Association BALKAN RURAL DEVELOPMENT NETWORK Skopje

Financial statements
and the Independent Auditor's report
for the year ending on December 31, 2021

Skopje, 8 March 2022

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Independent Auditor's Report

To the Assembly and Management of Balkan Rural Development Network

We have performed an audit pf the accompanied financial statements of Association Balkan Rural Development Network (hereinafter BRDN), which comprise the Balance Sheet as of December 31, 2021 and the Balance of incomes and expenditures, as well as the explanatory notes and significant policies for the year ending on that date.

Responsibility of the management for the financial statements

The management is responsible for preparation and objective presentation of these financial statements in accordance with the Law for accounting of non-profit organization. This responsibility includes: creation, implementation and maintenance of internal controls which are relevant for preparation and objective presentation of such financial reports freed from material faulty presentation, no matter if they are result of fraud or mistake; selecting and applying appropriate accounting policies and making sound accounting estimates appropriate to the circumstances.

Responsibility of the auditor

Our responsibility is to express an opinion for these financial statements on the basis of our audit. We have performed our audit in accordance with the International Audit Standards adopted and applicable in the Republic of North Macedonia. These standards require us to respect the ethical requirements and plan and perform the audit in order to obtain reasonable assurance whether the financial statements are free from material faulty presentations.

The audit includes performance of procedures for gaining audit evidence for the amounts and disclosures in the financial statements. The procedures selected, depend on the judgment of the auditor, including also the assessment of risks from material wrongly presentations of the financial reports, no matter if they are result of fraud or error. When the auditor makes these assessments of the risk, the auditor takes in consideration the internal control relevant for preparation and objective presentation of the financial

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statements of the entity, in order to choose audit procedures relevant for the circumstances, not for the goal to express an opinion for the effectiveness of the internal control of the entity.
The audit also includes estimation of the appropriateness of the accounting policies used, and the reasonableness of accounting valuations made by the management, as well as valuation of the presentation of financial statements.

We believe that the audit proofs, that we have gathered, are sufficient and appropriate in order to secure basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements of BRDN, give a true and fair view of the financial position of BRDN on December 31, 2021, as well as the financial successfulness for the year ending on that date, in accordance with Law for accounting of non-profit organizations.

Skopje, March 8, 2022
Certified Auditor
Maja Ivanovska

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Друштво за ревизија
ЕКОВИС АУДИТ МАКЕДОНИЈА
ДОО Скопје

AUDIT COMPANY
ECOVIS AUDIT MAKEDONIJA LLC SKOPJE
Manager
Kiril Andonovski

MEMBER OF THE
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РЕВИЗОРСКИ ИЗВЕШТАЈ

ДАТУМ	ОЗНАКА	БРОЈ
08.03.2022	М.И	05-4/14

Balkan Rural Development Network - BRDN

BALANCE OF REVENUES AND EXPENDITURES

for the year ending on 31.12.2021

(In thousand denars)	Note	2021	2020
Revenues from membership	3	2,138	0
Own revenues	4	50	0
Other revenues	5	7	0
TOTAL REVENUES		2,195	0
EXPENSES			
Total expenses	6	2,191	0
Material expenses and services	6.a	1,224	0
Other expenses	6.b	967	0
Capital and other assets	6.c	0	0
Salaries and other staff costs	6.d	0	0
TOTAL EXPENSES		**2,191**	**0**
Surplus for the year before taxes		**3**	**0**
Taxes, contribution and other income taxes		0	0
Total surplus for the year after taxes		**3**	**0**
Transferred surplus from the previous year		0	0
TOTAL SURPLUS		**3**	**0**

