

Special purpose financial statements and Independent
Auditor's Report

Network of Associations of Local Authorities of
South East Europe (NALAS)

31 December 2019

CONTENT

	Page
Independent Auditor's Report	1
Statement of sources and uses of funds	3
Statement of expenditures details	6
Statement of cash balances, funds and liabilities	9
Notes to the special purpose financial statements	10

GENERAL INFORMATION

Management

Kelmend Zajazi
Executive Director

Registered office

Varshavska 36A,
1000 Skopje
Republic of North Macedonia

Bankers

ProCredit Bank AD Skopje,
Manapo no.7
1000 Skopje
Republic of North Macedonia

Societe Generale
Strasbourg
French Republic

Auditors

Grant Thornton DOO Skopje
Sv. Kiril i Metodij 52b/1-20
1000 Skopje
Republic of North Macedonia



Independent Auditor's Report

Grant Thornton DOO
Sv. Kiril i Metodij 52b-1/20
1000 Skopje
Macedonia

T +389 (0)2 3214 700
F +389 (0)2 3214 710
E Contact@mk.gt.com
www.granthornton.mk

To the Management of

Network of Associations of Local Authorities in South-East Europe (NALAS)

We have audited the accompanying special purpose financial statements of the Network of Associations of Local Authorities in South-East Europe ("NALAS" or "the Association"), which comprise the Summary of funds and expenditures as at 31 December 2019 and the Statement of sources and uses of funds and Statement of expenditures details for the year then ended and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared by management of NALAS in accordance with the cash receipts and disbursement basis of accounting as described in Note 3.

Management's responsibility for the special purpose financial statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the cash receipts and disbursements basis of accounting as described in Note 3, for determining that the basis of preparation of the special purpose financial statements is acceptable in the circumstances and for such internal control as management determines it necessary to enable the preparation of the special purpose 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 special purpose financial statements based on our audit. We conducted our audit in accordance with Auditing Standards accepted in Republic of North Macedonia¹. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatements.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the special purpose financial statements, whether due to fraud or error.

¹International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board ("IAASB"), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia no. 79 from 2010.

In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the special purpose 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 Association'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 special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

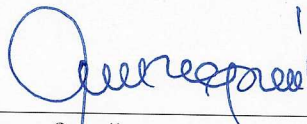
In our opinion, the accompanying special purpose financial statements presents fairly in all material respects the financial position of NALAS as of 31 December 2019 and its sources and uses of funds and expenditure details for the year then ended, in accordance with the cash receipts and disbursements basis as described in Note 3.

Basis of accounting

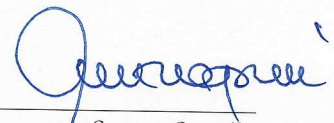
Without modifying our opinion, we draw attention to Note 3 to the special purpose financial statements, which describe the basis of accounting. The special purpose financial statements are prepared to state the financial position and results of NALAS as per NALAS's requirements. As a result, the financial statements may not be suitable for another purpose.

Grant Thornton DOO, Skopje

Skopje,
31 March 2020



Suzana Stavrik
Director



Suzana Stavrik
Certified Auditor

Network of Associations of Local Authorities of South East Europe (NALAS)

STATEMENT OF SOURCES AND USES OF FUNDS

For the year 31 December 2019

(Expressed in EUR)

