

**European Policy Institute- EPI**  
Skopje – Republic of North Macedonia

Financial statements  
and the Independent Auditor's report  
for the year ending on December 31, 2021

Skopje, April 2022

## Contents

European Policy Institute- EPI .....	1
INDEPENDENT AUDITOR'S REPORT .....	3
BALANCE OF REVENUES AND EXPENDITURES.....	5
Balance sheet.....	6
General information .....	7
Explanatory notes to the Balance of Revenue and Expenditures .....	11
Explanatory notes to the Balance Sheet.....	13
Annex 1 – Annual Account.....	16

## **INDEPENDENT AUDITOR'S REPORT**

To the management of **EUROPEAN POLICY INSTITUTE- EPI SKOPJE**

### **Report for the financial statements**

We have performed an audit of the accompanied financial statements of European Policy Institute- EPI in Skopje, which comprise the Balance Statement as of 31 December 2021, Balance of incomes and expenditures for the year ending then, as well as the review of significant accounting policies and other explanatory information, provided on pages 7 to 12.

### **Responsibility of the management for the financial statements**

The management is responsible for preparation and objective presentation of these financial statements in accordance with the Law for accounting on non-profit organization and internal controls which are relevant for preparation and objective presentation of the financial statements freed from material faulty presentation, no matter if it is result of fraud or mistake.

### **Responsibility of the auditor**

Our responsibility is to express an opinion for these financial statements on the basis of our audit. We have performed our audit in accordance with the International Audit Standards adopted and applicable in the Republic of North Macedonia. These standards require us to respect the ethical requirements and plan and perform the audit in order to obtain reasonable assurance whether the financial statements are free from material faulty presentations.

The audit includes performance of procedures for gaining audit evidence for the amounts and disclosures in the financial statements. The procedures selected, depend on the judgment of the auditor, including also the assessment of risks from material wrongly presentations of the financial reports, no matter if they are result of fraud or error. When the auditor makes these assessments of the risk, the auditor takes in consideration the internal control relevant for preparation and objective presentation of the financial statements of the entity, in order to choose audit procedures relevant for the circumstances, not for the goal to express an opinion for the effectiveness of the internal control of the entity. The audit also includes estimation of the appropriateness of the accounting policies used, and the reasonableness of accounting valuations made by the management, as well as valuation of the presentation of financial statements.

We believe that the audit proofs, that we have gathered, are sufficient and appropriate in order to secure basis for our audit opinion.

### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the European Policy Institute- EPI Skopje, as well as the financial successfulness for the year ending on December 31 2021, in compliance with the Law for accounting of non-profit organizations (Official Gazette of RM no.24/03 and 17/11) and the Rulebook on accounting of non-profit organization (Official Gazette of RM 42/03, 8/09, 12/09 and 175/11).

### Report for other requirements

The non-profit organization is also responsible for preparing a report on the work of the institutional grant funded by Civica Mobilitas, which refers to the period 01.01.2021-31.12.2021.

Our opinion is that the grant funded by Civica Mobilitas give a true and fair view of the work for the period for which it is reported.

Certified Auditor

Maja Ivanovska

Skopje, 28/04/2022



Manager

Kiril Andonovski

ECOVIS AUDIT MACEDONIA LLC Skopje

РЕВИЗОРСКИ ИЗВЕШТАЈ		
ДАТУМ	ОЗНАКА	БРОЈ
28.04.2022	М.И	05-4/37

## European Policy Institute- EPI

### BALANCE OF REVENUES AND EXPENDITURES

for the year ending on 31.12.2021

<i>(In thousand denars)</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Revenues from membership	3	-	-
Own revenues	4	24,383	17,352
Other revenues	5	2,258	802
		-	-
<b>TOTAL REVENUES</b>		<b>26,640</b>	<b>18,154</b>
<b>EXPENSES</b>			
Total exepnses	6	26,640	18,154
<b>TOTAL EXPENSES</b>		<b>26,640</b>	<b>18,154</b>
<b>Surplus for the year before taxes</b>			
		-	-
Taxes, contribution and other income taxes		-	-
<b>Total surplus for the year after taxes</b>			
		-	-
Transferred surplus from the previous year		-	-
<b>TOTAL SURPLUS</b>			
		-	-

Person responsible for preparation of the balance  
Audit Company RSM MACEDONIA DOOEL Skopje

