

**COUNCIL OF MEDIA ETHICS OF
MACEDONIA - ETIKA PRESS SKOPJE**

**FINANCIAL STATEMENTS FOR THE PERIOD
AUGUST, 01 2017 - AUGUST 31, 2019**

INDEPENDENT AUDITORS' REPORT

(Copy from the original in Macedonian)

Skopje, October 2019

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**INDEPENDENT AUDITOR'S REPORT FOR THE FINANCIAL STATEMENTS
PREPARED PURSUANT TO SPECIAL PURPOSE FRAMEWORKS DEFINED
IN THE AGREEMENT FOR THE PROJECT DONOR -
THE KINGDOM OF THE NETHERLANDS**

We have audited the special purpose financial statements of the COUNCIL OF MEDIA ETHICS OF MACEDONIA – ETIKA PRESS Skopje (Hereinafter: CMEM-Skopje) prepared for the period from 01.08.2017 - 31.08.2019. The financial statements are prepared by the management of CMEM pursuant to the provisions for financial reporting defined in the agreement from 01.08.2017 concluded between CMEM and the Kingdom of the Netherlands represented by the Minister of Foreign Affairs.

Management's Responsibility for the special purpose Financial Statements

The Management is responsible for the preparation of these financial statements pursuant to the provisions for financial reporting defined in the Agreement and the internal control considered as relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

It is our responsibility to express our opinion on these financial statements based on the executed audit. We have executed our audit according to the International Standards on Auditing. These standards require that we comply with the ethical requirements, and plan and perform the audit in order to obtain reasonable assurance whether the financial statements are free of material misstatement.

The audit involves performing procedures as 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 risks of material misstatement of the financial statements, whether due to fraud or error. When making those risk assessments, the auditor considers the internal control relevant for preparation and objective presentation of the financial statements of CMEM - Skopje in order to design audit procedures appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of CMEM - Skopje. The audit also includes evaluation of the appropriateness of the used accounting policies and the reasonableness of the accounting estimates made by the management, as well as evaluation of the total 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.

**INDEPENDENT AUDITOR'S REPORT FOR THE FINANCIAL STATEMENTS
PREPARED PERSUANT TO SPECIAL PURPOSE FRAMEWORKS DEFINED IN
THE AGREEMENT FOR THE PROJECT DONOR -
THE KINGDOM OF THE NETHERLANDS**

Opinion

In our opinion, the financial statements of CMEM - Skopje prepared for the period from 01 August 2017 – 31 August 2019 are presented fairly in all material respects in accordance with the provisions for financial reporting prescribed in the agreement for an institutional grant.

Basis of Accounting and Restriction on Distribution and Use

Without qualifying our opinion, we draw attention to Note 2.1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist CMEM to comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the contractual parties signed in the donation agreement and should not be distributed to or used by parties other than the Council of Media Ethics of Macedonia – Etika Press Skopje or the Minister of Foreign Affairs of the Kingdom of the Netherlands contract signatories.

Skopje, 14 October 2019

Certified auditor

Mitko Poposki



Manager

Jasmina Rafajlovska



REPORT ON THE SOURCES OF FUNDS AND THEIR EXPENDITURE
for the period 01.08.2017 until 31.08.2019
(in Denars)

	Note	01.08.2017 - 31.08.2019	Unpaid expenses
Donation revenues	4	5.958.317	-
Employees expenditures and paid remuneration	5	(4.901.585)	-
Travel and accommodation expenses	6	(882.168)	-
Lease and public utilities expenses	7	(648.917)	-
Computer and other equipment expenses and postal and courier expenses	8	(221.678)	-
Office expenses	9	(190.014)	-
Bank provisions	10	(47.585)	-
Expenses for technical maintenance	11	(19.125)	-
Expenditures for used services	12	(401.750)	-
TOTAL REVENUES		5.958.317	
TOTAL EXPENDITURE		7.312.822	
Excess payment added to revenues	13	(1.354.505)	-

*The Notes to the Financial statements are an integral part of
the Financial statements and shall be read in accordance with the same*

1. GENERAL INFORMATION ABOUT THE PROJECT

The agreement between the Kingdom of the Netherlands, represented by the Minister of Foreign Affairs and the Council of Media Ethics of Macedonia - ETIKA PRESS Skopje (hereinafter CMEM) has been established on the basis of the needs of the Council for implementation of the project "Institutional Strengthening of the Council of Media Ethics of Macedonia".

