

EUROPEAN POLICY CENTRE

AUDITOR'S REPORT AND FINANCIAL STATEMENT FOR 2018.

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AUDITOR'S REPORT

TO THE FOUNDER AND DIRECTOR OF THE ASSOCIATION NAMED EUROPEAN POLICY CENTRE, BELGRADE

We have conducted a revision of the enclosed yearly financial reports of **European Policy Center Belgrade** (further as Association) which include the balance sheet as at 31 December 2018. and the appropriate profit and loss balance sheet as well as the notes to the financial reports.

Management's responsibility for the financial reports

The Management of the Association is responsible for the preparation and fair representation of these financial reports in accordance with the accounting regulations of the Republic of Serbia, as well as those internal controls that the Management determines as necessary in the preparation of financial reports that do not contain significantly misleading statements due to fraud or mistake.

Auditor's responsibility

Our responsibility is to express an opinion on these financial reports based on the audit performed. We have conducted the audit in accordance with the Law on Auditing of the Republic of Serbia and the International Standards on Auditing. These standards require that we comply with the rules of professional ethics and that we plan and execute the audit in a way that enables us to make reasonable assurance that the financial reports do not contain significantly misleading statements.

The audit includes the implementation of procedures in order to obtain audit evidences about the amounts and data disclosed in the financial reports. The selected procedures are based on the auditor's judgment, including the assessment of the risk of significantly misleading statements contained in the financial reports resulting from fraud or mistake. In assessing these risks, the auditor considers internal controls relating to the compilation and impartial presentation of financial reports in order to design the best possible audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control system of a legal entity. An audit also includes an assessment of the applied accounting policies and the valuation of the significant assessments made by the Management, as well as assessment of the general presentation of the financial reports.

We do believe that the audit evidence we have obtained are sufficient and appropriate and that they provide a reasonable basis for the expression of our opinion.

AUDITOR'S REPORT (continued)

**TO THE FOUNDER AND DIRECTOR OF THE ASSOCIATION NAMED EUROPEAN
POLICY CENTRE**

Opinion

According our opinion, the financial reports present fairly and objectively, in all significantly matters, the financial position of the Association as at 31 Decmber 2018, as well as the results of operations, changes in equity and cash flow for the year 2018. in accordance with accounting regulations of the Republic of Serbia.

Belgrade, 23 August 2019.

Fills up the other legal entity

Identification number **28062320** Activity code **9499** Tax identification number (PIB) **107277122**

Name **Centre For European Policy**

Address **Belgrade-Savski Venac, Svetog Nauma 7**

BALANCE SHEET
on day 31.12.2018.

in thousands of
dinars

Group of accounts, accounts	Position	Automatic data processing (AOP)	Note number	Amount	
				Current year	Last year
1	2	3	4	5	6
	ACTIVE				
	A. FIXED ASSETS (0002+0003+0009+0010+0011)	0001		772	967
01	I. IMMATERIAL ASSETS	0002	1	172	224
02	II. REAL ESTATES, FACILITIES AND EQUIPMENT (0004+0005+0006+0007+0008)	0003		600	743
020, 021 and part of 029	1.Land	0004			
022 and part of 029	2.Construction objects	0005			
023 and part of 029	3.Plant and equipment	0006	2	600	743
024 and part of 029	4. Investment property	0007			
02, except 020, 021,022,023,024 and part of 029	5. Other property, plant and equipment	0008			
03	III. BIOLOGICAL ASSETS	0009			
04	IV. LONG-TERM FINANCIAL PLACEMENTS	0010			
05	V. LONG-TERM RECEIVABLES	0011			
	B. CURRENT ASSETS (0013+0018+0019+0020+0021+0022+0023)	0012		39415	17830
The class 1	I. Supplies (0014+0015+0016+0017)	0013		1370	898
10	1.Material supplies	0014			
11 and 12	2.Unfinished output, unfinished services and finished products	0015			
13	3.Goods	0016			
15	4. Advances paid for supplies and services	0017	3	1370	898

