



**Metamorphosis
Foundation for Internet
and Society, Skopje**

Financial Statements for the Year Ended
31 December 2021 and

Independent Auditor's Report

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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 state ments Metamorphosis Foundation for Internet and Society, Skopje (in the following text "the Foundation"), which comprise the Balance Sheet as of 31 December 2021, 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 Foundations 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 far 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 and 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
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 Foundation as of 31 December 2021, 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 Foundations and standards for reporting under the cash basis of accounting.

Other matters

The Foundation's financial statements, as of and for the year ended 31 December 2021, were audited by another auditor whose report dated 4 November 2021 expressed an unqualified opinion on those financial statements.

Certified Auditor, Partner

Darko Kalin



Director

Darko Kalin

15 August 2022

STATEMENT OF REVENUES AND EXPENSES
As of 31 December 2021 and 2020
In MKD thousands

	Notes	2021	2020
Granted donations	4	141.787	68.740
Services	5	435	721
Revenue from financing	6	1.333	18
Other revenues	7	421	986
Transferred surplus of revenue from the previous year		17.731	13.035
TOTAL REVENUES		161.707	83.500
Material expenses and services	8	8.848	9.064
Other operating expenses	9	28.401	31.829
Exchange differences	10	220	774
Capital expenses	11	954	3.227
Expenses for employees	12	21.366	20.875
TOTAL EXPENSES		59.789	65.769
Surplus of revenues over expenses before taxes		101.918	17.731
Income Tax		-	-
Surplus of revenues over expenses after taxation		101.918	17.731

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

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

B. Jashari

Bardhyl Jashari

Executive Director



BALANCE SHEET
As of 31 December 2021 and 2020
In MKD thousands

	Notes	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	4.297	3.691
		4.297	3.691
CURRENT ASSETS			
Cash and cash equivalents	14	101.076	17.708
Other receivables	15	741	741
Prepayments	16	296	285
		102.113	18.734
TOTAL ASSETS		106.410	22.425
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund		4.367	3.691
Surplus of revenues over expenses after taxation		101.918	17.732
	17	106.285	21.423
CURRENT LIABILITIES			
Accounts payable	18	-	827
Other current liabilities	19	125	175
		125	1.002
TOTAL LIABILITIES AND FUNDS		106.410	22.425

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

STATEMENT OF CHANGES IN OPERATING FUND
For the Year Ended 31 December 2021 and 31 December 2020
In MKD thousands

	Operating Fund	Surplus of revenues over expenses	Total
Balance as of 1 January 2020	982	13.035	14.017
Transferred surplus of revenues over expenses from previous year	-	(13.035)	(13.035)
Additions	3.227	-	3.227
Revaluation	50	-	50
Depreciation for the year	(525)	-	(525)
Revaluation of depreciation	(43)	-	(43)
Surplus of revenues over expenses	-	17.732	17.732
Balance as of 31 December 2020	3.691	17.732	21.423
Transferred surplus of revenues over expenses from previous year	-	(17.732)	(17.732)
Additions	954	-	954
Revaluation	1.904	-	1.904
Depreciation for the year	(828)	-	(828)
Revaluation of depreciation	(1.424)	-	(1.424)
Correction	70	-	70
Surplus of revenues over expense	-	101.918	101.918
Balance as of 31 December 2021	4.367	101.918	106.285

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

1. ESTABLISHMENT AND ACTIVITY

The Metamorphosis Foundation for Internet and Society, Skopje (in the following text “the Foundation”) 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 2021 amounts 29 employees (31 December 2020 was 34 employees).

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Foundation are conducted in accordance with the Non-Profit Foundation 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.

The comparative figures for the year ended 31 December 2020 are presented as audited.

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 Foundations (Official Gazette of RM no.24/2003, 17/2011, C court 80.2005, 154/2015), the Rulebook for accounting of non-for-profit Foundations (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 Foundations (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 Foundations (Official Gazette of RM no.117/2005).

Financial statement is prepared for the years ended 31 December 2021 and 2020. Operational and reporting currency of the Foundation 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 Foundation’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 2021

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 Foundation in 2021 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 (2020: Income tax is payable at the rate of 10% on the tax base reported in the annual corporate income tax return as reduced by any applicable tax credits. The tax base stated in the income tax return includes profit for the year increased for unrecognized expenses, taxable income from related parties and unclosed balances of loans given, in accordance with the regulations in the Income Tax Law, decreased for any tax reliefs).

The Foundation does not calculate income tax due to the reason that it only operates with project related funds and costs performed are for project purpose only.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

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 Foundations 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	2021	2020
EUR	61,6270	61,6940
GBP	73,4267	68,3136
USD	54,3736	50,2353
CHF	59,4683	56,8242

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

4. GRANTED DONATIONS

	<u>2021</u>	<u>2020</u>
Revenues from donations	141.787	68.740
Total	<u>141.787</u>	<u>68.740</u>

In the course of 2021, revenues from the following donors were realized:

Breakdown of granted donations by donors:

