

**METAMORPHOSIS FOUNDATION FOR
INTERNET AND SOCIETY SKOPJE**

**Financial Statements for the Year Ended
31 December 2017 and**

Independent Auditor's Report

Skopje, October 2018

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE

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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 2017, 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

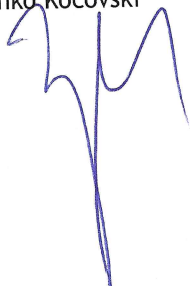
INDEPENDENT AUDITOR'S REPORT (Continued)

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 2017, 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, 29 October 2018

Certified Auditor
Zvonko Kocovski



Manager
Daragan Dimitrov



METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 December 2017 and 2016
In MKD thousands

	Notes	2017	2016
Granted donations	4	70.538	45.536
Transferred surplus of revenues		20.834	25.819
Sales	5	712	545
Other revenues	6	845	636
TOTAL REVENUES		92.929	72.536
Operating expenses	7	(59.211)	(50.999)
Capital expenses	8	(380)	(116)
TOTAL EXPENSES		(59.591)	(51.115)
Surplus of revenues over expenses before taxes		33.338	21.421
Income tax	9	(392)	(587)
Surplus of revenues over expenses after taxation		32.946	20.834

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 and were signed on its behalf by:

 Director
 Bardil Jashari

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE

BALANCE SHEET
As of 31 December 2017 and 2016
In MKD thousands

	Notes	31 December 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	853	860
Non-material assets	11	48	48
		<u>901</u>	<u>908</u>
CURRENT ASSETS			
Accounts receivable	12	173	20
Other current assets and prepayments	13	523	195
Cash and cash equivalents	14	32.660	21.330
		<u>33.356</u>	<u>21.545</u>
TOTAL ASSETS		<u><u>34.257</u></u>	<u><u>22.453</u></u>
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund	15	900	908
Surplus of revenues over expenses after taxation		32.946	20.834
		<u>33.846</u>	<u>21.742</u>
CURRENT LIABILITIES			
Accounts payable	16	-	214
Other short term liabilities and accruals	17	411	497
		<u>411</u>	<u>711</u>
TOTAL LIABILITIES AND FUNDS		<u><u>34.257</u></u>	<u><u>22.453</u></u>

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The accompanying financial statements were authorised for issue by the management of the Organization 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 2017 and 31 December 2016
In MKD thousands

	Operating Fund	Surplus of revenues over expenses	Total
Balance as of 1 January 2016	1.359	25.769	27.128
Transferred surplus of revenues over expenses from previous year	-	(25.769)	(25.769)
Purchased assets	116	-	116
Depreciation	(567)	-	(567)
Surplus of revenues over expenses	-	20.834	20.834
Balance as of 31 December 2016	908	20.834	21.742
Transferred surplus of revenues over expenses from previous year	-	(20.834)	(20.834)
Purchased assets	379	-	379
Depreciation	(498)	-	(498)
Revaluation	111	-	111
Surplus of revenues over expenses	-	32.946	32.946
Balance as of 31 December 2017	900	32.946	33.846

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.

The total number of the employees as of 31 December 2017 amounts 27 employees (31 December 2016 was 27 employees).

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 Comparative Figures

Comparative figures represent the audited financial statements for the year ended 31 December 2016.

3.2 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.

3.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

All amounts are expressed in MKD thousand, unless otherwise stated

3. BASIC ACCOUNTING POLICIES (Continued)**3.4 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 Foundation in 2017 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.

3.5 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).

3.6 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:

	2017	In MKD 2016
EUR	61,4907	61,4812
USD	51,2722	58,3258
CHF	69,3087	71,8071

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

All amounts are expressed in MKD thousand, unless otherwise stated

4. GRANTED DONATIONS	2017	2016
Revenues from donations	70.538	45.536
Total	70.538	45.536
Breakdown of granted donations by donors:	2017	2016
Foundation Institute Open Society - Macedonia	3.014	11.857
USAID	-	9.407
Embassy of the Kingdom of the Netherlands in Skopje	756	7.592
European Commission	50.234	3.522
National Endowment for Democracy	4.692	3.064
The Secretary for State and Foreign and Commonwealth - British Embassy Skopje	1.441	2.787
German Embassy	-	2.194
Nova Veb DOO	615	1.606
Foundation Mozaik	162	619
Center for Democratic Transition	-	422
Microsoft	348	417
EAST-WEST MANAGEMENT INSTITUTE INC	3.556	411
Change Management Center (CMC)	126	329
L'Association des Agences de la Démocratie Locale	-	304
Ireland Limited House	-	184
Custom house financial	1.117	-
ABA - fund for justice and education	933	-
IFEX	520	-
Center for Democracy	349	-
Dept of state	935	-
The German Marshall Fund	1.104	-
Other donations	636	821
Total	70.538	45.536
5. SALES	2017	2016
Services	712	545
Total	712	545