	<u>note</u>	<u>SDC Grant</u>	<u>Other Projects</u>	<u>SDC Revolving Fund</u>	<u>Membership fee/other contributions</u>	<u>Total 2019</u>	<u>Total 2018</u>
SOURCES OF FUNDS							
Balance at beginning of year		52,476	297,329	445,279	320,594	1,115,678	713,057
Membership fee		-	-	-	56,963	56,963	52,700
Other own revenues/contributions		-	-	-	-	-	1,500
Grants from SDC (2018-2022)	4	280,000	-	-	-	280,000	300,000
Grants from SDC (2013-2017)	4	-	-	-	-	-	54,474
Grants from SDC-Revolving Fund	5	-	-	-	-	-	-
ORF (SoRi)		-	5,331	-	-	5,331	51,661
ORF/GIZ (Fondsverwaltung und ZAS RCDN)		-	-	-	-	-	10,753
ORF/GIZ (RCDN)		-	141,826	-	-	141,826	479,992
ORF/GIZ (Business cases for improved waste coll.)		-	17,505	-	-	17,505	27,225
GIZ (SoRi Phase II)		-	62,400	-	-	62,400	-
UN Women		-	26,590	-	-	26,590	28,307
WBI (WB Austria Urb. Partnership Progr. II)		-	24,806	-	-	24,806	36,456
EmBuild		-	8,036	-	-	8,036	16,859
LoGov		-	3,808	-	-	3,808	-
TOTAL SOURCES OF FUNDS		332,476	587,631	445,279	377,557	1,742,943	1,772,984
OPERATIONAL EXPENSES							
Personnel		104,594	-	-	-	104,594	74,986
Office Expenses		29,079	-	-	706	29,785	26,698
Total operational expenses		133,673	-	-	706	134,379	101,684

Network of Associations of Local Authorities of South East Europe (NALAS)

STATEMENT OF SOURCES AND USES OF FUNDS (continued)

For the year 31 December 2019

(Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2019	Total 2018
TASK FORCES AND KNOWLEDGE CENTER							
Knowledge Center		104,667	-	-	-	104,667	93,673
Member Services		5,547	-	-	-	5,547	6,454
Advisory Concilium		2,007	-	-	-	2,007	5,104
Task Forces		22,211	-	-	-	22,211	18,864
External and EU integration activities		10,896	-	-	-	10,896	10,132
Statutory meeting		22,536	-	-	-	22,536	13,356
Gender		1,370	-	-	-	1,370	751
Total task forces and knowledge center		169,234	-	-	-	169,234	148,334
GIZ (SoRi)		-	5,305	-	-	5,305	86,072
ORF/GIZ (Fondsverwaltung und ZAS RCDN)		-	-	-	-	-	10,753
ORF (RCDN)		-	291,915	-	-	291,915	183,678
ORF/GIZ (Business cases for improved waste coll.)		-	27,017	-	-	27,017	21,174
GIZ (SoRi Phase II)		-	2,001	-	-	2,001	-
UN Women		-	21,815	-	-	21,815	30,616
WBI (WB Austria Urb. Partnership Progr. II)		-	24,806	-	-	24,806	44,592
Em Build		-	-	-	-	-	34,379
LoGoV	5	-	2,674	-	-	2,674	-
PLATFORMA	5	-	11,278	34,764	-	46,042	-
CEI-MIGRALONA		-	-	-	-	-	16,412
Audit fees		3,670	-	-	-	3,670	-
TOTAL EXPENDITURES		306,577	386,811	34,764	706	728,858	677,694


The accompanying notes from 1 to 10 form an integral part of the NALAS special purpose financial statements

Network of Associations of Local Authorities of South East Europe (NALAS)

STATEMENT OF SOURCES AND USES OF FUNDS (continued)
For the year 31 December 2019
(Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2019	Total 2018
Bank interest	8	-	-	-	2,473	2,473	2,474
Currency exchange gains/loss	7	-	2	11,833	13	11,848	17,919
Transfer to reserve funds and others	9	-	(3,026)	-	3,026	-	-
Savings returned grant funds to CEI Migralona		-	-	-	-	-	(5)
Surplus / (deficit) of funds over expenditures		25,899	197,796	422,348	382,363	1,028,406	1,115,678
Advances (given) / received	6	-	(46,798)	83	(98)	(46,813)	(64,597)
Cash available / (deficit) at end of year		25,899	150,998	422,431	382,265	981,593	1,051,081
Cash available at end of year consist of:							
Bank accounts						571,494	603,500
Bank accounts Revolving Fund						408,479	445,279
Petty cash						1,620	2,302
Total cash available at end of year						981,593	1,051,081