  
  
RSM  
Друштво за ревизија РСМ  
МАКЕДОНИЈА ДООЕЛ Скопје

Responsible Person  
Simonida Kacarska

  
  
Институт за европска политика  
ЕПР  
Скопје



## European Policy Institute- EPI

### Balance sheet on 31.12.2021

(in thousand denars)



	Note	2021	2020
<b>ASSETS</b>		<b>607</b>	<b>800</b>
<b>Long-term assets</b>			
Intangible assets	6	27	45
Tangible assets	7	580	756
Investing in company entity		-	-
<b>Current assets</b>		<b>13,370</b>	<b>15,226</b>
Money assets	8	12,878	14,914
Receivables	9	183	178
Inventory	10	-	-
Prepaid expenses	9	309	134
<b>TOTAL ASSETS</b>		<b>13,977</b>	<b>16,027</b>
<b>SOURCES OF ASSETS AND LIABILITIES</b>			
<b>Sources of assets</b>		<b>607</b>	<b>801</b>
Bussiness fund	11	607	801
<b>Short-term liabilities</b>		<b>13,187</b>	<b>15,048</b>
Trade liabilities		13,187	15,048
<b>Unearned incomes</b>		<b>183</b>	<b>178</b>
Unearned incomes		183	178
Surplus for transfer in next year	12	-	-
<b>TOTAL SOURCES OF ASSETS AND LIABILITIES</b>		<b>13,977</b>	<b>16,027</b>

The financial statements were approved and adopted by the European Policy Institute- EPI  
Skopje on March 10 2022 in Skopje.

Person responsible for preparation of the balance  
Audit Company RSM MACEDONIA DOOEL Skopje

  
  
Друштво за ревизија РСМ  
МАКЕДОНИЈА ДООЕЛ Скопје

Responsible Person  
Simonida Kacarska

## **General information**

The European Policy Institute- EPI is autonomous, independent, non-political and non-profit organization.

Basic activity of European Policy Institute- EPI the according the Decision from the central Registry of Republic of North Macedonia is 94.99 – Activities of other membership organizations, not mentioned elsewhere.

### **1. Basis for preparation of financial statements**

#### **1.1. Basis for preparation**

The European Policy Institute- EPI in Skopje has prepared the financial statements in accordance with the legal legislative that are applied in Republic of North Macedonia, and relating to the operation of non-profit organizations, pursuant the Law on accounting for non-profit organizations (Official Gazette of RM no. 24/03, 80/05, 17/11), The Regulation on the accounting for non-profit organizations (Official Gazette of RM br.42/03, 11/09, 11/06, 08/09, 175/11) and accepted accounting principles and accounting practices.

#### **1.2. Principles for the preparation and presentation of the financial statements**

The Financial statements show the assets, liabilities, revenues and expenses related to the operation of European Policy Institute- EPI in Skopje. The financial statements present truthfully the financial position, financial performance and the inflow and outflow of cash of European Policy Institute- EPI in Skopje, in compliance with accounting standards. The presentation and classification of items in the financial statements is unchanged from one period to another. Each significant item is presented separately in the financial statements. Assets and liabilities, and revenues and expenses are not offset unless offsetting is required and allowed by some accounting standard. The presentation of financial statements provides comparability of the current data with the previous accounting period.

#### **1.3. Continuity**

The financial statements have been prepared on the assumption of continuity in operation that is that European Policy Institute- EPI in Skopje will continue to operate for the foreseeable future. European Policy Institute- EPI in Skopje has no intention or need to liquidate or materially limit the scope of its operations.

### **2. Accounting policies**

The principal accounting policies and estimates used in the preparation of financial statements of European Policy Institute- EPI in Skopje European Policy Institute- EPI in Skopje for 2016 are given below. The accounting policies applied in the preparation of financial statements used consistently throughout the period considered.

## **2.1. Recognition of income and expenses**

The recognition of revenue and expenses are conducted in accordance with Article 13 of the Accounting Law of Non-profit Organisations (Official Gazette of RM no.24/03, 80/05, 17/11) and Article 18 of the Regulation on the accounting of non-profit organizations (Official Gazette of RM no.42/03, 11/09, 11/06, 08/09, 175/11) or by the accounting principle of modified occurrence of business changes or transactions

According to the accounting principle of modified occurrence of business changes, that is transactions, revenues are recognized in the accounting period in which they arise according to the criterion of measurability and availability. Revenues are available when they are realized in the accounting period or 30 days after the end of the accounting period to which they refer, provided they relate to the accounting period and serve to cover the liabilities of the accounting period.