Skopje, 28.02.2022

Responsible person for preparation of financial reports

President of BRDN

Balkan Rural Development Network - BRDN

Balance sheet on 31.12.2021

(in thousand denars)	Note	2021	2020
ASSETS		**0**	**0**
Long-term assets			
Intangible assets	7	0	0
Tangible assets	8	0	0
Investing in company entity		0	0
Current assets		**3**	**0**
Money assets	9	3	0
Receivables	10	0	0
Inventory	11	0	0
Prepaid expenses	10	0	0
TOTAL ASSESTS		**3**	**0**
SOURCES OF ASSETS AND LIABILITIES			
Sources of assets		**0**	**0**
Bussiness fund	12	0	0
Short-term liabilities		**0**	**0**
Trade liabilities		0	0
Uneraned incomes		**3**	**0**
Unerned incomes		0	0
Surplus for transfer in next year	13	3	0
TOTAL SOURCES OF ASSETS AND LIBILITIES		**3**	**0**

Skopje, 28.02.2022

Responsible person for preparation of financial reports

President of BRDN

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Association Balkan Rural Development Network Skopje (hereinafter BRDN) in the Central Registry of Republic of North Macedonia is registered under organizational form 10.9 – other social organizations, foundations and association of citizens under unique personal number 7443951, with headquarters address on Kosta Veselinov Street no 3A, Skopje, municipality Center.

Code of activity is 94.99 activities of other organizations based on membership, not mentioned elsewhere.

The objectives and tasks of the BRDN are:

- Enabling fair economic opportunities for prosperity and sustainability of rural areas in the Balkan region,
- Support, promotion and strengthening of the national rural networks in the Balkan region, by ensuring the inclusion of rural development programs and activities,
- Strengthening organizational development, exchange of experiences, use of know-how and best practices, advocacy and lobbying, promotion and communication,
- Providing equal opportunities for members, including networking, participation and integration, using the experiences of their diversity, transparency, advancement of professionalism, continuous learning, orientation towards better results and gender equal participation in rural development.

Authorized person as President with unlimited authorization is Petar Gjorgievski.

2 ACCOUNTING POLICIES OF THE BALKAN RURAL DEVELOPMENT NETWORK

2.1. BASIC ACCOUNTING POLICIES

The basic assumptions for preparing financial statements in accordance with International Financial Reporting Standards are: accounting basis and continuity.

а) Charged realization

The financial statements are prepared in accounting based on the payment received. On this basis, the effects of transactions and other events are recognized when cash is received or paid for.

б) Going on concern

The financial statements are prepared on the assumption that the BRDN will continue to operate in the future, ie that the BRDN does not intend to liquidate or significantly reduce its operations.

2.2. SPECIFIC ACCOUNTING POLICIES

The specific accounting policies applied in the preparation of the financial statements are set out below:

2.3. INTANGIBLE ASSETS

Intangible assets are assets without identifiable physical substance that are possessed for use in production or services.

The intangible assets without exception include:

a) patents and licenses
b) trademarks and names
c) franchise agreements
d) copyright
e) research and development costs
f) computer software marketing rights; and
h) Goodwill.

Intangible asset is recognized only in th efolowing cases:

a) if an inflow of future economic benefits is expected to the enterprise related to the asset,
b) if the purchase price can be reliably measured.

The business fund is increased for the value of intangible assets.

If an intangible asset does not meet the recognition criteria under point II. 1.2. from this decision the expense incurred should be recognized as an expense immediately at the time of payment.

Intangible assets are initially measured at purchase value, with the following differences:

- Patents, licenses, goodwill after initial valuation are measured at purchase value decreased for impairment and accumulated impairment losses;
- Trademarks, software, copyrights, after initial valuation, are measured at fair value on the active market.

Intangible assets are depreciated to management's estimation of the period of expected future economic inflows but not exceeding 5 years and begins to be calculated from the first day of the following month of the month in which the asset was acquired.

Depreciation is not an expense for the period because there is no cash outflow and is recorded as a burden on the business fund

The basis for valuing intangible assets is:

a) the manner of their acquisition;
b) the expected period for obtaining economic benefits;
c) the opportunity to sell.

Research costs and costs for internally created intangible assets should not be recognized as an asset but as an expense in the period.