Authorized on behalf of


 Executive Director

Date: 31 March 2020

Network of Associations of Local Authorities of South East Europe (NALAS)

STATEMENT OF EXPENDITURE DETAILS

For the year ended 31 December 2019

(Expressed in EUR)

	<u>note</u>	<u>SDC Grant</u>	<u>Other Projects</u>	<u>SDC Revolving Fund</u>	<u>Membership fee/other contributions</u>	<u>Total 2019</u>	<u>Total 2018</u>
OPERATIONAL EXPENSES							
1. Personnel							
Personnel expenses		104,594	-	-	-	104,594	74,986
Total personnel expenses		104,594	-	-	-	104,594	74,986
2. Office							
Office		29,079	-	-	706	29,785	26,698
Total office expenses		29,079	-	-	706	29,785	26,698
Total operational expenses		133,673	-	-	706	134,379	101,684
TASK FORCES AND KNOWLEDGE CENTER							
1. Knowledge Center							
SO1. Sustainable Local Economic Development		13,506	-	-	-	13,506	23,227
SO2. Resilience, Migration, Disaster Risk Management, etc.		3,060	-	-	-	3,060	6,442
Running Knowledge Center		4,510	-	-	-	4,510	4,245
Network of National Knowledge Managers		83,591	-	-	-	83,591	59,759
Total Knowledge Center		104,667	-	-	-	104,667	93,673

Network of Associations of Local Authorities of South East Europe (NALAS)

STATEMENT OF EXPENDITURE DETAILS (continued)

For the year ended 31 December 2019

(Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2019	Total 2018
2. Member Services							
E-learning		987	-	-	-	987	1,685
Quick response		1,033	-	-	-	1,033	-
Peer Review		347	-	-	-	347	4,769
Shadowing / Internship program		3,180	-	-	-	3,180	-
Total Member Services		5,547	-	-	-	5,547	6,454
3. Advisory Concilium							
Advisory Concilium		2,007	-	-	-	2,007	5,104
Total Advisory Concilium		2,007	-	-	-	2,007	5,104
4. Task Forces							
Task Forces		22,211	-	-	-	22,211	18,864
Total Task Forces		22,211	-	-	-	22,211	18,864
5. External and EU integration activities							
External and EU integration activities		10,896	-	-	-	10,896	10,132
Total External and EU integration activities		10,896	-	-	-	10,896	10,132
6. Statutory meetings							
General Assembly		12,215	-	-	-	12,215	3,802
LO Meetings		10,321	-	-	-	10,321	9,554
Executive Bureau meetings		-	-	-	-	-	-
Total Statutory meetings		22,536	-	-	-	22,536	13,356

The accompanying notes from 1 to 10 form an integral part of the NALAS special purpose financial statements

Network of Associations of Local Authorities of South East Europe (NALAS)

STATEMENT OF EXPENDITURE DETAILS (continued)

For the year ended 31 December 2019

(Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2019	Total 2018
7. Gender							
Gender		1,370	-	-	-	1,370	751
Total Gender		1,370	-	-	-	1,370	751
TOTAL TASK FORCES AND KNOWLEDGE CENTER		169,234	-	-	-	169,234	148,334
GIZ (SoRi)		-	5,305	-	-	5,305	86,072
ORF/GIZ (Fondsverwaltung und ZAS RCDN)		-	-	-	-	-	10,753
ORF/GIZ (RCDN)		-	291,915	-	-	291,915	183,678
ORF/GIZ (Business cases for improved waste coll.)		-	27,017	-	-	27,017	21,174
GIZ (SoRi Phase II)		-	2,001	-	-	2,001	-
UN Women		-	21,815	-	-	21,815	30,616
WBI (WB Austria Urb. Partnership Progr. II)		-	24,806	-	-	24,806	44,592
Em Build		-	-	-	-	-	34,379
LoGoV		-	2,674	-	-	2,674	-
PLATFORMA		-	11,278	34,764	-	46,042	-
CEI-MIGRALONA		-	-	-	-	-	16,412
Audit fees		3,670	-	-	-	3,670	-
TOTAL EXPENDITURES		306,577	386,811	34,764	706	728,858	677,694

