

**METAMORPHOSIS FOUNDATION FOR
INTERNET AND SOCIETY SKOPJE**

**Financial Statements for the Year Ended
31 December 2014 and**

Independent Auditor's Report

Skopje, April 2015

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To:

The Management of

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY

SKOPJE

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY Skopje (in the following text "the Organization"), which comprise the Balance Sheet as of 31 December 2014, 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

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY

SKOPJE

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's opinion

In our opinion, the financial statements of METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY Skopje give a true and fair view, in all material aspects, of the financial position of the Organization as of 31 December 2014, 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, 17 April 2015

Certified Auditor
Dragan Dimitrov



METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 December 2014 and 2013
In MKD thousands

	Notes	2014	2013
Granted donations	4	26.942	22.681
Transferred surplus of revenues		13.499	6.607
Sales	5	706	1.116
Other revenues	6	468	616
TOTAL REVENUES		41.615	31.020
Operating expenses	7	(29.310)	(17.305)
Capital expenses	8	(351)	(216)
TOTAL EXPENSES		(29.661)	(17.521)
Surplus of revenues over expenses before taxes		11.954	13.499

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

The accompanying financial statements were authorised for issue by the management of the Organization on 26 February 2015 and were signed on its behalf by:

Director
Bardil Jashari



METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE

BALANCE SHEET

As of 31 December 2014 and 2013

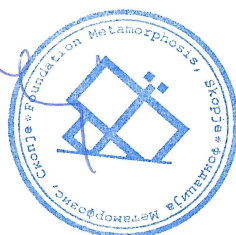
In MKD thousands

	Notes	31 December 2014	31 December 2013
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	1.454	1.648
Non-material assets	10	71	111
		1.525	1.759
CURRENT ASSETS			
Accounts receivable	11	-	167
Other current assets and prepayments	12	485	384
Cash and cash equivalents	13	11.514	12.951
		11.999	13.502
TOTAL ASSETS		13.524	15.261
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund	14	1.524	1.759
Surplus of revenues over expenses after taxation		11.954	13.499
		13.478	15.258
CURRENT LIABILITIES			
Accounts payable	15	-	3
Other short term liabilities	16	46	-
		46	3
TOTAL LIABILITIES AND FUNDS		13.524	15.261

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The accompanying financial statements were authorised for issue by the management of the Organization on 26 February 2015 and were signed on its behalf by:

Director
Bardhyl Jashari



METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
STATEMENT OF CHANGES IN OPERATING FUND
For the Year Ended 31 December 2014 and 31 December 2013
In MKD thousands

	Operating Fund	Surplus of revenues over expenses	TOTAL
Balance as of 1 January 2013	2.310	6.607	8.917
Transferred surplus of revenues over expenses from previous year	-	(6.607)	(6.607)
Purchased assets	217	-	217
Disposal of assets	(146)	-	(146)
Depreciation	(664)	-	(664)
Depreciation of assets disposed	43	-	43
Surplus of revenues over expenses	-	13.499	13.499
Balance as of 31 December 2013	1.759	13.499	15.258
Transferred surplus of revenues over expenses from previous year	-	(13.499)	(13.499)
Purchased assets	351	-	351
Disposal of assets	-	-	-
Depreciation	(586)	-	(586)
Depreciation of assets disposed	-	-	-
Surplus of revenues over expenses	-	11.954	11.954
Balance as of 31 December 2014	1.524	11.954	31.478

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

1. ESTABLISHMENT AND ACTIVITY

The METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY - Skopje (in the following text "the Organization") is foundation registered in the Register of Citizen Association and Foundation at Basic court 1 in Skopje, under Reg. No. 1870 from 25.10.2004.

The main objectives and tasks of the Foundation are: development of democracy and prosperity through promotion of society based on knowledge and promotion of use of the information and communication technology as tool for development of the open society.

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Organization 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 Foundation'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 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.

Revaluated value of the assets is determined by indexing.

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 Organization in 2014 are as follows: 25% for vehicles, 20% for electric and computer equipment, and 20% for furniture.

The calculation of the depreciation is performed separately for each item, and not for a groups of assets.

3. BASIC ACCOUNTING POLICIES (Continued)

3.4 Recognition of the revenues and expenses

Revenues and expenses of the non-profit organizations are recognized according to the modified cash basis of accounting.