2.4. TANGIBLE ASSETS (PROPERTY, PLANT AND EQUIPMENT)

Tangible assets (property, plant and equipment) in item 6 in IAS 16 are defined as:

a) assets held by BRDN:

- for own use
- to rent to others or
- for administrative purposes and
-

b) funds expected to be used over a period of one year (one year).Материјално средство ќе се признае само:

c) if it is probable that future economic benefits associated with the asset will constitute a BRDN inflow,
d) if the cost of the asset can be measured reliably.

The business fund is increased for the value of the purchased material assets.

Tangible assets (property, plant and equipment) are initially valued at the acquisition cost of the tangible asset (cost) which is allocated over the useful life of the asset. All financial costs (interest, guarantees, etc.) that can be identified with the purchase of an asset are added to the asset's cost and depreciated over its useful life.

The acquisition cost of a tangible asset is the amount of cash paid or the fair value of another consideration given to acquire an asset at the time of its acquisition or construction.

The acqusition cost of tangible assets covers the purchase price, including import duties and non-refundable taxes, as well as costs directly attributable to bringing the asset into service (site preparation, delivery and manipulation costs, installation and assembly). , service of professionals etc.).

All trade discounts and rebates are deducted to reach the purchase price.

If the carrying amount of the tangible asset is greater than the estimated recoverable amount, the difference is derecognised - a value adjustment is made to the recoverable amount.

Gains or losses on disposal are determined by comparing the incomes of the carrying amount.

The useful life of the material asset is:

- the time period for which an asset is expected to be used by the enterprise.

The useful life of the tangible asset is estimated according to the accounting policy for non-profit organizations.

The basis for calculating the amortization is the cost of the asset or other amount substituted for its cost in the financial statements, less any residual asset value.

Depreciation of tangible assets is calculated using the straight-line method over the useful lives of the tangible asset, beginning on the first day of the following month of the month in which the asset was acquired.

Depreciation is not an expense of the period because it does not result in an outflow of cash but is charged to the business fund.

2.5. INVESTMENT AND RECEIVABLES

Investments are classified as long-term (non-current) and short-term (current).

Investments are classified as current when:

- are held primarily for trading purposes (for sale) and are expected to be realized (sold) within 12 months of the balance sheet date.
- money and cash equivalents are classified as current in all cases where their use is not restricted.
- All other investments are classified as non-current (long-term).

Investments in securities (debt and equity) are not classified as current and non-current but depending on management's intent:

- keep them exclusively for trading purposes,
- does not store them for trading purposes, but is available for sale,
- keep them to maturity.

Securities held for trading or available for sale are initially recognized at fair value with no transaction costs being taken into account.

Held-to-maturity securities are recorded at their depreciated cost (depreciated expense) including transaction costs.

Other short-term investments such as loans, deposits, bail and advances are recorded at their nominal value. The accrued interest is capitalized at maturity.

Trade receivables and other short-term receivables on the domestic market are recognized at the time of the transaction and are recorded at the expected cash flow. In the balance sheet, the value of the receivables from customers is expressed in net worth.

Receivables from customers who are liquidated or bankrupt are directly eliminated by parallel entry in the business fund.

Foreign receivables are initially measured at the expected cash flow. In the balance sheet, customer receivables are measured at the exchange rate at the balance sheet date, and the deviations are recorded as exchange rate differences.

2.6. INVENTORIES

Inventories are valued at cost (net) or net realizable (sales) value, whichever is lower.

Cost value includes all procurement costs, conversion costs and other costs incurred in bringing inventory to its present location and condition.

2.7. MONEY ASSETS (money and money equivalents)

Cash includes cash in cash and deposits (foreign currency, denar) at sight.

Cash equivalents are short-term highly liquid investments, which can be converted into cash at no more than 3 months at the most when there is a change in their nominal value.

Cash in hand and o1n denar accounts are valued at nominal value.

Foreign currency and cash foreign currency accounts are valued at the average exchange rate of the National Bank at the time they occur, and at the balance sheet date (31.12), adjustments are made, and any differences are recorded as a positive or negative exchange rate difference.

2.8. PREPAID EXPENSES

Prepaid expenses accounts record all expenses incurred and not paid in the accounting period.