The accompanying notes from 1 to 10 form an integral part of the NALAS special purpose financial statements

Network of Associations of Local Authorities of South East Europe (NALAS)

STATEMENT OF CASH BALANCES, FUNDS AND LIABILITIES as of 31 December 2019 (Expressed in EUR)

	note	31 December 2019	31 December 2018
CASH BALANCES			
1. Cash and bank balances			
Cash and bank balances		981,593	1,051,081
Total Cash and bank balances		981,593	1,051,081
2. Advances			
Advances given	6	46,813	64,597
Total Advances		46,813	64,597
TOTAL CASH BALANCES		1,028,406	1,115,678
FUNDS AND LIABILITIES			
1. Outstanding fund balances			
SDC grant	4	25,899	52,476
Revolving Fund-SDC	5	422,348	445,279
Membership fee and other own sources		382,363	320,594
GIZ (SoRi)		-	(26)
ORF/GIZ (Fondsverwaltung und ZAS RCDN)		-	-
RCDN (ORF)		146,225	296,314
ORF/GIZ (Business cases for improved waste coll.)		(3,461)	6,051
GIZ (SoRi Phase II)		60,399	-
UN Women		4,777	-
WBI (WB Austria Urb. Partnership Progr. II)		-	-
EmBuild		-	(5,010)
LoGov		1,134	-
PLATFORMA		(11,278)	-
Total Funds		1,028,406	1,115,678
2. Liabilities			
Advances received		-	-
Total Liabilities		-	-
TOTAL FUNDS AND LIABILITIES		1,028,406	1,115,678

Notes to the special purpose financial statements

1. General information

NALAS (“the Association”) is a network of associations of local authorities of South East Europe created in the frames of the Stability Pact for South East Europe following the first Forum of Cities and Regions of South East Europe organized by the Congress of Local and Regional Authorities of the Council of Europe. NALAS promotes the process of decentralization in co-operation with central governments and international organizations, considering local self-government as a key issue in the current process of transition affecting the various countries in South East Europe.

NALAS was established in 2001 as an informal network and on 2005 formally registered based on the Alsacian Law in Strasbourg, France. In the period from July 2006 till its registration, NALAS operations have been managed through bank account in Societe General in Strasbourg and with the support by Swiss Embassy under coordination of the President and Executive Director of NALAS.

The NALAS Secretariat, which makes the executive capacity of NALAS, was registered as a branch office of NALAS under the Macedonian Law on 16 October 2007 and operates through a non-resident account.

2. Objectives of NALAS

The overall goal of the association is to advocate for local self-government development and decentralization and support the application of the principles contained in the European Charter of Local Self-Government, the European Urban Charter II - Manifesto for a New Urbanity and the UN guidelines on decentralization at the Local Level. NALAS represents and protects its members’ interests and provides services to them.

NALAS operates as the Knowledge Centre and coordination platform on local government issues in South East Europe. NALAS strengthens the capacity of its members, local government associations, for the sake of better governance through the exchange of knowledge and experience and through local and regional activities such as pilot projects. NALAS also supports its members in their efforts to become viable representatives of local authorities who are up to negotiate with their national government and international organizations for the benefit of the citizens of the region.

NALAS support its members in building cross-border partnerships between local governments in South East Europe in order to contribute to a modern and efficient local self-government, increased democracy and stability in the region. Thereby, it also contributes to the process of EU integration.

