



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

Financial Statements for the Year Ended
31 December 2022 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 2022, 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 2022, 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



27 November 2023

Director

Darko Kalin

STATEMENT OF REVENUES AND EXPENSES

As of 31 December 2022 and 2021

In MKD thousands

	Notes	2022	2021
Granted donations	4	10.077	4.189
Revenue from financing	5	582	742
Other revenues	6	2.339	7.705
Transferred surplus of revenue from the previous year		7.682	19.126
TOTAL REVENUES		20.681	31.762
Material expenses and services	7	(1.071)	(1.458)
Operating expenses	8	(7.096)	(11.867)
Capital expenses	9	(59)	(333)
Expenses for employees	10	(3.731)	(4.276)
TOTAL EXPENSES		(11.957)	(17.934)
Surplus of revenues over expenses before taxes		8.724	13.828
Income Tax	11	16	67
Surplus of revenues over expenses after taxation		8.708	13.761

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 25.02.2023 and were signed on its behalf by:

Blagica Petreski

Chief Economist (CEO)

BALANCE SHEET
As of 31 December 2022 and 2021
In MKD thousands

	Notes	2022	2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	590	579
		590	579
CURRENT ASSETS			
Cash and cash equivalents	13	22.665	22.580
Accounts receivable	14	-	370
Other receivable	14	4	-
		22.669	22.950
TOTAL ASSETS		23.259	23.529
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund		590	579
Surplus of revenues over expenses after taxation		8.708	13.761
	16	9.299	14.340
CURRENT LIABILITIES			
Accounts payable	17	-	533
Other current liabilities	18	16	790
Accruals	19	13.944	7.866
		13.960	9.189
TOTAL LIABILITIES AND FUNDS		23.259	23.529

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

STATEMENT OF CHANGES IN OPERATING FUND
For the Year Ended 31 December 2022 and 31 December 2021
In MKD thousands

	Operating Fund	Surplus of revenues over expenses	Total
Balance as of 1 January 2021	293	26.270	26.563
Transferred surplus of revenues over expenses from previous year	-	(26.270)	(26.270)
Additions	331	-	333
Revaluation	147	-	145
Depreciation for the year	(109)	-	(109)
Revaluation of depreciation	(83)	-	(83)
Surplus of revenues over expenses	-	13.761	13.761
Balance as of 31 December 2021	579	13.761	14.340
Transferred surplus of revenues over expenses from previous year	-	(13.761)	(13.761)
Additions	59	-	59
Revaluation	243	-	243
Depreciation for the year	(136)	-	(136)
Revaluation of depreciation	(155)	-	(155)
Surplus of revenues over expense	-	8.708	8.708
Balance as of 31 December 2022	590	8.708	9.299

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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, 2022 is 5 employees (December 31, 2021 - 5 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.

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 2022 and 2021. 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 2022

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 2022 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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	2022	2021
EUR	61,4932	61,6270
GBP	69,3350	73,4267
USD	57,6535	54,3736
CHF	62,4487	59,4683

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

4. GRANTED DONATIONS

	<u>2022</u>	<u>2021</u>
Revenues from donations	10.077	4.189
Total	<u>10.077</u>	<u>4.189</u>

In the course of 2022, revenues from the following donors were realized:

Breakdown of granted donations by donors:

<u>Donor</u>	<u>2022</u>
Macedonian Center for International Cooperation (MCIC)	164
Fondatipn Open Society Macedonia	2.444
COMMISSION DE L'UNION EUROPEENNE	5.670
European Policy Institute (EPI)	229
Reactor – Research in Action	829
Balkan Civil Society Development Network (BCSDN)	564
People Powered - Global Hub for Participatory Democracy	177
Total	<u>10.077</u>

5. REVENUE FROM FINANCING

	<u>2022</u>	<u>2021</u>
Revenue from interest and exchange rate differences	582	742
Total	<u>582</u>	<u>742</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