2.9. SHORTTIME (CURRENT) LIBILITIES

Short-term liabilities are all liabilities that mature one year after the balance sheet date, and are measured at their nominal value stated in an appropriate accounting document.

Short-term liabilities for which there is a credible document that their payments are deferred for a period longer than 1 year are recognized as long-term liabilities.

2.10. LONGTERM (NONCURENT) LIABILITIES

All liabilities that are due for payment more than 1 year from the balance sheet date are stated as non-current liabilities and are measured at nominal value of the respective accounting document.

2.11. UNEARNED INCOMES

Revenues that does not meet the recognition criteria under these policies is accounted for at the expense of unearned income, and is recognized as income in the period in which these criteria are met, with account being closed at the same time.

This account also records those liabilities for which there are no reliable recognition documents in the accounting period, but can be reliably identified as having arisen in the current period. After providing documentation in a future period, we close this account in favor of a specific obligation.

2.12. CORPORATE INCOME TAX

Non-profit organizations that generate incomes from performing economic activity within their non-profit operation, to avoid unfair competition with entities that are taxed on the profits, become taxpayers for calculating and paying total income tax if economic activity is greater than 1,000,000 denars.

The total income tax is calculated and paid by the non-profit organizations in the amount of 1% of the total realized business income in the calendar year, to the amount exceeding 1.000.000 denars.

2.13. INCOMES

Revenue is recognized according to the modified principle of business changes (transactions), ie according to this principle, revenues are recognized after the cash inflows related to those revenues are recorded in the bank accounts or the BRDN petty cash in the accounting period, and at latest by 30.01. next year, and are measured by the amount of monetary compensation received.

2.14. EXPENSES

Expenses are recognized according to the modified principle of business changes (transactions) ie according to this principle the expenses are recognized after the cash outflows from those expenditures are recorded in the bank accounts or the BRDN petty cash in the accounting period, and at latest till 30.01. next year, and are measured by the amount of cash compensation paid.

2.15. REVALUATION

BRDN revalues long-term assets (tangible and intangible) when withdrawn and disposed of or due to a revaluation at a rate of rise in prices of industrial products published in the State Statistical Office.

The basis for the revaluation is the cost of the asset.

The market value of long-term assets at their withdrawal from use and disposal during the accounting period is determined by an appraisal by an authorized appraiser.

2.16. REALIZED SURPLUS OF INCOMES (GAIN)

The difference between the income earned and the expense incurred is a surplus of income that is presented in the Balance of Income and Expenditure. This surplus (together with the surplus from previous years) should account for total cash on bank accounts and petty cash on 31.12. adjusted for current year revenue charged up to 30.01. the following year and for the expenses of the accounting period paid up to 30.01. next year.

2.17. REALIZED SHORTAGE (LOSS)

If the expense in the Balance of Income and Expenditure is greater than the income, a shortare is recognized. The shortare may only arise if the expenditure for the accounting year is paid within 30 days of the balance sheet date, and no surplus has been recorded from previous years.

2.18. BUSSINESS FUND

For the benefit of the business fund are recorded:

- purchased long-term tangible and intangible assets;
- grants received in a non-monetary form;
- the effects of revaluation, ie the effects of matching long-term assets with their (fair) market value.

Depreciation and impairment of long-term assets are recorded on the burden of the business fund.

2.19. PUBLIC PROCURMENTS

The organization has a rulebook for procedures for administrative and financial operations which clearly states the procurement procedures. The purpose of these Financial Management Procedures are to implement the Procurement Regulations, to ensure that the procurement by BRDN of Services, Goods and Consultancy is carried out in a manner that adheres to the principles of Value for Money, transparency, ethical behavior and professionalism, with due regard to the mission and objectives of BRDN.

