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

Financial Statements for the Year Ended
31 December 2022 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 statements Metamorphosis Foundation for Internet and Society, Skopje (in the following text "the Foundation"), which comprise the Balance Sheet as of 31 December 2022, 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 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 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 2022, 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.

Certified Auditor, Partner

Darko Kalin



Director

Darko Kalin

25 July 2023

STATEMENT OF REVENUES AND EXPENSES
As of 31 December 2022 and 2021
In MKD thousands

	Notes	2022	2021
Granted donations	4	124.727	141.787
Services	5	392	435
Revenue from financing	6	744	1.333
Other revenues	7	45	421
Transferred surplus of revenue from the previous year		101.918	17.731
TOTAL REVENUES		227.827	161.707
Material expenses and services	8	16.480	8.848
Other operating expenses	9	36.861	28.401
Exchange differences	10	880	220
Capital expenses	11	416	954
Expenses for employees	12	22.356	21.366
TOTAL EXPENSES		76.993	59.789
Surplus of revenues over expenses before taxes		150.834	101.918
Income Tax		-	-
Surplus of revenues over expenses after taxation		150.834	101.918

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

The accompanying financial statements were authorised for issue on February 2nd, 2023 by the management of the Foundation and were signed on its behalf by:

Bardhyl Jashari

Executive Director

BALANCE SHEET
As of 31 December 2022 and 2021
In MKD thousands

	Notes	2022	2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	4.063	4.053
Intangible assets	14	265	244
		4.328	4.297
CURRENT ASSETS			
Cash and cash equivalents	14	149.281	101.076
Other receivables	15	741	741
Prepayments	16	1.106	296
		151.128	102.113
TOTAL ASSETS		155.456	106.410
LIABILITIES AND OPERATING FUND			
OPERATING FUND			
Operating Fund		4.328	4.367
Surplus of revenues over expenses after taxation		150.834	101.918
	17	155.162	106.285
CURRENT LIABILITIES			
Accounts payable	18	196	-
Other current liabilities	19	98	125
Total current liabilities		294	125
TOTAL LIABILITIES AND FUNDS		155.456	106.410

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

BALANCE SHEET
As of 31 December 2022 and 2021
In MKD thousands

	Operating Fund	Surplus of revenues over expenses	Total
Balance as of 1 January 2021	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 2022	4.367	101.918	106.285
Transferred surplus of revenues over expenses from previous year	-	(101.918)	(101.918)
Additions	459	-	459
Revaluation	641	-	641
Depreciation for the year	627	-	627
Revaluation of depreciation	(1.069)	-	(1.069)
Sale of fixed assets	(697)	-	(697)
Surplus of revenues over expense	-	150.834	150.834
Balance as of 31 December 2022	4.328	150.834	155.162

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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 2022 amounts 26 employees (31 December 2021 was 29 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.

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 2022 and 2021. 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 2022

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 2022 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.

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 2022

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	2022	2021
EUR	61,4932	61,6270
GBP	69,3350	73,4267
USD	57,6535	54,3736

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

4. GRANTED DONATIONS

	<u>2022</u>	<u>2021</u>
Revenues from donations	124.727	141.787
Total	<u>124.727</u>	<u>141.787</u>

In the course of 2022, revenues from the following donors were realized:

Breakdown of granted donations by donors:

<u>Donor</u>	<u>2022</u>
Dutch Ministry of Foreign Affairs	34.720
META PLATFORMS IRLAND	23.580
East-West Management Institute, New York	17.023
British Embassy	9.611
Foundation Open Society, Macedonia	9.544
The Sigrid Rausing Trust, London	7.297
DT Institute, Washington	6.046
FACEBOOK Ireland	4.120
European Commission	4.097
National Endowment for Democracy	3.686
National Democratic Institute (NDI)	1.360
American Bar Association	971
National Agency for European Educational Programs and Mobility	846
DCAF – GENEVA CENTRE FOR SECURITY SECTOR GOVERNANCE	686
CDT - CENTER FOR DEMOCRATIC TRANSITION	533
UNESCO	326
CRTA - Center for Research, Transparency and Accountability	256
INTERNATIONAL CENTER FOR JOURNALISM	25
Total	<u>124.727</u>

5. SERVICES

	<u>2022</u>	<u>2021</u>
Services	392	435
Total	<u>392</u>	<u>435</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

