

**METAMORPHOSIS FOUNDATION FOR  
INTERNET AND SOCIETY SKOPJE**

**Financial Statements for the Year Ended  
31 December 2018 and**

**Independent Auditor's Report**

June 2019, 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 2018, 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 2018, 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, 21 June 2019

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 2018 and 2017**  
**In MKD thousands**

	Notes	2018	2017
Granted donations	4	22.541	70.538
Transferred surplus of revenues		33.114	20.980
Sales	5	70	712
Other revenues	6	477	845
<b>TOTAL REVENUES</b>		<b>56.202</b>	<b>93.075</b>
Operating expenses	7	(44.055)	(59.189)
Capital expenses	8	(525)	(380)
<b>TOTAL EXPENSES</b>		<b>(44.580)</b>	<b>(59.569)</b>
<b>Surplus of revenues over expenses before taxes</b>		<b>11.622</b>	<b>33.506</b>
Income tax	9	(76)	(392)
<b>Surplus of revenues over expenses after taxation</b>		<b>11.546</b>	<b>33.114</b>

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

The accompanying financial statements were authorised for issue on 28.02.2019 by the management of the Organization and were signed on its behalf by:

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 Director  
 Bardil Jashari

METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE

**BALANCE SHEET**

As of 31 December 2018 and 2017

In MKD thousands

	Notes	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1.123	587
		<u>1.123</u>	<u>587</u>
<b>CURRENT ASSETS</b>			
Accounts receivable	11	-	319
Other current assets and prepayments	12	2.018	523
Cash and cash equivalents	13	9.779	32.660
		<u>11.797</u>	<u>33.502</u>
<b>TOTAL ASSETS</b>		<u><u>12.920</u></u>	<u><u>34.089</u></u>
<b>LIABILITIES AND OPERATING FUND</b>			
<b>OPERATING FUND</b>			
Operating Fund	14	1.123	564
Surplus of revenues over expenses after taxation		11.546	33.114
		<u>12.669</u>	<u>33.678</u>
<b>CURRENT LIABILITIES</b>			
Other short term liabilities and accruals	15	251	411
		<u>251</u>	<u>411</u>
<b>TOTAL LIABILITIES AND FUNDS</b>		<u><u>12.920</u></u>	<u><u>34.089</u></u>

**METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE**  
**STATEMENT OF CHANGES IN OPERATING FUND**  
**For the Year Ended 31 December 2018 and 31 December 2017**  
**In MKD thousands**

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	Operating Fund	Surplus of revenues over expenses	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Balance as of 1 January 2017</b>	<b>908</b>	<b>20.834</b>	<b>21.742</b>
Transferred surplus of revenues over expenses from previous year	-	(20.834)	(20.834)
Accounting correction	(23)	-	(23)
Purchased assets	66	-	66
Depreciation	(498)	-	(498)
Revaluation	111	-	111
Surplus of revenues over expenses	-	<b>33.114</b>	<b>33.114</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Balance as of 31 December 2017</b>	<b>564</b>	<b>33.114</b>	<b>33.678</b>
Transferred surplus of revenues over expenses from previous year	-	(33.114)	(33.114)
Purchased assets	502	-	502
Accounting correction	336	-	336
Depreciation	(279)	-	(279)
Surplus of revenues over expenses	-	11.546	11.546
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Balance as of 31 December 2018</b>	<b>1.123</b>	<b>11.546</b>	<b>12.669</b>

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 2018 amounts 28 employees (31 December 2017 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 2017.

**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.



**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 2018 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:

	<b>In MKD</b>	
	<b>2018</b>	<b>2017</b>
EUR	61,4950	61,4907
USD	53,6887	51,2722
CEF	54,7742	52,5472
GBP	68,1234	69,3087

**METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2018**  
**All amounts are expressed in MKD thousand, unless otherwise stated**

**4. GRANTED DONATIONS**

	<u>2018</u>	<u>2017</u>
Revenues from donations	22.541	70.538
<b>Total</b>	<b><u>22.541</u></b>	<b><u>70.538</u></b>

Breakdown of granted donations by donors:

	<u>2018</u>	<u>2017</u>
Foundation Institute Open Society - Macedonia	3.448	3.014
Association for progressive communications	740	-
Embassy of the Kingdom of the Netherlands in Skopje	-	756
European Commission	-	50.234
National Endowment for Democracy	4.669	4.692
The Secretary for State and Foreign and Commonwealth - British Embassy Skopje	1.325	1.441
Westminster Foundation for Democracy	139	-
Nova Veb DOO	2.582	615
Foundation Mozaik	-	162
Center for Democratic Transition	1.016	-
Microsoft	-	348
EAST-WEST MANAGEMENT INSTITUTE INC	4.755	3.556
Change Management Center (CMC)	626	126
Democracy Lab Tetovo	504	-
Custom house financial	1.299	1.117
ABA - fund for justice and education	121	933
IFEX	552	520
Center for Democracy	-	349
Dept of state	-	935
The German Marshall Fund	-	1.104
Other donations	765	636
<b>Total</b>	<b><u>22.541</u></b>	<b><u>70.538</u></b>