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended 31 December 2017
 All amounts are expressed in MKD thousand, unless otherwise stated

6. OTHER REVENUES

	<u>2017</u>	<u>2016</u>
Financial revenues	45	372
Other revenues	<u>800</u>	<u>234</u>
Total	<u>845</u>	<u>636</u>

7. OPERATING EXPENSES

	<u>2017</u>	<u>2016</u>
Materials	548	282
Electricity, heating, telephone, post, fuel	1.012	1.085
Printing and other services	1.674	1.998
Travel expenses and seminars	1.604	2.168
Promotion and representation	945	1.150
Rent	1.388	957
Bank charges	264	191
Insurance	46	36
Per diems and travel costs	850	164
Intellectual and consulting services	7.788	10.588
Foreign exchange losses	577	188
Salaries	15.537	14.399
Subgranting	24.042	12.056
Other project related costs	<u>2.936</u>	<u>5.737</u>
Total	<u>59.211</u>	<u>50.999</u>

8. CAPITAL EXPENSES

	<u>2017</u>	<u>2016</u>
Equipment	<u>380</u>	<u>116</u>
Total	<u>380</u>	<u>116</u>

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017
All amounts are expressed in MKD thousand, unless otherwise stated

9. INCOME TAX

	<u>2017</u>	<u>2016</u>
I. Surplus of revenues over expenses	33.338	21.421
II. Expenses not deductible for tax purposes	3.918	5.872
III. Tax base	3.918	5.872
IV. Deduction of tax base	-	-
V. Tax base after deduction (III-IV)	<u>3.918</u>	<u>5.872</u>
VI. Income Tax (V * 10%)	<u>392</u>	<u>587</u>
VII. Surplus of revenues over expenses after tax (I-VI)	<u><u>32.946</u></u>	<u><u>20.834</u></u>

10. PROPERTY, PLANT AND EQUIPMENT

	<u>Equipment</u>	<u>Furniture</u>	<u>Vehicles</u>	<u>Total</u>
Cost				
Balance at 01.01.2016	4.837	245	2.353	7.435
Additions in the year	116	-	-	116
Balance at 31.12.2016	<u>4.953</u>	<u>245</u>	<u>2.353</u>	<u>7.551</u>
Additions in the year	380	-	-	380
Revaluation	71	3	33	107
Balance at 31.12.2017	<u>5.404</u>	<u>248</u>	<u>2.386</u>	<u>8.038</u>
Valuation allowance				
Balance at 01.01.2016	3.892	235	1.987	6.115
Current depreciation	336	8	232	544
Balance at 31.12.2016	<u>4.228</u>	<u>243</u>	<u>2.219</u>	<u>6.690</u>
Current depreciation	460	2	33	495
Balance at 31.12.2017	<u>4.688</u>	<u>245</u>	<u>2.252</u>	<u>7.185</u>
Net book value as of:				
- 31 December 2017	<u>716</u>	<u>3</u>	<u>134</u>	<u>853</u>
- 31 December 2016	<u><u>725</u></u>	<u><u>2</u></u>	<u><u>134</u></u>	<u><u>860</u></u>

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017
All amounts are expressed in MKD thousand, unless otherwise stated

11. NON-MATERIAL ASSETS	2017	2016
Software	276	276
Revaluation	4	-
<i>Accumulated depreciation</i>	(232)	(228)
Balance at 31 December	48	48
12. ACCOUNTS RECEIVABLE	2017	2016
Domestic accounts receivable	173	20
Balance at 31 December	173	20
13. OTHER CURRENT ASSETS AND PREPAYMENTS	2017	2016
Advances to employees	330	-
State receivable for more paid tax	158	160
Other receivables	35	35
Balance at 31 December	523	195
14. CASH AND CASH EQUIVALENTS	2017	2016
Current account	3.100	12.192
Foreign exchange account	29.560	9.138
Balance at 31 December	32.660	21.330
15. OPERATING FUND	2017	2016
Operating fund	900	908
Balance at 31 December	900	908

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

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2017
All amounts are expressed in MKD thousand, unless otherwise stated

16. ACCOUNTS PAYABLES

	<u>2017</u>	<u>2016</u>
Liabilities for advances received	-	214
Balance at 31 December	<u>-</u>	<u>214</u>

17. OTHER SHORT-TERM LIABILITIES AND ACCRUALS

	<u>2017</u>	<u>2016</u>
Liabilities for tax	162	497
Other liabilities	249	
Balance at 31 December	<u>411</u>	<u>497</u>

18. OFF-BALANCE RECORDS

As of 31 December 2017 the Organization has no off-balance sheet exposure.

19. SUBSEQUENT EVENETS

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