

**Center for Research, Transparency and
Accountability, Belgrade
Financial Statements
Year Ended December 31, 2013 and
Independent Auditors' Report**

**CENTER FOR RESEARCH, TRANSPARENCY
AND ACCOUNTABILITY, BELGRADE**

CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements:	
Income Statement	2
Balance Sheet	3
Notes to the Financial Statements	4 - 10

INDEPENDENT AUDITORS' REPORT

To the Owners and Management of CENTER FOR RESEARCH, TRANSPARENCY AND ACCOUNTABILITY, BELGRADE

We have audited the accompanying financial statements (pages 2 to 10) of Center for Research, Transparency and Accountability, Belgrade (hereinafter "the Entity"), which comprise the balance sheet as of December 31, 2013, and the related income statement for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting regulations of the Republic of Serbia, 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.

Auditors' 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 and the Law on Accounting and Auditing of the Republic of Serbia. 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 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 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 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.

Opinion

In our opinion, the financial statements of Center for Research, Transparency and Accountability, Belgrade for the year ended December 31, 2013 have been prepared, in all material respects, in accordance with the accounting regulations of the Republic of Serbia.

Other matter

The Entity did not present the statement of changes in equity and cash flow statement for the year ended 31 December 2013 given that according to the legal requirements effective in the Republic of Serbia, the Entity is classified as a small-sized legal entity which is not obligated to prepare and present the aforementioned statements. In addition, the financial statements of the Entity as of and for the year ended December 31, 2012 were audited by another auditor whose report dated July 2, 2013 expressed an unqualified opinion. Our opinion is not modified in respect to these matters.

Belgrade, December 17, 2014



Marija Radulović
Marija Radulović
Certified Auditor

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INCOME STATEMENT
Year Ended December 31, 2013
(Thousands of RSD)

	Note	2013	2012
OPERATING INCOME			
Sales		228	-
Other operating income	5	40,094	36,863
		<u>40,322</u>	<u>36,863</u>
OPERATING EXPENSES			
Cost of materials	6	(913)	(1,220)
Staff costs	7	(20,596)	(17,417)
Depreciation	9	(237)	(115)
Other operating expenses	8	(18,251)	(18,524)
		<u>(39,998)</u>	<u>(37,276)</u>
PROFIT/(LOSS) FROM OPERATIONS		<u>325</u>	<u>(413)</u>
Finance income		117	502
Finance expenses		(190)	(80)
Other expenses		<u>(405)</u>	<u>(9)</u>
LOSS BEFORE TAXATION		<u>(153)</u>	<u>-</u>
Income taxes:			
- current income tax		-	-
- deferred income tax expense		-	-
		<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		<u><u>(153)</u></u>	<u><u>-</u></u>

The accompanying notes on the following pages
form an integral part of these financial statements.

These financial statements were adopted by the Entity's management on February 26, 2014.

Signed on behalf of the Center for Research, Transparency and Accountability, Belgrade by:

General manager
Vukosava Crnjanski



**CENTER FOR RESEARCH, TRANSPARENCY
AND ACCOUNTABILITY, BELGRADE**

BALANCE SHEET
As of December 31, 2013
(Thousands of RSD)

	<u>Note</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
ASSETS			
Non-current assets			
Intangible assets	9	17	-
Property, plant and equipment	9	923	885
		<u>940</u>	<u>885</u>
Current assets			
Cash and cash equivalents	10	3,420	6,917
Value added tax and prepayments		-	2
		<u>3,420</u>	<u>6,919</u>
Total assets		<u><u>4,360</u></u>	<u><u>7,804</u></u>
EQUITY AND LIABILITIES			
Current liabilities			
Accounts payable		140	336
Other current liabilities		73	-
Value added tax and other taxes, duties payables and accruals	11	4,147	7,468
		<u>4,360</u>	<u>7,804</u>
Total equity and liabilities		<u><u>4,360</u></u>	<u><u>7,804</u></u>

The accompanying notes on the following pages
form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

All amounts expressed in thousands of RSD, unless otherwise stated.

1. FOUNDATION AND ACTIVITY

Entity (Center for Research, Transparency and Accountability) is a grassroots civil organization founded in August 2002 under the name LiNet (Liberal Network) with the mission to contribute to Serbia's transition into democracy through promotion of citizens' active role in society and strengthening of their advocacy capacities.

Entity is comprised of mainly young people with significant experience in civic activism, journalism and politics. By developing different accountability monitoring mechanisms Entity educates citizens about accountability concept and advocate for accountability to be implemented in political practices and legislation as a core value of developed democratic society. Vision of Entity is Serbia with democratic tradition and its citizens ready to be accountable and to demand accountability. Mission of Entity as non-partisan civil society organization is to improve citizens' political culture and builds democratic society in Serbia by developing and advocating for accountability.

The Entity's headquarters is in Belgrade, street Nušićeva number 7.

Identification number is 17414054.

Tax identification number (TIN) is 102211181.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Financial statements

Financial statements of Entity comprise the balance sheet as of December 31, 2013, and the income statement for the year ended December 31, 2013.