6. REVENUE FROM FINANCING

	<u>2022</u>	<u>2021</u>
Foreign exchange gains	745	1.333
Total	<u>745</u>	<u>1.333</u>

7. OTHER REVENUES

	<u>2022</u>	<u>2021</u>
Other revenues	45	421
Total	<u>45</u>	<u>421</u>

8. MATERIAL EXPENSES AND SERVICES

	<u>2022</u>	<u>2021</u>
Office materials	871	235
Electricity, telephone and utilities costs	530	467
Maintenance	280	274
Other services	7.535	5.149
Transport	3.047	300
Marketing	238	2
Rent	1.914	1.285
Other costs	2.065	1.136
Total	<u>16.480</u>	<u>8.848</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

9. OTHER OPERATING EXPENSES

	2022	2021
Bank charges	706	397
Per diems and travel costs	705	-
Insurance	36	52
Intellectual services	13.528	11.647
Membership fees	249	133
Subgranting	21.357	16.172
Other expenses	280	-
Total	36.861	28.401

10. EXCHANGE DIFFERENCES

	2022	2021
Foreign exchange (losses)	880	220
Total	880	220

11. CAPITAL EXPENSES

	2022	2021
Equipment	415	954
Total	415	954

12. EXPENSES FOR EMPLOYEES

	2022	2021
Salaries	21.816	21.005
Recourse for vacation	540	361
Total	22.356	21.366

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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 2021	7.831	4.553	12.384
Additions	954	-	954
Revaluation	1.579	325	1.904
Correction	(1.993)	(69)	(2.062)
Balance as of 31 December 2021	8.371	4.810	13.181
Additions	415	-	415
Revaluation	325	316	641
Correction	(58)	8	(50)
Sales	-	(697)	(697)
Balance as of 31 December 2022	9.053	4.437	13.490
Accumulated depreciation as of 1 January 2021	6.500	2.193	8.693
Depreciation 2021	481	347	828
Revaluation of depreciation for 2021	1.359	65	1.424
Correction	(1.699)	(118)	(1.817)
Balance as of 31 December 2021	6.641	2.487	9.128
Depreciation 2022	606	399	1.005
Correction	(345)	336	(9)
Revaluation of depreciation	-	(697)	(697)
Balance as of 31 December 2022	6.902	2.525	9.427
Net book value as of:			
31 December 2021	1.730	2.323	4.053
31 December 2022	2.151	1.912	4.063

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

14. Intangible assets

	Software	Total
Cost		
At 01 January 2021	281	281
Additions	314	314
At 31 December 2021	595	595
Additions	44	44
Correction	49	49
At 31 December 2022	688	688
Accumulated amortisation		
At 01 January 2021	321	321
Amortization for 2021	30	30
At 31 December 2021	351	351
Amortization for 2022	64	64
Correction	8	8
At 31 December 2022	423	423
Net carrying value		
At 31 December 2021	244	244
At 31 December 2022	265	265

15. CASH AND CASH EQUIVALENTS

	2022	2021
Bank account	23.385	4.544
Petty cash	20	2
Foreign currency bank account	125.875	96.530
Balance at 31 December	149.281	101.076

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

16. OTHER RECEIVABLES

	<u>2022</u>	<u>2021</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>

17. PREPAYMENTS

	<u>2022</u>	<u>2021</u>
Prepayments	1.106	296
Balance at 31 December	<u>1.106</u>	<u>296</u>

18. OPERATING FUND

	<u>2022</u>	<u>2021</u>
Operating fund	4.328	4.367
Current surplus of revenues over expenses	150.834	101.918
Balance at 31 December	<u>155.162</u>	<u>106.285</u>

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

19. ACCOUNTS PAYABLE

	<u>2022</u>	<u>2021</u>
Accounts payable	196	-
Balance at 31 December	<u>196</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

All amounts are expressed in MKD thousand, unless otherwise stated

20. OTHER CURRENT LIABILITIES

	<u>2022</u>	<u>2021</u>
Visa card	98	124
Balance at 31 December	<u>98</u>	<u>124</u>

21. OFF-BALANCE RECORDS

As of 31 December 2022, the Foundation has no off-balance sheet exposure.

22. SUBSEQUENT EVENETS

After 31 December 2022 – the reporting date until the approval of these financial reports, there are no events that have occurred.