments of engaged individuals	3	3
Liabilities for individuals engaged	9	-
Income tax liability	86	2
Balance at 31 December	304	5

20. ACCRUALS

	2020	2019
Other accruals	-	3.006
Balance at 31 December	-	3.006

21. OFF-BALANCE RECORDS

As of 31 December 2020, the Institute has no off-balance sheet exposure.

21. SUBSEQUENT EVENETS

After 31 December 2020 – the reporting date until the approval of these financial reports, the following events have occurred:

- Since 31 December 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of operations and cash flows of the Institute for future periods.