20	II. Sales receivables	0018			
22	III. Other receivables	0019	4	371	85
23	IV. Short-term financial placement	0020			
24	V. Cash equivalents and cash	0021	5	35642	16847
27	VI. Tax added value	0022			
28	VII. Active time delimitation	0023	6	2032	
	V. TOTAL ASSETS = BUSINESS ASSTES (0001+0012)	0024		40187	18797
88	G. OFF-BALANCE SHEET ASSTES	0025			
	PASSIVE				
	A. PLACE BID (0402+0403-0406) ≥ 0	0401		12686	10795
30	I. PLACE BID (OWN SOURCES) OF FOUNDER AND OTHER PERSONS	0402			
34	II. UNASSIGNED SURPLUS OF INCOME OVER EXPENDITURES (0404+0405)	0403		12686	10795
340	1.Unassigned surplus of income over expenditures from earlier years	0404		10795	10795
341	2. Unassigned surplus of income over expenditures fromcurrent year	0405		1891	
35	III. SURPLUS EXPENDITURES OVER INCOMES (0407+0408)	0406		0	0
350	1. Surplus expenditures over incomes from earlier years	0407			
351	2. Surplus expenditures over incomes from current year	0408			
	B. LONG-TERM RESERVATIONS AND OBLIGATIONS (0410+0411+0414+0415+0416+0417+0418+0419)	0409		27501	8002
40	I. LONG-TERM RESERVATIONS	0410			
41	II. LONG-TERM OBLIGATIONS (0412+0413)	0411		0	0
413 and 414	1.Longterm loans	0412			
41 except 413 and 414	2.Other longterm obligations	0413			
42	III. SHORT-TERM FINANCIAL OBLIGATIONS	0414	8	510	510
43	IV. OBLIGATIONS FROM BUSINESS	0415	9	6557	363
45 and 46	V. OTHER SHORT-TERM OBLIGATIONS	0416	10	1439	758

47	VI.OBLIGATIONS OVER TAX AND TAX ADDED VALUE	0417			
48	VII. OBLIGATIONS OVER TAX, CONTRIBUTIONS AND OTHER PAYMENTS	0418			
49	VIII. PASSIVE TIME DELIMITATION	0419	11	18995	6371
	V. SURPLUS OF EXPENDITURES OVER INCOMES ABOVE THE LEVEL OF THE INVESTMENT (OWN RESOURCES) (0409-0024) ≥ 0 = (0402+0403-0406) ≤ 0	0420			
	G. TOTAL PASSIVE (0401+0409-0420) ≥ 0	0421		40187	18797
89	D. OFF-BALANCE SHEET PASSIVE	0422			

In _____

Legal representative

Date _____ 20_____. year

M.P. (place the seal)

Form prescribed by the Regulations on the contents and forms of financial statements of other entities ("RS Official Gazette" No.137/2014)

Fills up the other legal entity

Identification number 28062320	Activity code 9499	Tax identification number (PIB) 107277122
Name Center For European Policy		
Address Belgrade-Savski Venac, Svetog Nauma 7		

BALANCE SHEET

for the period from 01.01.2018. until 31.12.2018. year

in thousands of
dinars

Group of accounts, accounts	Position	Automatic data processing (AOP)	Note number	Amount	
				Current year	Last year
1	2	3	4	5	6
	INCOMES AND EXPENDITURES FROM BUSINESS ON REGULAR BASIS				
60 until 65, except 61 and 62	A. BUSINESS INCOMES (1002+1003+1004+1005+1006)	1001		107897	179293
60	I. INCOMES FROM SELLING GOODS, PRODUCTS AND SERVICES	1002	12	4866	1762
630 and 631	II. INCOMES FROM MEMBERSHIP FEES AND CONTRIBUTIONS	1003			
632 and 639	III. INCOMES UNDER SPECIAL REGULATIONS FROM THE BUDGET AND FROM THE OTHER RESOURCES	1004			
64	IV. INCOMES FROM DONATIONS AND GRANT SUBSIDIES ETC.	1005	13	102914	177531
65	V. INCOMES FORM NON- FINANCIAL ASSETS	1006	12	117	
50 until 55, 61, 620 and 621	B. BUSINESS EXPENDITURES (1008-1009- 1010+1011+1012+1013+1014 +1015+1016+1017+1018)	1007		105727	172051

