

**Center for Research, Transparency and
Accountability, Belgrade
Special purpose financial statements
Year Ended December 31, 2014 and
Independent Auditors' Report**

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special purpose 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, 2014, 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 special purpose 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 special purpose 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 special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, the Law on Accounting of the Republic of Serbia, the Law on Auditing of the Republic of Serbia, the Regulations on the content and form of financial statements for other legal entities and the Rulebook on recognition and evaluation of assets and liabilities, income and expenses for micro-sized legal entities and other legal entities. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures 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 risks of material misstatement of special purpose 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 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 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 special purposes 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, special purpose financial statements of Center for Research, Transparency and Accountability, Belgrade for the year ended December 31, 2014 have been prepared, in all material respects, in accordance with the accounting regulations of the Republic of Serbia.

Belgrade, March 23, 2016


Marija Radulovic
Certified Auditor


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

INCOME STATEMENT
Year Ended December 31, 2014
(Thousands of RSD)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
OPERATING INCOME			
Income from sales of products and service rendered		487	228
Income from premiums, subventions, donations, etc.		<u>38,808</u>	<u>40,094</u>
		39,295	40,322
OPERATING EXPENSES			
Cost of material and energy	5	(440)	(913)
Costs of salaries, fringe benefits and other personal expenses	6	(19,508)	(20,596)
Costs of production services	7	(18,162)	(8,196)
Depreciation costs		(380)	(237)
Non-production costs	8	<u>(1,324)</u>	<u>(10,055)</u>
		(39,814)	(39,997)
OPERATING PROFIT/(LOSS)		<u>(519)</u>	<u>325</u>
Financial income		536	117
Financial expenses		<u>(88)</u>	<u>(190)</u>
FINANCIAL PROFIT/(LOSS)		<u>448</u>	<u>(73)</u>
Other income		81	-
Other expenses		<u>-</u>	<u>(405)</u>
EXCESS OF INCOME OVER EXPENSES FROM REGULAR BUSINESS OPERATIONS BEFORE TAXATION		<u>10</u>	<u>-</u>
EXCESS OF EXPENSES OVER INCOME FROM REGULAR BUSINESS OPERATIONS BEFORE TAXATION		<u>-</u>	<u>(153)</u>
EXCESS OF INCOME OVER EXPENSES, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS YEARS		<u>-</u>	<u>153</u>
EXCESS OF EXPENSES OVER INCOME, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS YEARS		<u>(10)</u>	<u>-</u>
NET EXCESS OF INCOME OVER EXPENSES		<u>-</u>	<u>-</u>
NET EXCESS OF EXPENSES OVER INCOME		<u>-</u>	<u>-</u>

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

These special purpose financial statements were adopted by the Entity's management on August 18, 2015.

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, 2014
(Thousands of RSD)

	Note	December 31, 2014	December 31, 2013
ASSETS			
Fixed assets			
Intangible assets	9	444	17
Property, plant and equipment	8	785	923
		<u>1,229</u>	<u>940</u>
CURRENT ASSETS			
Advance payments		9	-
Cash and cash equivalents	10	13,776	3,420
		<u>13,785</u>	<u>3,420</u>
Total assets		<u>15,014</u>	<u>4,360</u>
CURRENT LIABILITIES			
Trade payables - domestic		323	140
Other short-term liabilities		34	73
Accruals and differed income	11	14,657	4,147
		<u>15,014</u>	<u>4,360</u>
Total equity and liabilities		<u>15,014</u>	<u>4,360</u>

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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 Topolska number 22.

Identification number is 17414054.

Tax identification number (TIN) is 102211181.

2. BASIS OF PREPARATION AND PRESENTATION OF SPECIAL PURPOSE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Special Purpose Financial statements

Special Purpose special purpose financial statements of Entity comprise the balance sheet as of December 31, 2014, and the income statement for the year ended December 31, 2014.