The agreement was mutually signed on 19.11.2014 and was implemented for a period of 24 months, starting on 1st of December 2014, until 1st of December, 2016. The parties signed a new agreement on August 1st 2017, extending the support in the form of an institutional grant for additional 2 years.

Through this project, the CMEM receives a support for institutional strengthening, promotion and building of the organization's credibility among journalists, media management and the public in general. The core goal of the CMEM with the project is to continue its work towards promotion and protection of the professional standards and ethics in journalism, while providing an independent public complaints mechanism. The project is also aimed at building a credible independent body, both within the state and internationally. In addition, the aim is to follow the contemporary practices of press councils across Europe and beyond, in order to encompass them in the work of CMEM in the direction of effective accomplishment of its mission and vision.

This is especially important given the context in which freedom of expression and media independence in the country have steadily declined in the ratings of international organizations. This was stated in the reports of Freedom House, Reporters Without Borders, EU, etc. The continued political crisis in the country has had a serious impact on the media, and this has also affected the independency of media reporting, which led to a lack of correct and objective information to the public. The establishment of the self-regulatory body, the CMEM, has been perceived an important step towards the gradual professionalization of the media, and the organization gradually gained in importance, as reflected in the assessments of representatives of international organizations, media community and citizens in discussions about improving the situation in journalism. Hence, the support to the CMEM and its active work has proved to be essential in the present context.

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis for preparation

CMEM - Skopje prepares its financial statements in accordance with the provisions of the agreement that is concluded with the donor for project implementation for institutional strengthening of the Council of Media Ethics of Macedonia – Etika Pres Skopje.

These Financial Statements represent the assets and liabilities, revenues and expenditures referring to the operation of CMEM – Skopje solely to the project’s purposes financed by the donor for the period from 01 August 2017 until 31 August 2019.

CMEM - Skopje maintains its business books in accordance with the legal regulations applied in the Republic of North Macedonia referred to the operation of the nonprofit organizations, firstly the Law on Accounting for Nonprofit Organization (“Official Gazette of RM” number 24/03...17/11, hereinafter: the Law) and the Rulebook on Accounting for Nonprofit Organization (“Official Gazette of RM” number 42/03...175/11, hereinafter: the Rulebook), as well as the proper bylaw regulations prescribed on the basis of the Law.

3. ACCOUNTING POLICIES

The following is a summary of the significant accounting policies that were used in the preparation of the Financial Statements of CMEM - Skopje, for the period from 01.08.2017 – 31.08.2019.

3.1 Revenues and expenditures

The recognition of the revenues and the expenses is conducted according to Article 13 from the Law, and Article 18 from the Rulebook, that is, according to the accounting principle of modified occurrence of business changes, that is, transactions.

According to the principle of modified occurrence of business changes, that is, transactions the revenues being recognized in the accounting period in which they occurred, according to the criteria of measurement and availability. The revenues are measurable when they can be recognized as a value. The revenues are available when they are realized in the accounting period or within 30 days upon the expiration of the accounting period, under the condition that the

revenues are related to the accounting period and serve for covering the liabilities from that accounting period.

According to the accounting principle of the modified occurrence of the business changes, i.e. transactions, the expenses are being recognized in the accounting period in which they occurred, or within 30 days after the expiration of the accounting period, under the condition that the payment liability occurred in that accounting period.