50	I. PURCHASE VALUE OF SOLD GOODS	1008			
61	II. INCOMES FROM ACTIVATING GOODS, PRODUCTS AND SERVICES	1009			
620	III. INCREASE OF INVENTORIES OF UNFINISHED AND FINISHED PRODUCTS AND UNFINISHED SERVICES	1010			
621	IV. REDUCTION OF INVENTORIES OF UNFINISHED AND FINISHED PRODUCTS AND UNFINISHED SERVICES	1011			
51	V. EXPENSES OF MATERIAL AND ENERGY	1012	14	610	696
52	VI. SALARY EXPENSES, SALARIES AND OTHER PERSONNEL EXPENSES	1013	15	23633	22689
53	VII. EXPENSES OF PRODUCTION SERVICES	1014	16	26424	103227
540	VIII. DEPRECIATION EXPENSES	1015	17	424	378
541	IX. PROVISION EXPENSES	1016			
557	X. DONATION EXPENSES	1017	18	12	
55 except 557	XI. IMMATERIAL EXPENSES	1018	18	54624	45061
	V. BUSINESS PROFIT (1001-1007)	1019		2170	7242
	G. BUSINESS LOSS (1007-1001)	1020			
66	I. INCOMES FROM FINANCIAL ASSETS (FINANCIAL REVENUES) (1022+1023+1024+1025+1026)	1021		971	1653
660	1. Income from financial assets from parent, subsidiary and other related parties	1022			
661	2. Interest incomes	1023			
662 and 663	3. Positive exchange differences and incomes from currency clause effect and other hedging effects	1024	19	971	1653
664	4. Dividend incomes	1025			
669	5. Others incomes from financial assets	1026			
56	II. FINANCIAL EXPENDITURES (1028+1029+1030+1031)	1027		1173	4174
560	1. Financial expenditures from financial assets from parent, subsidiary and other related parties	1028			
562	2. Interest expenditures	1029	20	1	

563,564 and 566	3. Negative exchange differences and expenditures from currency clause effect and other hedging effects	1030	20	1172	4174
569	4. Other financial expenditures	1031			
	III. PROFIT FROM FINANCING (1021-1027)	1032			
	IV. LOSS FROM FINANCING (1027-1021)	1033		202	2521
683 and 685	V. INCOMES FROM VALUE ADJUSTMENT OF SHORT-TERM AND LONG-TERM FINANCIAL INVESTMENT AND RECEIVABLES	1034			
583 and 585	VI. EXPENDITURES FROM VALUE ADJUSTMENT OF SHORT-TERM AND LONG-TERM INVESTMENT AND RECEIVABLES	1035			
	VII. THE SURPLUS OF INCOMES OVER EXPENDITURES ARISING FROM VALUE ADJUSTMENT OF SHORT-TERM AND LONG-TERM INVESTMENT AND RECEIVABLES	1036			
	VIII. THE SURPLUS OF EXPENDITURES OVER THE INCOMES ARISING FROM VALUE ADJUSTMENT OF SHORT-TERM AND LONG-TERM INVESTMENT AND RECEIVABLES	1037			
67 and 68, except 683 and 685	IX. OTHER INCOMES	1038	21	4	0
57 and 58, except 583 and 585	X. OTHER EXPENDITURES	1039	22	99	523
	XI. THE SURPLUS OF INCOMES OVER EXPENDITURES FROM REGULAR BUSINESS BEFORE TAX (1019-1020+1032-1033+1036-1037+1038-1039)	1040		1873	4202
	XII. THE SURPLUS OF EXPENDITURES OVER INCOMES FROM REGULAR BUSINESS BEFORE TAX (1020-1019+1033-1032+1037-1036+1039-1038)	1041			
69-59	XIII. THE SURPLUS OF INCOMES OVER EXPENDITURES, THE EFFECT OF ACCOUNTING POLICY CHANGES AND CORRECTION OF ERRORS FROM PREVIOUS YEARS	1042	21	18	

59-69	XIV. THE SURPLUS OF EXPENDITURES OVER INCOMES, THE EFFECT OF ACCOUNTING POLICY CHANGES AND CORRECTION OF ERRORS FROM PREVIOUS YEARS	1043			
	D. THE SURPLUS OF INCOMES OVER EXPENDITURES BEFORE TAX (1040-1041+1042-1043)	1044		1891	4202
	Đ. THE SURPLUS OF EXPENDITURES OVER INCOMES BEFORE TAX (1041-1040+1043-1042)	1045			
	E. TAX ON DIFFERENCE BETWEEN INCOMES AND EXPENDITURES				
721	I. TAX EXPENSE FOR PERIOD	1046			
	Ž. NET SURPLUS OF INCOME OVER EXPENDITURES	1047		1891	4202
	Z. NET SURPLUS OF EXPENDITURES OVER INCOME	10478		0	0

In _____

Legal representative

Date _____ 20_____. year

M.P. (place the seal)

EUROPEAN POLICY CENTRE

Belgrade, Svetog Nauma 7

NOTES TO THE FINANCIAL REPORTS

GENERAL INFORMATIONS ABOUT ASSOCIATION

European Policy Center (further Association) is another legal entity, a non-profit organization.