2.2. Basis of Preparation and Presentation of Financial Statements

Pursuant to the Law on Accounting and Auditing (official Gazette of the Republic of Serbia no. 46/2006, 111/2009 and 62/2013), legal entities and enterprises incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose financial statements in conformity with the prevailing legislation and professional rules.

The legislation means the laws and implementing regulations issued for the enforcement of the law. The internal rules shall mean the general acts passed by the legal entity and which contains specific instructions and guidelines for bookkeeping, accounting policy for recognition and evaluation of assets and liabilities, income and expenses, instructions and guidelines for the adoption, submission and disclosure of financial statements, and other questions about the conduct books and preparing financial statements for which the law provides that the general laws governing the legal entity.

In compliance with legal and professional regulations the Entity is classified as small legal entity and, for recognizing, measuring and evaluating assets and commitments, revenues and expenditures of small legal entities and entrepreneurs not applying IAS, i.e. IFRS. The accompanying financial statements are presented in the form prescribed by the Regulations on the content and form of financial statements for companies, cooperatives, other legal entities and entrepreneurs (Official Gazette of the Republic of Serbia no. 114/2006, 119/2008, 2/2010, 101/2012, 118/2012 and 3/2014) and in accordance with the Rulebook on recognition and evaluation of assets and liabilities, income and expenses for small sized legal entities and sole proprietors (Official Gazette of the Republic of Serbia no. 106/2006 and 111/2006). These rules take the law defined a complete set of financial statements.

Financial statements are prepared on an assessment of management to the Entity to operate for an unlimited period of time that will continue in operation for the foreseeable future.

The financial statements were prepared at historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

All amounts expressed in thousands of RSD, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.2. Basis of Preparation and Presentation of Financial Statements (Continued)

In the preparation of the accompanying financial statements, the Entity adhered to the accounting policies described in Note 3.

The Entity's financial statements are stated in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Income and Expense Recognition and Measurement

Other operating income consists of income from ordinary Entity's activities. Incomes from the ordinary Entity's activities are grant income received for the realization of the Entity's projects activities.

The grant is recognized as income over the period necessary to match them with related costs, for which they are intended to compensate, on a systematic basis. Grants related to depreciable assets are usually recognized as income over the periods and in the proportions in which depreciation on those assets is charged.

Grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as deferred income.

Interest income is calculated and credited to the income statement in the period it relates to.

Expenses include costs arising from ordinary activities of the Entity and losses. Expenses arising from ordinary activities of the Entity include: costs of materials, cost of wages, salaries and other personal expenses, depreciation and amortization and other expenses, regardless of the time of payment.

3.2. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at the official exchange rates in effect at the date of each transaction-prompt exchange.

Assets and liabilities in foreign currencies are translated into their RSD equivalent at the official middle exchange rate of National Bank of Serbia prevailing at the balance sheet date (closing rate).

Foreign exchange gains and losses arising upon the translation of transaction, and assets and liabilities in foreign currencies are credited or charged to the income statement.

3.3. Equipment

Equipment is stated at historical cost, less accumulated depreciation. Cost represents the prices billed by suppliers together with costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Equipment is capitalized as an asset if it is expected that its useful economic life will exceed one year.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales or disposal proceeds and the net book value of the asset. The gain or loss is recognized in the statement of income

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Depreciation

Depreciation is provided for on a straight-line basis in order to write-off the assets over their estimated useful lives- The depreciation of these assets commences when the assets are ready for their intended use.

3.5. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and balances on accounts held with commercial banks. Cash and cash equivalents included in the financial statements relate to the Entity's cash balances on the current accounts kept in RSD and they are stated at their nominal values.

Assets in foreign currency accounts with banks, are translated at the balance sheet at their counter value using the official closing middle exchange rate of the National Bank of Serbia.

Transactions during the year in foreign currency accounts shall be converted into cash counter value using the official middle exchange rate of National Bank of Serbia at the transaction-prompt exchange.

3.6. Grants

The value of donated assets is initially recorded as deferred income from grants, presented under liabilities in the balance sheet, and subsequently, is credited to the income statement in the period in which the costs related to the consumption of the grants assets are recognized.

The cash donations that cover one accounting period and are intended to cover the Entity's expenses, or to increase its income, are recognized as income when received.

3.7. Financial Instruments

Financial assets and financial liabilities or equity instruments are recognized in the Entity's balance sheet on the date upon which the Entity becomes counterparty to the contractual provisions of a specific financial instrument.

Financial assets cease to be recognized when the Entity loses control of the contractual rights governing such instruments, which occurs when the rights of use of such instruments have been realized, expired, abandoned, and/or ceded. Financial liabilities cease to be recognized when the Entity fulfills the obligations, or when the contractual repayment obligation has either been cancelled or has expired.

Accounts Receivable

Accounts receivable are stated at their nominal values.

Financial Liabilities

Financial liabilities are stated at nominal value, as increased by the amount of interest expense as defined under the respective contracts.