According to the accounting principle of modified occurrence of business changes, that is transactions, costs are recognized in the accounting period in which they are incurred or paid within 30 days after the end of the accounting period, provided that the obligation to pay has occurred in that accounting period.

Expenditures for spending short-term assets are recognized at the time and in the amount of the actual costs incurred.

## **2.2. Classification of assets and liabilities**

Assets and liabilities are initially valued in accordance with Article 14 of the Law on accounting for non-profit organizations (Official Gazette of RM No.24/03, 80/05, 17/11) and Article 19 of the Regulation on the accounting for non-profit organizations (Official Gazette of RM No.42/03, 11/09, 11/06, 08/09, 175/11), in which the treatment of long-term assets have the assets whose useful life is longer than one year and whose individual value at the time of purchase is higher than 300 EUR in MKD.

Any asset and obligation that is expected to be effected or settled within 12 months after the date of the balance sheet are classified as short-term. Assets and liabilities that are expected to be effected or settled a period longer than 12 months after the balance sheet date are classified as long term. Long-term assets, SSKM initially measures them at their fair value decreased for the total amount of calculated depreciation. Purchase value of long term assets includes the invoice value of purchased assets plus all costs incurred until the asset is put in use.

The basis for the write-off of long term assets (tangible and intangible) is corrected for subsequent expenditure that improves the condition of the asset over its useful life.

Long-term assets are classified as tangible and intangible:

- in long-term tangible assets are classified property, plant and equipment that:
  - are held for realization of the activity or providing of services, for rental or for administrative purposes and
  - Are expected to be used by more than one financial period.
- in intangible assets are included non-monetary assets that can be identified and have no physical content.



Long-term assets are depreciated on a straight-line method over the estimated useful lives, using the prescribed rates given in the Rules for accounting for non-profit organizations. The calculation of depreciation is made separately for each asset within the groups defined in the Regulations, until the value of long-term assets is not fully compensated. Assets are depreciated from the moment they are put into use. The following are the annual rates of depreciation of tangible assets, applied to some of the more important items:

Furniture	20%
Computers	25%

For the amount of calculated depreciation simultaneously are decreased the funds and resources.

### **2.3. Inventories**

The inventories of fixtures and fittings are recognized in accordance with Article 14, paragraph 7 of the accounting for nonprofit organizations, according to which long-term assets whose individual value at the time of purchase is less than 100 euros in denars are classified as fixtures and fittings and are written off once regardless of used life.

### **2.4. Revaluation**

Long-term assets are revaluated at their disposal and decommissioning or for re-evaluation if the annual inflation as measured by increase in prices of industrial production is greater than 30%.

The result of the revaluation of fixed assets is transferred to the benefit or burden of the sources of funds.

### **2.5. Money and money equivalents**

Cash and cash equivalents consist of cash in bank accounts and cash in cash box.

### **2.6. Receivables**

The receivables for memberships, according to the Law on accounting of non-profit organizations, are recognized at nominal value or when they are generated (collected) in the accounting period to which they relate, or 30 days after the ending of the accounting period to which they refer, provided they relating to the accounting period and serve to cover the liabilities of that period.

### **2.7. Amounts denominated in foreign currency**

Transactions denominated in foreign currencies are recorded in the reporting of currency using the applicable on the date of transaction. The assets and liabilities denominated in foreign currencies at the date of the report are presented in MKD with exchange rate on the last day of the accounting period. The rate differences arising from monetary items outstanding at rates different from those that were initially recorded are recognized as income or as expenses in the period in which they occurred.

## **2.8. Liabilities**

Liabilities to suppliers and other liabilities are presented at fair value on the initial recognition. These liabilities are measured at the amount received by the obtained transaction documents (invoices, contracts, interest lists).

## **2.9. Income tax**

According to Article 34 of the Law on income tax, the income earned on the basis of purpose-built funds, such as income from membership fees, sponsorships and donations with purpose-built nature, are not included in the tax base for calculation of income tax. Tax on excess of income over expenses is paid by the tax balance for the accounting period and only for the amount of non-deductible expenses for tax purposes for the current period.