6. OTHER REVENUES

	<u>2022</u>	<u>2021</u>
Revenues from services	2.090	7.663
Other revenues	249	42
Total	<u>2.339</u>	<u>7.705</u>

7. MATERIAL EXPENSES AND SERVICES

	<u>2022</u>	<u>2021</u>
Office materials	92	44
Electricity, telephone and utilities costs	24	34
Maintenance	125	31
Other services	437	486
Transport	209	98
Marketing	14	15
Rent	168	396
Other costs	3	64
Total	<u>1.071</u>	<u>1.458</u>

8. OPERATING EXPENSES

	<u>2022</u>	<u>2021</u>
Bank charges	74	84
Per diems and travel costs	336	177
Exchange rates	18	29
Intellectual services	3.434	7.829
Taxes	27	11
Transferred funds	3.146	3.677
Other expenses	61	60
Total	<u>7.096</u>	<u>11.867</u>

9. CAPITAL EXPENSES

	<u>2022</u>	<u>2021</u>
Equipment	59	333
Total	<u>59</u>	<u>333</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

10. EXPENSES FOR EMPLOYEES

	<u>2022</u>	<u>2021</u>
Salaries	3.731	4.160
Recourse for vacation	-	116
Total	<u>3.371</u>	<u>4.276</u>

11. INCOME TAX

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

	<u>2022</u>	<u>2021</u>
1 Sales	-	-
2 Revenues from services	2.597	7.663
3 Revenues from rents	-	-
4 Own revenues	-	-
5 Total revenues from operations	<u>2.597</u>	<u>7.663</u>
6 Tax base reliefs	<u>1.000</u>	<u>1.000</u>
7 Tax base	<u>1.597</u>	<u>6.663</u>
8 Income tax of 1%	<u>16</u>	<u>67</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 2022

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 2021	747	747
Additions	331	331
Revaluation	147	147
Balance as of 31 December 2021	1.225	1.225
Additions	59	59
Revaluation	243	243
Balance as of 31 December 2022	1.528	1.528
Accumulated depreciation as of 1 January 2021	454	454
Depreciation 2021	109	109
Revaluation of depreciation for 2021	83	83
Balance as of 31 December 2021	647	647
Depreciation 2022	136	136
Revaluation of depreciation	155	155
Balance as of 31 December 2022	937	937
Net book value as of:		
31 December 2021	579	579
31 December 2022	590	590

13. CASH AND CASH EQUIVALENTS

	2022	2021
Bank account	11.911	12.214
Petty cash	2	2
Foreign currency bank account	10.753	10.364
Balance at 31 December	22.665	22.580

14. ACCOUNTS RECEIVABLE

	2022	2021
Accounts receivable – grants donations	-	370
Balance at 31 December	-	370

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

15. OTHER RECEIVABLE

	<u>2022</u>	<u>2021</u>
Receivable for paid value added tax	4	-
Balance at 31 December	4	-

16. OPERATING FUND

	<u>2022</u>	<u>2021</u>
Operating fund	590	579
Current surplus of revenues over expenses	8.708	13.761
Balance at 31 December	9.299	14.340

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

17. ACCOUNTS PAYABLE

	<u>2022</u>	<u>2021</u>
Accounts payable	-	533
Balance at 31 December	-	533

18. OTHER CURRENT LIABILITIES

	<u>2022</u>	<u>2021</u>
VAT	-	622
Taxes for payments of engaged individuals	-	9
Liabilities for individuals engaged	16	67
Income tax liability	-	79
Other liabilities	-	13
Balance at 31 December	16	790

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

19. ACCRUALS

	<u>2022</u>	<u>2021</u>
Other accruals	13.944	7.866
Balance at 31 December	<u>13.944</u>	<u>7.866</u>

20. OFF-BALANCE RECORDS

As of 31 December 2022, the Institute has no off-balance sheet exposure.

21. SUBSEQUENT EVENTS

After 31 December 2022 – the reporting date until the approval of these interim financial statements, there are no events that are materially significant for disclosure in these interim financial statements.