NALAS activities are guided by the NALAS Strategic Plan for the period 2018 - 2022. The overall objective is to actively support the development of strong local self-government in South East Europe, creation of smart, sustainable, inclusive and resilient communities, based on innovative solutions, through a unique regional partnership, wide knowledge base and strong policy-making influence, thereby contributing to democracy, stability and prosperity in the region.

NALAS is a first rate Knowledge Center representing one of the most reliable sources of information and expertise on local self-government issues in South-East Europe.

Network of Associations of Local Authorities of South East Europe (NALAS)
For the year ended 31 December 2019

Notes to the special purpose financial statements (continued)
Objectives of NALAS (continued)

NALAS has a set of strategic objectives related to the following mid-term objectives:

- 1) Local Governments in SEE have capacity to create sustainable communities based on smart and innovative growth through quality services and job creation and
- 2) Decentralized cooperation contributes to stable, safe, inclusive and resilient SEE communities and regional cohesion.
- 3) SEE Local Government Associations and Local Governments emerging needs are met by a unique knowledge and evidence based on policy making and influence, through strategic regional and national partnerships.
- 4) Networks' sustainability is ensured by using all NALAS potentials.

3. Basis for preparation

3.1. General

The accompanying Special purpose financial statements have been prepared for the purposes of reporting to NALAS General Assembly and the Swiss Agency for Development and Cooperation as well as GIZ ("the Donors") on the activities of the Association, related to funding received for the completion of the objectives as established with the Agreement on support of the Local Democracy and Regional Integration in SEE, Support to NALAS 2018-2022 and the Contribution Contract for Revolving Fund.

This Statement includes all operational and task-related expenditures incurred for the period from 1 January 2019 to 31 December 2019.

3.2. Accounting Convention

The policy of the Association is to prepare the special purpose financial statements on a cash receipts and disbursements basis. On this basis revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. The accounting policies have been applied consistently throughout the reporting periods. The accounting policy is in accordance with the requirements of the main financiers - Swiss Agency for Development and Cooperation (SDC) and GIZ.

3.3. Reporting Currency

The special purpose financial statements are prepared in EUR as this is the reporting currency of the Association.

For the grants received in Macedonian Denars and CHF, the cash transactions executed during the year denominated in Macedonian Denars and CHF are translated into Euros using the average middle exchange rate for the year 2019, published by the National Bank of the Republic of North Macedonia.

The year-end cash balance is translated at the official year end middle exchange rate, published by the National bank of Republic of North Macedonia.

The exchange rates used are as follows:

	31 December 2019	31 December 2018
1 EUR	61.49 Denars	61.50 Denars
1 CHF	56.56 Denars	54.77 Denars
Average EUR	61.51 Denars	61.51 Denars
Average CHF	55.29 Denars	53.27 Denars

Network of Associations of Local Authorities of South East Europe (NALAS)
For the year ended 31 December 2019

Notes to the special purpose financial statements (continued)

4. Swiss Agency for Development and Cooperation (SDC) Contribution

The Swiss Agency for Development and Cooperation (SDC) supported NALAS from its establishment to present with the objective to support the decentralization reforms. At the beginning, the contributions were channeled through the Congress of Local and Regional Authorities of the Council of Europe and facilitated the initial networking exchange among Local Government Associations in the post-Yugoslav wars context. Subsequently, with the registration of the Secretariat office in Skopje, SDC decided to provide long-term funding to NALAS and due to the good experience to further continue the support.

During 2018, NALAS received contributions from SDC in accordance with the Agreement No. 81018281 (Project No 7F-01122.07.01), for granting of contribution to the Project Local Democracy and Regional Integration in South – Eastern Europe – Support to NALAS for the period from 1 July 2013 to 31 December 2017 in total of maximum MKD 68,542,500. The contribution received for this Agreement for the period 1 January 2018 to 31 December 2018 amounted to MKD 3,350,684 i.e. EUR 54,474.