For the use of the purpose-built funds, the European Policy Institute- EPI in Skopje management prepares a special program according to program goals and objectives established by the establishing act of the University.

## **3. Financial risks and managing with them**

European Policy Institute- EPI in Skopje steps into various transactions arising from daily operations and relating to customers, suppliers and donors. The main risks to which it is exposed European Policy Institute- EPI in Skopje and management policies are as follows:

### **3.1. Tax risk**

The financial statements and the accounting records of the entity are subject of tax control by the tax authorities in the following 5 years period, after the submission of the Tax Balance for the financial year, and can cause additional tax liabilities. As of the date of issuance of the auditor's report control of the income tax, personal tax and contributions from the salaries was not conducted. According to this there is a tax risk for calculation of additional taxes and contributions, in case of future controls from the tax authorities.

## **4. Financial reports**

European Policy Institute- EPI in Skopje, in accordance with the Law on accounting of non-profit organizations, prepares financial reports that provide accurate, true and complete review of assets, liabilities, sources of funds, revenues and expenditures. For the year ending on December 31, 2021 are prepared the following financial reports:

- Balance Sheet
- Balance of revenues and expenditures
- Explanatory notes to the financial statements

The Balance Sheet shows the condition of assets, liabilities and sources of funds.

The Balance of revenues and expenditures shows the revenues and expenditures and the shortage or surplus realized in the business year or in any other period of the business year.

The Explanatory notes to the financial statements are detailed elaboration and addition of data from the balance sheet and the balance of revenues and expenditures.

### Explanatory notes to the Balance of Revenue and Expenditures

#### 3 Revenues from memberships

(in thousand denars)	2021	2020
Incomes from project gants	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

#### 4 Incomes

(in thousand denars)	2021	2020
Own Incomes	3,143	2,203
Incomes from donations	21,239	15,149
Other Incomes	-	-
<b>Total</b>	<b>24,383</b>	<b>17,352</b>

#### 5 Other Incomes

(in thousand denars)	2021	2020
Other Incomes	402	19
Financial incomes	1,856	783
<b>Total</b>	<b>2,258</b>	<b>802</b>

#### 6 Total Expenses

(in thousand denars)	2021	2020
Total expenses (6a+6b+6c)	<b>26,640</b>	<b>18,154</b>

#### 6.a Material expenses and services

	2021	2020
Materials	595	826
Expenses for electricity, fuel	95	52
Expenses for investment maintenance	237	63
Nonproductional expenses	111	303
Transport and other services	413	416
Expenses for representation and advertising	478	441
Rent	911	572
Other material expenses	5	15
<b>Total</b>	<b>2,843</b>	<b>2,688</b>



<b>6.b Other expenses</b>	<b>2021</b>	<b>2020</b>
Bank provisions	118	108
Interest for loans	-	-
Insurance premiums	8	13
Per diems and expenses for bussiness trips	82	102
Health checks for employees	50	-
Other costs for employees	137	-
Negative exchange rate differences	1,529	1,073
Memberships	80	38
Accounting and audit	485	367
Expenses for experts	3,999	2,536
Expenses for trainings	-	-
Translators	236	282
Other expenses	897	225
Transferred funds	7,199	2,788
Other taxes	577	614
<b>Total</b>	<b>15,398</b>	<b>8,145</b>

<b>6.c Capita and other assets</b>	<b>2021</b>	<b>2020</b>
Assets for buildings	-	-
Assets for equipment	-	348
Other capital assets	-	-
<b>Total</b>	<b>-</b>	<b>348</b>

<b>6.d Salaries and other expenses for employees</b>	<b>2021</b>	<b>2020</b>
Net salaries	5,575	4,630
Contributions	2,343	1,953
Personal tax for salaries	481	390
<b>Total</b>	<b>8,399</b>	<b>6,973</b>