2.2. Basis of Preparation and Presentation of Special Purpose Financial Statements

Pursuant to the Law on Accounting (official Gazette of the Republic of Serbia no. 62/2013) and the Law on Auditing (official Gazette of the Republic of Serbia no. 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 special purpose 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 special purpose 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 micro 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 special purpose financial statements are presented in the form prescribed by the Regulations on the content and form of financial statements for other legal entities (Official Gazette of the Republic of Serbia no. 137/2014) and in accordance with the Rulebook on recognition and evaluation of assets and liabilities, income and expenses for micro-sized legal entities and other legal entities (Official Gazette of the Republic of Serbia no. 118/2013 and 95/2014). These rules take the law defined a complete set of special purpose financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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

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

2.2. Basis of Preparation and Presentation of Special Purpose 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, 2014

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 special purpose 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, 2014

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

The presentation of the special purpose 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 special purpose 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. COST OF MATERIALS AND ENERGY

	Year Ended December 31,	
	2014	2013
Cost of other material (Overheads)	264	847
Cost of Fuel and Energy	130	66
Write offs - tools and inventory	46	-
	440	913

6. STAFF COSTS

	Year Ended December 31,	
	2014	2013
Costs of salaries and fringe benefits (gross)	7,427	39
Costs of taxes and contributions on salaries and fringe benefits charged to employer	1,330	7
Costs of remunerations according to author's contracts	8,289	18,146
Costs of remunerations to individuals according to other contracts	488	1,833
Other personal expenses remunerations	1,974	571
	19,508	20,596

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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

7. COSTS OF PRODUCTION SERVICES

	Year Ended December 31,	
	2014	2013
Transport services costs	3,431	2,914
Maintenance costs	1,430	1,175
Rental costs	1,662	-
Advertising costs	519	-
Costs of researching activities	-	3,899
Costs of other services	11,120	208
	<u>18,162</u>	<u>8,196</u>

8. NON-PRODUCTION COSTS

	Year Ended December 31,	
	2014	2013
Advertising costs	-	2,617
Costs of non-production services	532	6,358
Representation costs	624	967
Costs of payment operations	139	101
Other non-production costs	29	12
	<u>1,324</u>	<u>10,055</u>

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Equipment	Intangible assets
Cost		
Balance, January 1, 2013	1,000	-
Additions	269	23
Balance, December 31, 2013	<u>1,269</u>	<u>23</u>
Balance, January 1, 2014	1,269	23
Additions	137	533
Balance, December 31, 2014	<u>1,406</u>	<u>555</u>
Accumulated Depreciation		
Balance, January 1, 2013	115	-
Charge for the year	231	6
Sale and disposal	-	-
Balance, December 31, 2013	<u>346</u>	<u>6</u>
Balance, January 1, 2014	347	6
Charge for the year	274	105
Sale and disposal	-	-
Balance, December 31, 2014	<u>621</u>	<u>111</u>
Net book value:		
- December 31, 2014	<u>785</u>	<u>444</u>
- December 31, 2013	<u>923</u>	<u>17</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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

10. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
Current account	4,319	2,893
Foreign currency account	9,457	527
	13,776	3,420

The following table represents the breakdown of cash and cash equivalents as of December 31, 2014 by Donators:

	December 31, 2014
Current account	
British Embassy Belgrade	1,781
Balkan Trust for Democracy (BTD)	5
Civil Rights Defenders (CRD)	56
Delegation of the European Union to the Republic of Serbia (EU)	1,194
NED- "National Endowment for Democracy" USA	302
OEBS	7
Rockefeller Brothers Fund (RBF)	443
United Nations Development Program (UNDP)	391
Other	140
	4,319
Foreign currency account	
Delegation of the European Union to the Republic of Serbia (EU)	6,971
Rockefeller Brothers Fund (RBF)	2,486
	9,457
	13,776

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, 2014 in the amount of 14,657 thousand dinars (December 31, 2013: 4,147 thousands) entirely related to deferred income from grants.

The following table represents the breakdown of deferred income from grants as of December 31, 2014 and 2013

	December 31, 2014	December 31, 2,013
British Embassy Belgrade	1,781	-
NED- "National Endowment for Democracy" USA	302	569
RBF- "Rockefeller Bros Fund" USA	2,928	461
ISC- "Institute for Sustainable Community" USA	-	227
Royal Norwegian Embassy Belgrade	-	71
British Embassy Fond za Otvoreno Društvo	-	1,782
Delegation of the European Union to the Republic of Serbia (EU)	8,165	153
Balkan Trust for Democracy (BTD)	5	-
Civil Rights Defenders (CRD)	56	-
OEBS	7	-
United Nations Development Program (UNDP)	391	-
Other	1,022	884
	14,657	4,147

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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, 2014	December 31, 2013
EUR	120.9583	114.6421
GBP	154.8365	136.9679
USD	99.4641	83.1282