3.2 Non-current assets

3.2.1. Initial valuation

The non-current assets – the long-term assets are initially valued at cost value less the total amount of the calculated amortization. The cost value of the long-term assets comprises the purchase value increased for import tariffs, value added tax, transportation expenses and all other expenses which can be directly added to the cost value, that is, to the procurement costs.

According to Article 19 from the Law, as long-term assets are considered the assets with a useful life longer than one year.

The long-term assets, whose individual value is lower than 300 Euros in MK Denar counter value, at the moment of procurement, is presented in a group, as fixtures and fittings.

3.2.2. Subsequent expenditures

The subsequent expenditures are capitalized only if the position of the assets is improved above their useful life, if their capacity, functional connection, etc. are increased.

3.2.3. Depreciation

Depreciation is charged on a proportional write-off method, which is consistently applied from one accounting period to another, by applying the prescribed annual rates which are integral part of the Rulebook. The depreciation is calculated for each asset individually within the group frames prescribed in the Rulebook, until the value of the long-term assets is not fully compensated. The useful life, that is, the write-off deadline of the long-term assets is determined according to the prescribed rates. The annual depreciation rates applied on some more significant items are as follows:

Equipment	14% to 20%
Computers	20%
Furniture	10% to 12%

3.2.4. Revaluation

CMEM calculates the revaluation of long-term assets (tangible and intangible), in accordance with Article 15 of the Law, and Articles 29 and 29-a of the Rulebook. According to the quoted legal provisions, the calculation of revaluation is performed in the following cases:

- 1) in case of decommission or expropriation, or
- 2) for the needs of repeated valuation, in case of an increase in price of the industrial products.

The base for revaluation of long-term assets represents the cost value of the assets and their accounted depreciation (correction of value). The long-term assets revaluation is accounted by applying the increase rate of the price of the industrial products, published by the State Statistical Office. The revaluation result of the long-term assets is transferred at the benefit or burden of the assets' sources.

The revaluation of the long-term assets which are consumed or expropriated during the accounting period is conducted in a way that all positions of the long-term assets from the previous year are multiplied by the index of cumulative growth of the prices of the industrial products at the domestic market from the beginning of the accounting period until the end of the month in which the assets are either consumed or expropriated.

3.3. Receivables

The receivables are recognized according to the agreed amounts in the agreement.

3.4. Cash and Cash equivalents

Cash and cash equivalents include cash on treasury, deposit accounts, bank deposits and highly liquidated investments that can be quickly transformed into cash. Cash assets in the treasury and in bank deposits in local currency are recognized in nominal values, whereas if it is in foreign currency, according to the average exchange rate of the National Bank of the Republic of North Macedonia at the date of balancing.

3.6. Payables

The payables are recognized according to the agreed amounts in the agreement.

4. DONATION REVENUES

Donation revenues consist the following:

	01.08.2017 - 31.08.2019
Revenues from donations pursuant to an agreement (first transfer on 30.08.2017)	2.235.000
Revenues from donations pursuant to an agreement (second transfer on 08.05.2018)	3.723.317
<i>Total revenues from donations</i>	<u><u>5.958.317</u></u>

The donation revenues are result from the received donations from the Kingdom of the Netherlands pursuant to the concluded agreement for project for institutional strengthening of the Council of Media Ethics of Macedonia.

5. EMPLOYEE'S EXPENSES AND PAID REMUNERATION

Employee's expenses and paid remuneration consist of the following:

		01.08.2017 - 31.08.2019	Unpaid expenses
Executive director	A1	1.878.740	-
	A2		-
Administration	A8	1.527.024	-
Remuneration to the members of the Press	A3		-
Complaints Commission		1.057.900	-
IT support	A4	226.600	-
Technical support	A5	85.586	-
Translators	A7	125.735	-
<i>Total expenses for the employees and paid remuneration</i>		<u>4.901.585</u>	<u>-</u>
<i>Total estimated budget assets for the period</i>		<u>4.939.274</u>	<u>-</u>

