

**ASSOCIATION OF INTERNAL AUDITORS
OF MACEDONIA, Skopje**

**Financial Statements and
Independent Auditors' Report
for the year ended December 31, 2016**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Income and Expenses	3
Balance Sheet	4
Notes to the Financial Statements	5 - 9

INDEPENDENT AUDITOR'S REPORT

To the Assembly and Managing Board of ASSOCIATION OF INTERNAL AUDITORS OF MACEDONIA, Skopje

We have audited the accompanying financial statements (page 3 to 9) of ASSOCIATION OF INTERNAL AUDITORS OF MACEDONIA, Skopje (hereinafter referred to as the "Association"), which comprise the balance sheet as at 31 December 2016, and the statement of income and expenses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Law of Accounting for Nonprofit Organizations applicable in the Republic of Macedonia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgment, 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.

(continued)



INDEPENDENT AUDITOR'S REPORT

To the Assembly and Managing Board of ASSOCIATION OF INTERNAL AUDITORS OF MACEDONIA, Skopje (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2016 and of its financial performance for the year then ended in accordance with the Law of Accounting for Nonprofit Organizations applicable in the Republic of Macedonia.

Other matters

We draw attention to the fact that the Association maintains its books of account and prepares its financial statements in accordance with the Law of Accounting for Nonprofit Organizations applicable in the Republic of Macedonia according to which is not obliged to prepare and submit a Statement of Changes in Equity and Cash Flow Statement.

JVK doo, Skopje, Macedonia

Krsto Nestorov
Director

Skopje
12 April 2017



Krsto Nestorov
Certified Auditor

STATEMENT OF INCOME AND EXPENSES
For the year ended December 31, 2016
(In thousands of Denars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Income			
Revenue from membership fees	4	355	396
Revenue from services	5	954	409
Surplus of income over expenses from previous year		<u>895</u>	<u>779</u>
		2.204	1.584
Expenses			
Depreciation		(5)	(2)
Bad debts provision		(33)	(32)
Material expenses and services	6	<u>(1.146)</u>	<u>(648)</u>
		(1.184)	(682)
Surplus of income over expenses before taxation		1.020	902
Income tax	7	<u>(28)</u>	<u>(7)</u>
Surplus of income over expenses after taxation		<u>992</u>	<u>895</u>

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

These financial statements were approved by the Association's management on March 09, 2017.



 President



ASSOCIATION OF INTERNAL AUDITORS OF MACEDONIA, Skopje

BALANCE SHEET
At December 31, 2016
(In thousands of Denars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Assets			
Non-current assets			
Equipment	8	35	16
Current assets			
Inventories	9	7	4
Trade receivables	10	178	41
Income tax receivable		1	2
Cash and cash equivalents	11	835	840
Total current assets		<u>1.021</u>	<u>887</u>
TOTAL ASSETS		<u>1.056</u>	<u>903</u>
Fund balances			
Undistributed surplus of income over expenses for next year		992	895
Current liabilities			
Trade payables	12	46	1
Income tax payable		18	7
Total current liabilities		<u>64</u>	<u>8</u>
TOTAL FUND BALANCES AND LIABILITIES		<u>1.056</u>	<u>903</u>

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

1. GENERAL INFORMATION

ASSOCIATION OF INTERNAL AUDITORS OF MACEDONIA, Skopje (the "Association") is the association of citizens which is established in accordance with the Law of citizens' associations and foundations (Official Gazette of RM no. 31/98 as amended) and as a legal entity is registered in the Central Registry of the Republic of Macedonia under the number 30120110048214. The Association's headquarter is registered on Street Jane Sandanski 88/4-7, Skopje. Its ID number is 6380140. The Statute of the Association is adopted 6 June 2008 based on the Law of citizens' associations and foundations.

This Statute defines the goals and tasks of the Association, form of association, organization, title and headquarter, requirements and gaining and terminating of membership, rights and obligations of the Association bodies, representing, financing and other issues.

Basic principles of organizing

The Association is independent, non-party, non-profitable citizen association, founded by the free will of citizens for associating, exercising of basic rights and liberties, openly and transparently for public and open to new memberships, organized for the promotion of internal auditor's profession and its principles in the Republic of Macedonia. Transparency in working is achieved through publishing occasional printed materials, organizing seminars, trainings and courses for achieving CIA certification for its members, information in the public media, web site and other forms of communication for the members and all other interested in the Association activities.

Basic goals

- Development of internal auditor profession in the Republic of Macedonia;
- Improving knowledge and professionalism among its members;
- Protecting the interests of its members;
- Creating a professional unity and mutual support of its members;
- Increasing the level of the internal auditor profession;
- Sustainable development of new methods, techniques and instruments in performing internal audit;
- Networking and cooperation promotion, synergy in the development processes and exchange of experience and knowledge regionally and internationally;
- Consistently directing and planning of help and support of its members and other interested individuals which will be realized inside the CIA learning system and program activities;
- To support growth of its own resources in the operating areas and the projects in which it will be involved;
- Training on different levels and trainees (technical and professional education) especially training of internal audit professional teams in topics related with the internal audit professional development; and
- Other activities which will lead to improving of local internal audit profession in general.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements are prepared in accordance with the Law of Accounting for Nonprofit organizations (Official Gazette of RM no.24/2003 as amended) and the Rulebook for accounting for Nonprofit organizations (Official Gazette of RM no. 42/2003 as amended).