3. EXPLANATORY NOTES TO THE BALANCE OF INCOMES AND EXPENDITURES

3 Revenues from memberships

(in thousand denars)	2021	2020
Revenues from memberships	2,138	0
Total	**2,138**	**0**

4 Incomes

(in thousand denars)	2021	2020
Own Incomes	0	0
Incomes from donations	50	0
Other Incomes	0	0
Total	**50**	**0**

5 Other Incomes

(in thousand denars)	2021	2020
Other Incomes	7	0
Total	**7**	**0**

6 Total Expenes

(in thousand denars)	**2021**	**2020**
Total expenses (6a+6b+6c+6d)	**2,191**	**0**

6.a Material expenses and services

	2021	2020
Materials	2	0
Expenses for electricity, fuel	0	0
Expenses for investment maintenance	0	0
Nonproductional expenses	141	0
Transport and other services	55	0
Expenses for representation and advertising	14	0
Rent	0	0
Other material expenses	1,013	0
Total	**1,224**	**0**

6.b Other expenses

	2021	2020
Bank provisions	14	0
Interest for loans	0	0
Insurance premiums	0	0
Other costs for employees	358	0
Negative exchange rate differences	13	0
Memberships	0	0
Accounting and audit	0	0
Translators	33	0
Other expenses	548	0
Transferred funds	0	0
Other taxes	1	0
Total	**967**	**0**

6.c	Capital and other assets	2021	2020
	Assets for buildings	0	0
	Assets for equipment	0	0
	Other capital assets	0	0
	Total	**0**	**0**

6.d	Salaries and other expenses for employees	2021	2020
	Net salaries	0	0
	Contributions	0	0
	Personal tax for salaries	0	0
	Total	**0**	**0**

4. EXPLANATORY NOTES TO THE BALANCE SHEET

7 Intangible assets

DESCRIPTION	Software	TOTAL
CHANGES IN 2020		
Purchased Value on 01.01.	**0**	**0**
New purchases	0	0
Alienated, sold	0	0
Balance on 31.12.	**0**	**0**
ACCUMULATED DEPRECIATION		
Balance on 01.01.	**0**	**0**
Current depreciation in	0	0
Decrease (alianated, sold)	0	0
Balance on 31.12.	**0**	**0**
Accounting Value on 31.12.2020	**0**	**0**
CHANGES IN 2021		
Purchased Value on 01.01.	**0**	**0**
New purchases	0	0
Alienated, sold	0	0
Balance on 31.12.	**0**	**0**
ACCUMULATED DEPRECIATION		
Balance on 01.01.	**0**	**0**
Current depreciation in	0	0
Decrease (alianated, sold)	0	0
Balance on 31.12.	**0**	**0**
ACCOUNTING VALUE		
Balance on 31.12.2021	**0**	**0**

8 Tangible assets

DESCRIPTION	Buildings	Equipment	Furniture	Ongoing investment	TOTAL
CHANGES IN 2020					
Purchased value on 01.01.2020	**0**	**0**	**0**	**0**	**0**
New purchases	0	0	0	0	0
Alienated, sold	0	0	0	0	0
Balance on 31.12.2020	**0**	**0**	**0**	**0**	**0**
ACCUMULATED DEPRECIATION					
Balance on 01.01.2020	**0**	**0**	**0**	**0**	**0**
Current depreciation	0	0	0	0	0
Decresed (alienated, sold)	0	0	0	0	0
Balance on 31.12.2020	**0**	**0**	**0**	**0**	**0**
ACCOUNTING VALUE					
Balance on 31.12.2020	**0**	**0**	**0**	**0**	**0**
CHANGES IN 2020					
Purchased value on 01.01.2021	**0**	**0**	**0**	**0**	**0**
New purchases	0	0	0	0	0
Alienated, sold	0	0	0	0	0
Balance on 31.12.2021	**0**	**0**	**0**	**0**	**0**
ACCUMULATED DEPRECIATION					
Balance on 01.01.2021	**0**	**0**	**0**	**0**	**0**
Current depreciation	0	0	0	0	0
Decresed (alienated, sold)	0	0	0	0	0
Balance on 31.12.2021	**0**	**0**	**0**	**0**	**0**
ACCOUNTING VALUE					
Balance on 31.12.2021	**0**	**0**	**0**	**0**	**0**