6. TRAVEL AND ACCOMMODATION EXPENSES

The travel and accommodation expenses consist of the following:

		01.08.2017 - 31.08.2019	Unpaid expenses
Transportation expenses (local)	B1	96.824	-
Expenses for travel abroad	B2	239.429	-
Hotel accommodation	B3	152.941	-
Regional event	B4	62.670	-
Preparation of communication strategy	B6	116.230	-
Networking expenses	B7	155.962	-
Meetings with media editors	B8	58.112	-
<i>Total expenses for travel and accommodation</i>		882.168	-
<i>Total estimated budget assets for the period</i>		890.988	-

7. LEASE AND PUBLIC UTILITIES EXPENSES

The lease and public utilities expenses consist of the following:

		01.08.2017 - 31.08.2019	Unpaid expenses
Lease for office space	C1	432.030	-
Expenses for cleaning and maintenance	C2	110.085	-
Public utilities (electricity, water, heating)	C3	72.894	-
Lease of hall for annual assembly and conference	C4	33.908	-
<i>Total expenses for lease and public utilities</i>		648.917	-
<i>Total estimated budget assets for the period</i>		676.172	-

8. EXPENSES FOR COMPUTER AND OTHER EQUIPMENT AND POSTAL AND COURIER EXPENSES

Expenses for computer and other equipment and postal and courier expenses consist of the following:

		01.08.2017 - 31.08.2019	Unpaid expenses
Computers and other equipment		-	-
Office furniture	D1	29.779	-
Telephone expenses	D2	169.467	-
Current maintenance	D3	18.946	-
Postal and courier services	D4	3.486	-
<i>Total expenses for computer and other equipment and postal and courier expenses</i>		<u>221.678</u>	<u>-</u>
<i>Total estimated budget assets for the period</i>		<u>230.850</u>	<u>-</u>

9. OFFICE EXPENSES

Office expenses consist the following:

		01.08.2017 - 31.08.2019	Unpaid expenses
Used office material	E1	62.983	-
Expenses for printing promotional material and promotion	E2	79.972	-
Copying expenses	E3	11.072	-
Current expenses (representation)	E4	35.987	-
<i>Total office expenses</i>		<u>190.014</u>	<u>-</u>
<i>Total estimated budget assets for the period</i>		<u>191.400</u>	<u>-</u>

10. BANK EXPENSES

Bank expenses consist the following:

		01.08.2017 - 31.08.2019	Unpaid expenses
Bank expenses	F1	43.737	-
Other expenses	F2	3.848	-
		<hr/>	<hr/>
<i>Total bank expenses</i>		47.585	-
		<hr/>	<hr/>
<i>Total estimated budget assets for the period</i>		55.450	-
		<hr/>	<hr/>

11. EXPENSES FOR TECHNICAL MAINTENANCE

The expenses for technical maintenance consist the following:

		01.08.2017 - 31.08.2019	Unpaid expenses
Technical maintenance	G1	19.125	-
		<hr/>	<hr/>
<i>Total expenses for current maintenance</i>		19.125	-
		<hr/>	<hr/>
<i>Total estimated budget assets for the period</i>		19.200	-
		<hr/>	<hr/>

12. EXPENSES FOR USED SERVICES

The expenses for used services consist the following:

		01.08.2017 - 31.08.2019	Unpaid expenses
Accounting services	H1	296.750	-
Annual audit of FS	H2	105.000	-
		<hr/>	<hr/>
<i>Total expenses for used services</i>		401.750	-
		<hr/>	<hr/>
<i>Total estimated budget assets for the period</i>		401.750	-
		<hr/>	<hr/>

11. EXCESS PAYMENT ADDED TO REVENUES

The Association has a short term loan from the Macedonian Center for International Cooperation (without interest) in the amount of 1.600.000 denars, part of which are used for covering the current expenses from the institutional grant.