Accounts Payable

Accounts payable are stated at the amount of the disbursements received.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

All amounts expressed in thousands of RSD, unless otherwise stated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

The presentation of the financial statements requires the Entity's management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, as well as the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available to us, as of the date of preparation of the financial statements. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1. Depreciation and Amortization Charge and Rates Applied

The calculation of depreciation, as well as depreciation rates are based on the economic useful life of equipment. Once a year, the Entity reviews the economic useful life based on the current estimates as well as the adequacy of the estimates, or whenever there are indications of significant changes in certain assumptions.

5. OTHER OPERATING INCOME

	December 31, 2013	December 31, 2012
RBF-"Rockefeller Bros Fund" USA	8,606	10,392
ISC-"Institute for Sustainable Community" USA	8,129	3,500
British Embassy Belgrade	5,953	2,053
NED- "National Endowment for Democracy" USA	4,807	10,852
Centar za razvoj neprofitnog sektora	4,195	-
National center for State Courts	1,613	-
FOS - "Found for Open Society" Serbia	1,432	489
Royal Norwegian Embassy Belgrade	-	7,227
The German Marshall Fund of the U.S.	-	1,681
BIRN-"Balkan Investigate Reporting Network" Serbia	-	544
Other	5,359	125
	<u>40,094</u>	<u>36,863</u>

6. COST OF MATERIALS

	Year Ended December 31, 2013	2012
Office material	433	652
Cost of other material (Overheads)	414	373
Cost of Energy	66	195
	<u>913</u>	<u>1,220</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

All amounts expressed in thousands of RSD, unless otherwise stated.

7. STAFF COSTS

	Year Ended December 31,	
	2013	2012
Gross salaries and benefits	39	97
Contributions on behalf of employer	7	17
Outsourced staff	18,146	17,303
Accommodation	571	-
Rentals	1,833	-
	<u>20,596</u>	<u>17,417</u>

8. OTHER OPERATING EXPENSES

	Year Ended December 31,	
	2013	2012
Transportation, telecommunications and post	2,914	1,008
Maintenance	1,175	963
Marketing expenses and consultant fees	12,918	15,638
Utility services	164	-
Representation	967	817
Bank charges and fees	101	91
Other tax and charges	12	7
	<u>18,251</u>	<u>18,524</u>

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Equipment	Intangible assets
Cost		
Balance, January 1, 2012	-	-
Additions	1,000	-
Balance, December 31, 2012	<u>1,000</u>	<u>-</u>
Balance, January 1, 2013	1,000	-
Additions	269	23
Balance, December 31, 2013	<u>1,269</u>	<u>23</u>
Accumulated Depreciation		
Balance, January 1, 2012	-	-
Charge for the year	115	-
Sale and disposal	-	-
Balance, December 31, 2012	<u>115</u>	<u>-</u>
Balance, January 1, 2013	115	-
Charge for the year	231	6
Sale and disposal	-	-
Balance, December 31, 2013	<u>346</u>	<u>6</u>
Net book value:		
- December 31, 2013	<u>923</u>	<u>17</u>
- December 31, 2012	<u>885</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

All amounts expressed in thousands of RSD, unless otherwise stated.

10. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
Current account	2,893	6,917
Foreign currency account	527	-
	<u>3,420</u>	<u>4,693</u>

The following table represents the breakdown of cash and cash equivalents as of December 31, 2013 by Donators:

	December 31, 2013
<i>Current account</i>	
ISC-"Institute for Sustainable Community" USA	227
NED- "National Endowment for Democracy" USA	42
RBF-"Rockefeller Bros Fund" USA	461
Royal Norwegian Embassy Belgrade	71
British Embassy Fond za Otvoreno Društvo	1,782
European Union	153
Other	157
	<u>2,893</u>
<i>Foreign currency account</i>	
NED- "National Endowment for Democracy" USA	527
	<u>3,420</u>

11. VALUE ADDED TAX AND OTHER TAXES, DUTIES PAYABLES AND ACCRUALS

Value added tax and other taxes, duties payables and accruals stated as of December 31, 2013 in the amount of 4,147 thousand dinars (December 31, 2012: 7,468 thousands) entirely related to deferred income from grants.

The following table represents the breakdown of deferred income from grants as of December 31, 2013 and 2012

	December 31, 2013	December 31, 2012
British Embassy Belgrade	-	259
FOS - "Found for Open Society" Serbia	-	944
NED- "National Endowment for Democracy" USA	569	1,605
RBF-"Rockefeller Bros Fund" USA	461	1,520
ISC-"Institute for Sustainable Community" USA	227	1,694
Royal Norwegian Embassy Belgrade	71	1,446
British Embassy Fond za Otvoreno Društvo	1,782	-
European Union	153	-
Other	884	-
	<u>4,147</u>	<u>7,468</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

All amounts expressed in thousands of RSD, unless otherwise stated.

12. EXCHANGE RATES

The official exchange rates for major currencies determined in the Interbank Foreign Exchange Market and used in the translation of balance sheet components denominated in foreign currencies into dinars were as follows:

	December 31, 2013	December 31, 2012
EUR	114.6421	113.7183
GBP	136.9679	139.1901
USD	83.1282	86.1763