The financial statements are prepared on the modified cash basis.

A summary of the principal accounting policies applied in preparing the statutory financial statements are set out within Note 3 to the financial statements.

Macedonian Denar is the Association's functional and the presentation currency for statutory purposes. Current and comparative data are expressed in thousands of Denars, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue and expenses recognition

The revenue and expenses are measured based on the modified cash basis principle of operating changes or transactions.

Revenue is recognized in the accounting period in which the changes have occurred based on the criteria for measurement and availability. Revenue is measurable when it can be valuable expressed. Revenue is available when they are realized (collected) in the accounting period or within 30 days after the reporting period if such revenue relates to the accounting period that could be recognized as a cover for the liabilities occurred in that period.

For the services rendered, the revenue is measured at the fair value of the consideration received or receivable in the regular course of Association activities.

Expenses are recognized in the accounting period in which they occurred or within 30 days after the reporting period if the liability for payment occurred in that period.

3.2 Foreign exchange translation

Transactions denominated in foreign currencies have been translated into Denars at rates set by the National Bank of the Republic of Macedonia as of the transaction date. Assets and liabilities denominated in foreign currencies are translated at the balance sheet date using official rates of exchange. Net foreign exchange gains or losses, resulting from foreign currency translation, are included in the Statement of income and expenses in the period in which they arose.

3.3 Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment loss, if any.

The initial cost of equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The annual depreciation rates applied is 10%.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Trade receivables

Trade receivables are carried at original invoice amount less an allowance for any un-collectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise funds in bank and cash in hand.

3.6 Trade payables

Trade payables are stated at their nominal amount.

3.7 Income tax

In accordance with the Law on Income Tax, nonprofit organizations are excluded from income tax on the revenue earned from membership fees, sponsorships and donations that are collected and allocated for expenditures within the program goals of the organization i.e. do not occur for providing business activities.

Income tax expense for the year 2016 and 2015 is consisted of current income tax expense calculated on certain tax-non-deductible expenses. Income tax rate for both periods presented is 10%. The calculation and payment of the income tax is made in accordance with the provisions of the Income Tax Law upon which the income tax for the year is calculated only on expenses not allowed for tax purposes.

4. REVENUE FROM MEMBERSHIP FEES

	In thousands of Denars	
	Year ended December 31,	
	<u>2016</u>	<u>2015</u>
Membership fees	<u>355</u>	<u>396</u>

Revenue from membership fees relate to revenue collected by the Association from its members during the year. Individual's annual fee membership amounts to Denar 2,5 thousand (2015: 2,5 thousand).

5. REVENUE FROM SERVICES

	In thousands of Denars	
	Year ended December 31,	
	<u>2016</u>	<u>2015</u>
Technical and professional education (regular trainings)	<u>954</u>	<u>409</u>

Revenue from services rendered relate to regular annual trainings and courses organized by the Association for its members and business community.

ASSOCIATION OF INTERNAL AUDITORS OF MACEDONIA, Skopje

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

6. MATERIAL EXPENSES AND SERVICES

	In thousands of Denars	
	Year ended December 31,	
	<u>2016</u>	<u>2015</u>
Materials	11	2
Hotel accommodation	120	52
Travel costs	88	1
Entertainment and promotion	280	105
Bank commission	16	10
Membership costs	112	131
Trainer's fees	379	235
Other expenses and services	<u>140</u>	<u>112</u>
	<u>1.146</u>	<u>648</u>

Membership costs relate to annual membership fees paid to the Institute of Internal Auditors, Florida, United States of America.

7. INCOME TAX

	In thousands of Denars	
	Year ended December 31,	
	<u>2016</u>	<u>2015</u>
Current income tax	<u>28</u>	<u>7</u>

Current income tax is calculated on certain expenses not deductible for tax purposes.

8. EQUIPMENT

	In thousands of Denars	
	<u>Equipment</u>	
Cost		
Balance, 1 January 2016	23	
Additions	<u>24</u>	
Balance, 31 December 2016	47	
Accumulated depreciation		
Balance, 1 January 2016	7	
Charge for the year	<u>5</u>	
Balance, 31 December 2016	12	
Net carrying amount		
31 December 2016	<u>35</u>	
31 December 2015	<u>16</u>	

ASSOCIATION OF INTERNAL AUDITORS OF MACEDONIA, Skopje

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

9. INVENTORIES

	In thousands of Denars	
	December 31, 2016	December 31, 2015
	<u> </u>	<u> </u>
Small inventory in use	7	4
	<u> </u>	<u> </u>

10. TRADE RECEIVABLES

	In thousands of Denars	
	December 31, 2016	December 31, 2015
	<u> </u>	<u> </u>
Trade debtors	211	73
Allowance for bad debts	(33)	(32)
	<u> </u>	<u> </u>
	178	41
	<u> </u>	<u> </u>

11. CASH AND CASH EQUIVALENTS

	In thousands of Denars	
	December 31, 2016	December 31, 2015
	<u> </u>	<u> </u>
Cash in bank in Denars	768	786
Cash in bank in foreign currency	45	45
Cash in hand in Denars	22	9
	<u> </u>	<u> </u>
	835	840
	<u> </u>	<u> </u>

12. TRADE PAYABLES

	In thousands of Denars	
	December 31, 2016	December 31, 2015
	<u> </u>	<u> </u>
Trade creditors	46	1
	<u> </u>	<u> </u>