During 2019, NALAS received contributions from SDC in accordance with the Contract No. 81053731 (Project No 7F-01122.08.01), for granting of contribution to the Project Local Democracy and Regional Integration in SEE, Support to NALAS 2018-2022 for the period from 15 January 2018 to 31 December 2022 in total of maximum EUR 1,145,000. The contribution received for this Contract for the period 01 January 2019 to 31 December 2019 amounted to EUR 280,000 (15 January 2018 to 31 December 2018 amounted to EUR 300,000).

Following is the detailed breakdown of funds and uses of funds contributed by SDC for the periods as defined by the Grant Contracts:

(all amounts in EUR)	Contract no. 81053731 1 January- 31 December 2019	Contract no. 81053731 1 January- 31 December 2018	Contract no. 81018281 1 January- 31 December 2018
PROJECT FUNDS			
Balance at beginning of year	52,476	-	(53,832)
Contribution during the year	280,000	300,000	54,474
TOTAL PROJECT FUNDS	332,476	300,000	642
PROJECT EXPENDITURES			
OPERATIONAL EXPENSES			
1. Personnel			
Personnel expenses	104,594	74,986	-
Total personnel expenses	104,594	74,986	-
2. Office			
Office	29,079	25,229	590
Total office expenses	29,079	25,229	590
Total operational expenses	133,673	100,215	590

Network of Associations of Local Authorities of South East Europe (NALAS)
For the year ended 31 December 2019

Notes to the special purpose financial statements (continued)
Swiss Agency for Development and Cooperation (SDC) Contribution (continued)

(all amounts in EUR)

	Contract no. 81053731 1 January- 31 December 2019	Contract no. 81053731 1 January- 31 December 2018	Contract no. 81018281 1 January- 31 December 2018
TASK FORCES AND KNOWLEDGE CENTER			
1. Knowledge Center			
SO1. Sustainable Local Economic Development	13,506	23,227	-
SO2. Resilience, Migration, Disaster Risk Management, etc.	3,060	6,442	-
Running Knowledge Center	4,510	4,245	-
Network of National Knowledge Managers	83,591	59,759	-
Total Knowledge Center	104,667	93,673	-
2. Member Services			
E-learning	987	1,685	-
Quick response	1,033	-	-
Peer Review	347	4,769	-
Shadowing / Internship program	3,180	-	-
Total Member Services	5,547	6,454	-
3. Advisory Concilium			
Advisory Concilium	2,007	5,104	-
Total Advisory Concilium	2,007	5,104	-
4. Task Forces			
Task Forces	22,211	17,839	-
Total Task Forces	22,211	17,839	-
5. External and EU integration activities			
External and EU integration activities	10,896	10,132	-
Total External and EU integration activities	10,896	10,132	-
6. Statutory meeting			
General Assembly	12,215	3,802	-
LO Meetings	10,321	9,554	-
Executive Bureau meetings	-	-	-
Total Statutory meeting	22,536	13,356	-
7. Gender			
Gender	1,370	751	-
Total Gender	1,370	751	-
TOTAL TASK FORCES AND KNOWLEDGE CENTER	169,234	147,309	-
Audit fees	3,670	-	-
TOTAL EXPENDITURES	306,577	247,524	590
Currency exchange gains/loss	-	-	(52)
Balance at end of year	25,899	52,476	-

Network of Associations of Local Authorities of South East Europe (NALAS)
For the year ended 31 December 2019

Notes to the special purpose financial statements (continued)

5. Contribution Contract for Revolving Fund

During 2017, NALAS signed the Contribution Contract for Revolving Fund with Contract number 81018281, with The Swiss Confederation, represented by Swiss Federal Department of Foreign Affairs acting through the Swiss Agency for Development and Cooperation (SDC), Embassy of Switzerland in Macedonia. This Contract is valid for the period from 01 October 2017 to 31 December 2022, in total amount of CHF 1,000,000. NALAS has established the Revolving Fund with the main purpose of ensuring financial sustainability and liquidity when it comes to pre-financing and co-financing of the Projects. For the period from 1 January 2018 to 31 December 2018 and from 1 January 2019 to 31 December 2019, NALAS has not received any additional instalment for this Contract (the first instalment for the period 01 October 2017 to 31 December 2017 amounted to CHF 500,000).

