



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

Financial Statements for the Year Ended
31 December 2021 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 2021, 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 2021, 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

01 August 2022

STATEMENT OF REVENUES AND EXPENSES

As of 31 December 2021 and 2020

In MKD thousands

	Notes	2021	2020
Granted donations	4	4.189	23.341
Revenue from financing	5	742	-
Other revenues	6	7.705	9.648
Transferred surplus of revenue from the previous year		19.126	8.779
TOTAL REVENUES		31.762	41.768
Material expenses and services	7	(1.458)	(744)
Operating expenses	8	(11.867)	(10.621)
Capital expenses	9	(333)	(46)
Expenses for employees	10	(4.276)	(4.001)
TOTAL EXPENSES		(17.934)	(15.412)
Surplus of revenues over expenses before taxes		13.828	26.356
Income Tax	11	67	86
Surplus of revenues over expenses after taxation		13.761	26.270

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 as of 28.02.2022 and were signed on its behalf by:

Blagica Petreski

Chief Economist (CEO)

BALANCE SHEET
As of 31 December 2021 and 2020
In MKD thousands

	Notes	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	579	293
		579	293
CURRENT ASSETS			
Cash and cash equivalents	13	22.580	26.333
Accounts receivable	14	370	311
Prepayments	15	-	11
		22.950	26.655
TOTAL ASSETS		23.529	26.948
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund		579	293
Surplus of revenues over expenses after taxation		13.761	26.270
	16	14.340	26.563
CURRENT LIABILITIES			
Accounts payable	17	533	81
Other current liabilities	18	790	304
Accruals	19	7.866	-
		9.189	385
TOTAL LIABILITIES AND FUNDS		23.529	26.948

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

STATEMENT OF CHANGES IN OPERATING FUND
For the Year Ended 31 December 2021 and 31 December 2020
In MKD thousands

	Operating Fund	Surplus of revenues over expenses	Total
Balance as of 1 January 2020	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 expenses	-	26.270	26.270
Balance as of 31 December 2020	293	26.270	26.563
Transferred surplus of revenues over expenses from previous year	-	(26.270)	(26.270)
Additions	333	-	333
Revaluation	145	-	145
Depreciation for the year	(109)	-	(109)
Revaluation of depreciation	(83)	-	(83)
Surplus of revenues over expense	-	13.761	13.761
Balance as of 31 December 2021	579	13.761	14.340

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

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, sectorial 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, 2021 is 5 employees (December 31, 2020 - 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 2020 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 2021 and 2020. 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 2021

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 2021 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 (2020: 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 2021

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	2021	2020
EUR	61,6270	61,6940
GBP	73,4267	68,3136
USD	54,3736	50,2353
CHF	59,4683	56,8242

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

4. GRANTED DONATIONS

	<u>2021</u>	<u>2020</u>
Revenues from donations	4.189	23.341
Total	<u>4.189</u>	<u>23.341</u>

In the course of 2021, revenues from the following donors were realized:

Breakdown of granted donations by donors:

<u>Donor</u>	<u>2021</u>
Albanian for Centre for Competitiveness and International Trade (ACIT)	382
Macedonian Center for International Cooperation (MCIC)	720
Foundation Open Society - Macedonia	636
Institute for European Politics- Skopje (IEP)	232
British Embassy	2.024
Japanese Embassy	49
Center for Research and Policy Making - CRPM	146
Total	<u>4.189</u>

5. REVENUE FROM FINANCING

	<u>2021</u>	<u>2020</u>
Revenue from interest and exchange rate differences	742	-
Total	<u>742</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

6. OTHER REVENUES

	2021	2020
Revenues from services	7.663	9.586
Other revenues	42	62
Total	7.705	9.648

7. MATERIAL EXPENSES AND SERVICES

	2021	2020
Office materials	44	158
Electricity, telephone and utilities costs	34	31
Maintenance	31	206
Other services	486	166
Transport	98	103
Marketing	15	8
Rent	396	57
Other costs	64	15
Total	1.458	744