## Explanatory notes to the Balance Sheet

### 7 Intangible assets

DESCRIPTION	Software	TOTAL
<b>CHANGES IN 2019</b>		
Purchased Value on 01.01.	887	887
New purchases	-	-
Alienated, sold	- 384	- 384
<b>Balance on 31.12.</b>	<b>503</b>	<b>503</b>
<b>ACCUMULATED DEPRECIATION</b>		
Balance on 01.01.	- 517	- 517
Current depreciation in	- 107	- 107
Decrease (alianated, sold)	165	165
<b>Balance on 31.12.</b>	<b>- 458</b>	<b>- 458</b>
<b>Accounting Value on 31.12.2019</b>	<b>45</b>	<b>45</b>
<b>CHANGES IN 2020</b>		
Purchased Value on 01.01.	503	503
New purchases	-	-
Alienated, sold	-	-
<b>Balance on 31.12.20</b>	<b>503</b>	<b>503</b>
<b>ACCUMULATED DEPRECIATION</b>		
Balance on 01.01.	- 458	- 458
Current depreciation in	- 18	- 18
Decrease (alianated, sold)	-	-
<b>Balance on 31.12.</b>	<b>- 475</b>	<b>- 475</b>
<b>ACCOUNTING VALUE</b>		
Balance on 31.12.	27	27

## 7 Tangible assets

DESCRIPTION	Buildings	Equipment	Furniture	Ongoing investment	TOTAL
<b>CHANGES IN 2018</b>					
<b>Purchased value on 01.01.2019</b>	-	1,294	184	-	1,478
New purchases	-	410	14	-	424
Alienated, sold	-	- 162	-	-	- 162
<b>Balance on 31.12.2019</b>	-	1,543	198	-	1,741
<b>ACCUMULATED DEPRECIATION</b>					
<b>Balance on 01.01.2019</b>	-	- 849	- 169	-	- 1,018
Current depreciation	-	- 105	- 14	-	- 119
Decresed (alienated, sold)	-	- 152	-	-	- 152
<b>Balance on 31.12.2019</b>	-	- 802	- 183	-	- 985
<b>ACCOUNTING VALUE</b>					
<b>Balance on 31.12.2019</b>	-	741	15	-	756
<b>CHANGES IN 2020</b>					
<b>Purchased value on 01.01.2020</b>	-	1,543	198	-	1,741
New purchases	-	81	-	-	81
Alienated, sold	-	-	-	-	-
<b>Balance on 31.12.2020</b>	-	1,623	198	-	1,821
<b>ACCUMULATED DEPRECIATION</b>					
<b>Balance on 01.01.2020</b>	-	- 802	- 183	-	- 985
Current depreciation	-	- 246	- 11	-	- 257
Decresed (alienated, sold)	-	-	-	-	-
<b>Balance on 31.12.2020</b>	-	- 1,048	- 194	-	- 1,242
<b>ACCOUNTING VALUE</b>					
<b>Balance on 31.12.2020</b>	-	575	4	-	580

## 8 Money assets

(in thousand denars)	2021	2020
Money on bank accounts	2,551	7,347
Money on foreign accounts	10,323	7,517
Cash at hand	-	35
Money on bussiness card	4	15
<b>Total</b>	<b>12,878</b>	<b>14,914</b>

**9 Receivables**

(in thousand denars)	2021	2020
Receivables	-	23
Financial receivables	-	-
Other receivables	117	82
Receivables from state institutions	66	73
Prepaid expenses	309	134
<b>Total</b>	<b>492</b>	<b>312</b>

**10 Inventory**

(in thousand denars)	2021	2020
Inventory	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**11 Bussiness fund**

(in thousand denars)	2021	2020
Balance on 01.01.	801	831
Purchases of basic asstes and materials	81	424
Sold basic assets	-	(546)
<b>Total</b>	<b>881</b>	<b>709</b>
Current depreciation	(274)	92
Sales	-	-
Reclasification	-	-
<b>Bussines fund on 31.12.</b>	<b>607</b>	<b>801</b>

**12 Undistributed surplus**

(in thousand denars)	2021	2020
Balance on 01.01.	-	-
Total Incomes	26,640	18,154
<b>Total</b>	<b>26,640</b>	<b>18,154</b>
Total expenses	(26,640)	(18,154)
Taxes	-	-
<b>Total surplus on 31.12.</b>	<b>-</b>	<b>-</b>

## **5. Events which have occurred after the date of statement of financial position**

After the period ending on December 31, 2020 – date of the statement, until the date of issuance of the audit report, events which by their significance would have caused a necessary change of the financial statements, did not occurred.



## **Annex 1 – Annual Account**