Two EU funded projects have been obtained in 2018, namely the PLATFORMA 2 Project with the Council of European Municipalities and regions (CEMR) funded by Directorate-General for International Cooperation and Development of European Union (DEVCO) and "Local Government in an Era of Metropolitan Growth- LOGOV" with Accademia Europea Di Bolzano (EURAC), funded through HORIZON 2020 - Marie Skłodowska-Curie Research and Innovation Staff Exchange Programme (RISE). Implementation of these projects and henceforth utilization of Revolving fund for their co-financing and pre-financing required started as of 2019.

Following is the detailed breakdown of funds and uses of funds of the Revolving Fund as well as the balance of the Revolving Fund as of 31 December:

(all amounts in EUR)		Total 2019	Total 2018
SOURCES OF FUNDS			
	Balance at beginning of year	445,279	427,345
	Instalments	-	-
Total Sources of funds		445,279	427,345
EXPENDITURES			
	PLATFORMA co-financing	34,764	-
Total expenditures		34,764	-
Currency exchange gains/(loss)		11,833	17,934
Surplus of funds over expenditures		422,348	445,279
Funds used for pre-financing expenditures			
	PLATFORMA	11,278	-
	LoGoV	2,674	-
Total funds used for pre-financing		13,952	-
Advances			
	Advance from PLATFORMA (given)/received	83	-
Total funds used for advance payment		83	-
Funds on bank accounts			
	Bank account in CHF	407,708	445,279
	Bank account in EUR	771	-
Total Funds on bank accounts		408,479	445,279

Network of Associations of Local Authorities of South East Europe (NALAS)
For the year ended 31 December 2019

Notes to the special purpose financial statements (continued)

6. Advances

As of 31 December 2019, NALAS has disbursed total funds of EUR 46,813 (2018: EUR 64,597) as advances to members and third parties.

The advances given to members are in connection with Grant Agreements signed between NALAS and members.

7. Currency exchange loss/gain

The net foreign exchange gains in the amount of EUR 11,848 (2018: net foreign exchange gains in the amount of EUR 17,919) consist of foreign exchange gains in the amount of EUR 11,833 (2018: foreign exchange gains in the amount of EUR 17,934) resulting from translating the SDC revolving fund from CHF to EUR and the foreign exchange gains in the amount of EUR 15 (2018: foreign exchange losses in the amount of EUR 15) resulting from translating the Macedonian Denars to EUR for reporting purposes.

8. Bank Interest

NALAS operates with bank account in Societe Generale Bank in Strasbourg, and several non-residential bank accounts in ProCredit Bank in Republic of North Macedonia. During the year 2019, the amount of EUR 2,473 was received as bank interest. In 2018, the amount received as bank interest was EUR 2,474.

9. Transfers to reserve fund and others

During 2019, there was only one transfer to reserve funds of EUR 3,026 and that is the final balance of EmBuild (EU funded) Project. The surplus is the amount of the project overheads which is transferred to the reserve fund.

10. VAT Recoverable

Due to the Government Instruction for Implementation of the Exemption of VAT from 29 December 2009, effective from 1 January 2010, for the projects eligible for VAT exemption, NALAS disburse domestic payments in the Republic of North Macedonia without VAT. According to the legislation of the Republic of North Macedonia, project financed by foreign donators and IPA funds are examined from VAT and have no obligation to calculate and express VAT.



Grant Thornton

www.grant-thornton.com.mk