Donor	2021
European Commission	38.385
FACEBOOK, Ireland	23.913
Foundation Open Society, Macedonia	1.847
National Endowment for Democracy	2.822
British Embassy	5.489
CDT - Centar za demokratska tranzicija	573
Dutch Ministry of Foreign Affairs	36.560
Zasto NE, Udruzenje gradjana	3.385
The Poynter Institute for Media Studies, Petersburg	870
The Fund for Justice and Education, Chicago	636
East-West Management Institute, New York	12.759
The Sigrid Rausing Trust, London	7.216
Open Data, Kosovo	209
The German Marshall Fund of the US Washington	3.445
Friedrich Naumann Foundation, Bulgaria	444
IRI, Washington	446
Ministry of Foreign Affairs, Bulgaria	1.080
DT Institute, Washington	1.696
SHARE Fondacija, Beograd	12
Total	<u>141.787</u>

5. SERVICES

	<u>2021</u>	<u>2020</u>
Services	435	721
Total	<u>435</u>	<u>721</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

6. REVENUE FROM FINANCING

	<u>2021</u>	<u>2020</u>
Foreign exchange gains	1.333	18
Total	<u>1.333</u>	<u>18</u>

7. OTHER REVENUES

	<u>2021</u>	<u>2020</u>
Other revenues	421	986
Total	<u>421</u>	<u>986</u>

8. MATERIAL EXPENSES AND SERVICES

	<u>2021</u>	<u>2020</u>
Office materials	235	209
Electricity, telephone and utilities costs	467	418
Maintenance	274	59
Other services	5.149	5.477
Transport	300	891
Marketing	2	99
Rent	1.285	1.209
Other costs	1.136	702
Total	<u>8.848</u>	<u>9.064</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

9. OTHER OPERATING EXPENSES

	2021	2020
Bank charges	397	260
Per diems and travel costs	-	121
Insurance	52	153
Intellectual services	11.647	13.136
Membership fees	133	362
Subgranting	16.172	15.261
Other expenses	-	2.536
Total	28.401	31.829

10. EXCHANGE DIFFERENCES

	2021	2020
Foreign exchange (losses)	220	774
Total	220	774

11. CAPITAL EXPENSES

	2021	2020
Equipment	954	3.227
Total	954	3.227

12. EXPENSES FOR EMPLOYEES

	2021	2020
Salaries	21.005	20.753
Recourse for vacation	361	122
Total	21.366	20.875

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment and furniture	Vehicles	Total
Cost as of 1 January 2020	6.721	2.386	9.107
Additions	1.064	2.163	3.227
Revaluation	46	4	50
Balance as of 31 December 2020	7.831	4.553	12.384
Additions	954	-	954
Revaluation	1.579	325	1.904
Balance as of 31 December 2021	10.364	4.878	15.242
Accumulated depreciation as of 1 January 2020	6.018	2.107	8.125
Depreciation 2020	439	86	525
Revaluation of depreciation for 2020	43	-	43
Balance as of 31 December 2020	6.500	2.193	8.693
Depreciation 2021	481	347	828
Revaluation of depreciation	1.359	65	1.424
Balance as of 31 December 2021	8.340	2.605	10.945
Net book value as of:			
31 December 2020	1.331	2.360	3.691
31 December 2021	2.024	2.273	4.297

14. CASH AND CASH EQUIVALENTS

	2021	2020
Bank account	4.544	2.285
Petty cash	2	13
Foreign currency bank account	96.530	15.410
Balance at 31 December	101.076	17.708

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

15. OTHER RECEIVABLES

	<u>2021</u>	<u>2020</u>
Advances for credit card deposit	330	330
Given advances	35	35
State receivable for more paid tax	376	376
Balance at 31 December	<u>741</u>	<u>741</u>

16. PREPAYMENTS

	<u>2021</u>	<u>2020</u>
Prepayments	296	285
Balance at 31 December	<u>296</u>	<u>285</u>

17. OPERATING FUND

	<u>2021</u>	<u>2020</u>
Operating fund	4.367	3.691
Current surplus of revenues over expenses	101.918	17.732
Balance at 31 December	<u>106.285</u>	<u>21.423</u>

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

18. ACCOUNTS PAYABLE

	<u>2021</u>	<u>2020</u>
Accounts payable	-	827
Balance at 31 December	<u>-</u>	<u>827</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

All amounts are expressed in MKD thousand, unless otherwise stated

19. OTHER CURRENT LIABILITIES

	<u>2021</u>	<u>2020</u>
Visa card	124	175
Balance at 31 December	<u>124</u>	<u>175</u>

20. OFF-BALANCE RECORDS

As of 31 December 2021, the Foundation has no off-balance sheet exposure.

21. SUBSEQUENT EVENETS

After 31 December 2021 – the reporting date until the approval of these financial reports, the following events have occurred:

- Since 31 December 2021, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The Foundation has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2021 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of operations and cash flows of the Foundation for future periods.
- The military action in Ukraine by the Russian forces that started on February 24, 2022 is a far-reaching event that will also leave evident traces in the global economy, and thus in corporate financial reporting. Impacts were immediately felt on the commodities and the financial markets, especially with the imposition of severe sanctions against Russia. The consequences for Russia and the imposing countries are immediately visible, but in the long run there will also be significant consequences for the global economy. It is currently difficult to predict how long this crisis will last, which may also intensify with further actions even after the end of military actions. Therefore, the Foundation considers these events to be non-adjusting subsequent events. Consequently, the financial position and results of operations of and for the period ended 31 December 2021 are not adjusted to reflect this impact