According to the modified cash 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 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:

	<u>2014</u>	<u>In MKD 2013</u>
EUR	61,4814	61,5113
USD	50,5604	44,6284
CHF	<u>51,1552</u>	<u>50,1764</u>

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2014
All amounts are expressed in MKD thousand, unless otherwise stated

4. GRANTED DONATIONS

	<u>2014</u>	<u>2013</u>
Revenues from donations	26.942	22.681
Total	<u>26.942</u>	<u>22.681</u>

Breakdown of granted donations by donors:

	<u>2014</u>	<u>2013</u>
Foundation Institute Open Society - Macedonia	11.517	9.563
L'Association des Agences de la Démocratie Locale	709	738
European Commission	-	7.074
Ministry of foreign affairs of Netherland	2.468	
National Endowment for Democracy	1.385	1.490
USAID	4.058	3.450
Ministry of Finance of RM	4.638	
Open knowledge foundation	1.077	
American Embassy	-	95
Pontis Foundation	-	182
EPI Centar - Skopje	159	80
Other donations	931	9
Total	<u>26.942</u>	<u>22.681</u>

5. SALES

	<u>2014</u>	<u>2013</u>
Services	706	1.116
Total	<u>706</u>	<u>1.116</u>

6. OTHER REVENUES

	<u>2014</u>	<u>2013</u>
Financial revenues	294	341
Other revenues	174	275
Total	<u>468</u>	<u>616</u>

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2014
All amounts are expressed in MKD thousand, unless otherwise stated

7. OPERATING EXPENSES

	<u>2014</u>	<u>2013</u>
Materials	1.209	477
Electricity, heating, telephone, post, fuel	387	393
Other services	2.042	1.043
Travel	1.276	628
Promotion	211	200
Rent	1.477	840
Bank charges	94	91
Insurance	106	66
Per diems and travel costs	354	333
Intellectual and consulting services	8.719	6.612
Foreign exchange losses	53	146
Salaries	6.056	5.193
Other project related costs	7.326	1.282
Total	<u>29.310</u>	<u>17.304</u>

8. CAPITAL EXPENSES

	<u>2014</u>	<u>2013</u>
Computer equipment	351	216
Total	<u>351</u>	<u>216</u>

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2014
All amounts are expressed in MKD thousand, unless otherwise stated

9. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Furniture	Vehicles	Total
Cost				
Balance at 01.01.2013	4.100	245	2.353	6.698
Additions in the year	154	-	-	154
Revaluation	(146)	-	-	(146)
Balance at 31.12.2013	4.108	245	2.353	6.706
Additions in the year	351	-	-	351
Disposal (donated) of assets	-	-	-	-
Balance at 31.12.2014	4.459	245	2.353	7.058
Valuation allowance				
Balance at 01.01.2013	3.022	166	1.291	4.478
Current depreciation	363	27	232	622
Revaluation	(43)	-	-	(43)
Balance at 31.12.2013	3.453	193	1.523	5.058
Current depreciation	291	23	232	586
Depreciation of disposed assets	-	-	-	-
Balance at 31.12.2014	3.633	216	1.755	5.604
Net book value as of:				
- 31 December 2014	826	29	599	1.454
- 31 December 2013	766	52	831	1.648

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2014
All amounts are expressed in MKD thousand, unless otherwise stated

10. NON MATERIAL ASSETS

	Software	Total
Cost as of 1 January 2013	214	214
Revaluation	62	62
Balance as of 31 December 2013	276	276
Additions	-	-
Balance as of 31 December 2014	276	276
Accumulated depreciation		
as of 1 January 2013	123	123
Depreciation	42	42
Balance as of 31 December 2013	165	165
Depreciation	40	40
Balance as of 31 December 2014	205	205
Net book value as of:		
- 31 December 2014	71	71
- 31 December 2013	111	111

11. ACCOUNTS RECEIVABLE

	2014	2013
Domestic accounts receivable	-	167
Balance at 31 December	-	167

12. OTHER CURRENT ASSETS AND PREPAYMENTS

	2014	2013
Advances to employees	453	309
Other receivables	32	75
Balance at 31 December	185	384

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2014
All amounts are expressed in MKD thousand, unless otherwise stated

13. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Current account	8.135	1.890
Foreign exchange account	3.050	10.590
Cash on business card	134	208
Cash	195	263
Balance at 31 December	<u>11.514</u>	<u>12.951</u>

14. OPERATING FUND

	<u>2014</u>	<u>2013</u>
Operating fund	1.524	1.759
Balance at 31 December	<u>1.524</u>	<u>1.759</u>

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

15. ACCOUNTS PAYABLE

	<u>2014</u>	<u>2013</u>
Domestic account payable	-	1
Advances	-	2
Balance at 31 December	<u>-</u>	<u>3</u>

16. OTHER SHORT-TERM LIABILITIES AND ACCRUALS

	<u>2014</u>	<u>2013</u>
Other short-term liabilities	46	-
Balance at 31 December	<u>46</u>	<u>-</u>

17. OFF-BALANCE RECORDS

As of 31 December 2014 the Organization has no off-balance sheet exposure.

18. SUBSEQUENT EVENETS

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