8. OPERATING EXPENSES

	2021	2020
Bank charges	84	79
Per diems and travel costs	177	122
Exchange rates	29	826
Intellectual services	7.829	9.414
Taxes	11	12
Transferred funds	3.677	110
Other expenses	60	58
Total	11.867	10.621

9. CAPITAL EXPENSES

	2021	2020
Equipment	333	46
Total	333	46

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

10. EXPENSES FOR EMPLOYEES

	<u>2021</u>	<u>2020</u>
Salaries	4.160	3.964
Recourse for vacation	116	37
Total	<u>4.276</u>	<u>4.001</u>

11. INCOME TAX

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

	<u>2021</u>	<u>2020</u>
1 Sales	-	-
2 Revenues from services	7.663	9.586
3 Revenues from rents	-	-
4 Own revenues	-	-
5 Total revenues from operations	<u>7.663</u>	<u>9.586</u>
6 Tax base reliefs	<u>1.000</u>	<u>1.000</u>
7 Tax base	<u>6.663</u>	<u>8.586</u>
8 Income tax of 1%	<u>67</u>	<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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

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 2020	688	688
Additions	46	46
Revaluation	13	13
Balance as of 31 December 2020	747	747
Additions	333	333
Revaluation	145	145
Balance as of 31 December 2021	1.225	1.225
Accumulated depreciation as of 1 January 2020	373	373
Depreciation 2020	73	73
Revaluation of depreciation for 2020	8	8
Balance as of 31 December 2020	454	454
Depreciation 2021	109	109
Revaluation of depreciation	83	83
Balance as of 31 December 2021	646	646
Net book value as of:		
31 December 2020	293	293
31 December 2021	579	579

13. CASH AND CASH EQUIVALENTS

	2021	2020
Bank account	12.214	9.925
Petty cash	2	2
Foreign currency bank account	10.364	16.406
Balance at 31 December	22.580	26.333

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

14. ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Accounts receivable – grants donations	370	311
Balance at 31 December	<u>370</u>	<u>311</u>

15. PREPAYMENTS

	<u>2021</u>	<u>2020</u>
Prepayments	-	11
Balance at 31 December	<u>-</u>	<u>11</u>

16. OPERATING FUND

	<u>2021</u>	<u>2020</u>
Operating fund	579	293
Current surplus of revenues over expenses	13.761	26.270
Balance at 31 December	<u>14.340</u>	<u>26.563</u>

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

17. ACCOUNTS PAYABLE

	<u>2021</u>	<u>2020</u>
Accounts payable	533	81
Balance at 31 December	<u>533</u>	<u>81</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

18. OTHER CURRENT LIABILITIES

	<u>2021</u>	<u>2020</u>
VAT	622	206
Taxes for payments of engaged individuals	9	3
Liabilities for individuals engaged	67	9
Income tax liability	79	86
Other liabilities	13	-
Balance at 31 December	<u>790</u>	<u>304</u>

19. ACCRUALS

	<u>2021</u>	<u>2020</u>
Other accruals	7.866	-
Balance at 31 December	<u>7.866</u>	<u>-</u>

20. OFF-BALANCE RECORDS

As of 31 December 2021, the Institute has no off-balance sheet exposure.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

21. SUBSEQUENT EVENETS

After 31 December 2021 – the reporting date until the approval of these financial reports, the following events have occurred:

- Since 31 December 2021, 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 Institute 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 2021 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.

- The military action in Ukraine by the Russian forces that started on February 24, 2022 is a far-reaching event that will also leave evident traces in the global economy, and thus in corporate financial reporting. Impacts were immediately felt on the commodities and the financial markets, especially with the imposition of severe sanctions against Russia. The consequences for Russia and the imposing countries are immediately visible, but in the long run there will also be significant consequences for the global economy. It is currently difficult to predict how long this crisis will last, which may also intensify with further actions even after the end of military actions. Therefore, the Institute considers these events to be non-adjusting subsequent events. Consequently, the financial position and results of operations of and for the period ended 31 December 2021 are not adjusted to reflect this impact.