**5. SALES**

	<u>2018</u>	<u>2017</u>
Services	70	712
<b>Total</b>	<b><u>70</u></b>	<b><u>712</u></b>

**METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 December 2018  
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**6. OTHER REVENUES**

	<u>2018</u>	<u>2017</u>
Financial revenues	32	45
Other revenues	<u>445</u>	<u>800</u>
<b>Total</b>	<b><u>477</u></b>	<b><u>845</u></b>

**7. OPERATING EXPENSES**

	<u>2018</u>	<u>2017</u>
Materials	573	548
Electricity, heating, telephone, post, fuel	868	1.012
Printing and other services	1.311	1.674
Travel expenses and seminars	866	1.604
Promotion and representation	459	945
Rent	1.512	1.388
Bank charges	177	264
Insurance	67	46
Per diems and travel costs	501	850
Intellectual and consulting services	9.922	7.788
Foreign exchange losses	77	577
Salaries	16.412	15.537
Subgranting	10.475	24.042
Other project related costs	<u>835</u>	<u>2.914</u>
<b>Total</b>	<b><u>44.055</u></b>	<b><u>59.189</u></b>

**8. CAPITAL EXPENSES**

	<u>2018</u>	<u>2017</u>
Equipment	<u>525</u>	<u>380</u>
<b>Total</b>	<b><u>525</u></b>	<b><u>380</u></b>

**METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2018**  
**All amounts are expressed in MKD thousand, unless otherwise stated**

**9. INCOME TAX**

	<u>2018</u>	<u>2017</u>
I. Surplus of revenues over expenses	11.622	33.506
II. Expenses not deductible for tax purposes	766	3.918
III. Tax base	766	3.918
IV. Deduction of tax base	-	-
V. Tax base after deduction (III-IV)	<u>766</u>	<u>3.918</u>
VI. Income Tax (V * 10%)	<u>76</u>	<u>392</u>
VII. Surplus of revenues over expenses after tax (I-VI)	<u><u>11.546</u></u>	<u><u>33.114</u></u>

**10. PROPERTY, PLANT AND EQUIPMENT**

	Equipment and furniture	Vehicles	Total
<b>Cost</b>			
<b>Balance at 01.01.2017</b>	5.474	2.353	7.827
Additions in the year	66	-	66
Revaluation	78	33	111
<b>Balance at 31.12.2017</b>	<u>5.618</u>	<u>2.386</u>	<u>8.004</u>
Additions in the year	502	-	502
Accounting corrections	313	-	313
<b>Balance at 31.12.2018</b>	<u>6.201</u>	<u>2.386</u>	<u>8.821</u>
<b>Valuation allowance</b>			
<b>Balance at 01.01.2017</b>	4.935	1.986	6.911
Current depreciation	465	33	498
<b>Balance at 31.12.2017</b>	<u>5.400</u>	<u>2.019</u>	<u>7.419</u>
Current depreciation	209	70	279
<b>Balance at 31.12.2018</b>	<u>5.609</u>	<u>2.089</u>	<u>7.698</u>
<b>Net book value as of:</b>			
- 31 December 2018	<u>826</u>	<u>297</u>	<u>1.123</u>
- 31 December 2017	<u>220</u>	<u>367</u>	<u>587</u>

**METAMORPHOSIS FOUNDATION FOR INTERNET AND SOCIETY SKOPJE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2018**  
**All amounts are expressed in MKD thousand, unless otherwise stated**

**11. ACCOUNTS RECEIVABLE**

	<u>2018</u>	<u>2017</u>
Domestic accounts receivable	-	319
<b>Balance at 31 December</b>	<b><u>-</u></b>	<b><u>319</u></b>

**12. OTHER CURRENT ASSETS AND PREPAYMENTS**

	<u>2018</u>	<u>2017</u>
Advances for credit card deposit	330	330
Advances to employees	347	-
State receivable for more paid tax	376	158
Other receivables	965	35
<b>Balance at 31 December</b>	<b><u>2.018</u></b>	<b><u>523</u></b>

**13. CASH AND CASH EQUIVALENTS**

	<u>2018</u>	<u>2017</u>
Current account	4.234	3.100
Cash in hand	12	-
Foreign exchange account	5.532	29.560
<b>Balance at 31 December</b>	<b><u>9.779</u></b>	<b><u>32.660</u></b>

**14. OPERATING FUND**

	<u>2018</u>	<u>2017</u>
Operating fund	1.123	564
<b>Balance at 31 December</b>	<b><u>1.123</u></b>	<b><u>564</u></b>

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

**15. OTHER SHORT-TERM LIABILITIES AND ACCRUALS**

	<u>2018</u>	<u>2017</u>
Liabilities for tax	58	162
Other liabilities	193	249
<b>Balance at 31 December</b>	<b><u>251</u></b>	<b><u>411</u></b>

**16. OFF-BALANCE RECORDS**

As of 31 December 2018 the Organization has no off-balance sheet exposure.

**17. SUBSEQUENT EVENETS**

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