9 Money assets

(in thousand denars)	2021	2020
Money on bank accounts	3	-
Money on foreign accounts	-	-
Cash at hand	-	-
Money on bussiness card	-	-
Total	**3**	**-**

10 Receivables

(in thousand denars)	2021	2020
Receivables	-	-
Financial receivables	-	-
Other receivables	-	-
Receivables from state institutions	-	-
Prepaid expenses	-	-
Total	**-**	**-**

11 Inventory

(in thousand denars)	2021	2020
Inventory	-	-
Total	**-**	**-**

12 Bussiness fund

(in thousand denars)	2021	2020
Balance on 01.01.	-	-
Purchases of basic asstes and materials	-	-
Sold basic assets	-	-
Total	**-**	**-**
Current depreciation	-	-
Sales	-	-
Reclasification	-	-
Bussines fund on 31.12.	**-**	**-**

13 Undistributed surplus

(in thousand denars)	2021	2020
Balance on 01.01.	-	-
Total Incomes	2,195	-
Total	**2,195**	**-**
Total expenses	(2,191)	-
Taxes	-	-
Total surplus on 31.12.	**3**	**-**

5. Risk management

In the normal flow of performance of its business activities, BRDN, according to the nature of its operations, enters into different risks from certain transactions which can be deduced to different level of exposure as follows: market risk (including: the foreign currency exchange risk, the interest rate risk and the price risk), the solvency risk, credit risk, capital risk management and estimations of the fair value.

The risk management of BRDN is focused on the inability to foresee the markets and aims towards minimization of the potential negative effects on the financial operations of BRDN.

Market risk

Foreign exchange risk

The risk of foreign exchange differences, which can be defined as causing losses in view of the increase of the exchange rate of the foreign currencies in the companies that have import transactions, is managed by BRDN by timely payment of the obligations towards foreign suppliers and agreements on payment in stable foreign currencies.

BRDN does not have a special policy of management with this risk, considering the fact that in Republic of North Macedonia there are no special financial instruments to avoid it.

Interest rate risk

The interest rate risk exists in credits agreed by the company in foreign currency, which, by the change of the level of market interest rates influences its financial standing and the financial flows.

Solvency risk

The management of solvency risk is centralized in BRDN. The insolvency risk exists when the company is unable to regularly pay its obligations to creditors from its financial assets.

Such risk is overcome by constantly providing for the necessary cash for servicing of its obligations. BRDN does not use financial derivate.

Credit risk

Credit risk results from money and financial assets, deposits in banks and financial institutions, as well as credit exposure to corporative clients, including the receivables and obligations. The management of the credit risk by BRDN is carried out by taking appropriate measures and activities by BRDN.

Estimations of the fair value

The Company has a policy of revealing information regarding the fair value of the components of the assets and liabilities for which market prices are available for those where the objective value can importantly differ from the accounting value.

In the Republic of Northern Macedonia there is insufficient level of market experience, stability and liquidity for the purchase and sale of receivables and other financial assets or liabilities, and therefore they are not available for sale. Due to the absence of an active market, the objective basis cannot be established on a reliable basis. The BRDN management considers that the carrying amounts stated are the most valid and useful reporting values under the current market conditions.

6. Potential and undertaken obligations

Court disputes

According the situation on December the 31st 2021, there is no evidence of any reservations from potential losses due to Court disputes. The Company management regularly analyses the possible risks of losses pertaining to Court disputes or possible receivables against the Company which could incur in future. Although the results in this field cannot always be established accurately, the Management of the Company believes that they will not result in materially important obligations.

Tax risk

The financial statements and the accountancy evidence of BRDN are subject to tax control by the tax authorities in the period of 5 years after the submission of the tax report on the financial year and can generate further tax obligations. According to the estimations of the Management of BRDN there are no additional conditions that could result in potentially materially important obligations on this basis even on the date of these statements.

7. Events after the date of report

No events which, by their importance, would cause necessary change in the financial statements have occurred in the period from December 31st 2021 until the date of the issuance of the auditor's report.