The association was founded on: 12.09.2011.

Tax Identification Number (PIB): 107 277 122.

Association activity: 9499 - Activities of other membership organizations on a membership basis.

European Policy Center is a non-governmental and non-profit association, founded for an indefinite period of time to achieve the goals of European integration.

The Association was established to conduct analyzes and research in the field of European integration, in particular European Union policies relevant to the accession of the Republic of Serbia to the EU; improving public policy-making and decision-making processes in the Republic of Serbia, in accordance with European standards and best European practice; raising public awareness in Serbia of European Union policies and European best practices, enhancing the ability of the Serbian economy to meet the Copenhagen economic criteria and applying the regulatory environment upon Serbia's accession to the European Union.

According to the classification criteria prescribed by the Law on Accounting ("Official Gazette of the RS" BR.62/13), the association for 2018. is classified into a small legal entity, because it satisfies two conditions:

1. The average number of employees in 2018. was 14 workers (in 2017. - 13 workers)
2. The average business assets for 2017. and 2018. are 29,492 (in 000 RSD).

BASIS FOR PREPARATION OF FINANCIAL REPORTS

The financial statements of the European Policy Center, Belgrade, Svetog Nauma 7, for the accounting period ending December 31, 2018. have been prepared on all materially significant issues, in accordance with the Rulebook on the Method of Recognition, Valuation, Presentation and Disclosure of Positions in Individual financial report of micro and other legal entities (Official Gazette of the RS No.118 / 2013.95 / 2014), in accordance with the Law on Accounting (Official Gazette of the RS No.62 / 13) and other by-laws adopted pursuant to that Law and selected and adopted accounting policies set out in the Accounting Policies of the " European Policy Center ".

All data are presented in thousands of dinars (RSD).

1. NON-MATERIAL ASSETS

The situation and changes in non-material assets can be shown as follows:

	Investments and development	Non-material investments	Patents and licenses	Advances for non-material assets	IN TOTAL
PURCHASE VALUE					
Initial state - 01.01.2018.		320			320
Mistake correction and change of accounting policies					
An increase					
Estrangement and expenditures					
Revaluation					
Other					
End state - 31.12.2018.		320			320
VALUE CORRECTION					
Initial state - 01.01.2018.		96			96
Mistake correction and change of accounting policies					
An increase					
Amortization		52			52
Impairment losses					
Alienation and Expenditure					
Revaluation					
Other					
End state - 31.12.2018.		148			148
UNSIGNED (PRESENT) VALUE 31.12.2018.		172			172

2. REALESTATES, FACILITIES AND EQUIPEMENT

	Construction objects	Plants and equipment	Other property and equipment	Investment in someone else's facilities	IN TOTAL
PURCHASE VALUE					
Initial state - 01.01.2018.		1098			1098
Mistake correction and change of accounting policies					
New investments		291			291
Estrangement and expenditure		62			62
Revaluation					
Other					
End state -31.12.2018.		1327			1327
VALUE CORRECTION					
Initial state - 01.01.2018.		356			356
Mistake correction and change of accounting policies					
Amortization		372			372
Impairment losses					
Alienation and Expenditure					
Revaluation					
Other					
End state - 31.12.2018.		727			727
UNSIGNED (PRESENT) VALUE 31.12.2018.		600			600

3. SUPPLIES

The state of the supplies can be shown as follows:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Material		
Work in progress		
Finished products		
Advances paid for services	1370	898
IN TOTAL	1370	898

4. OTHER RECEIVABLES

The state of other receivables can be shown as follows:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Interest and dividend receivables		
Receivables from employees		
Receivables on government bodies and organizations	371	
Receivables from buyers		
Receivables from overpaid taxes and contributions		85
Receivables on grants given		
IN TOTAL	371	85

5. CASH EQUIVALENTS AND CASH

The state of cash equivalents and cash can be shown as follows:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Securities - cash equivalents		
Current (business) account	4073	78
Cash and letters of credit set aside		
Cash desk		
Foreign currency account	31569	16769
Foreign cash desk		
Other funds		
IN TOTAL	35642	16847

6. ACTIVE TIME DELIMITATION

The state of active time delimitation can be shown as follows:

	31.12.2018. in 000 RSD	31.12.2017. in 000 rsd
Prepaid expenses	2032	
IN TOTAL	2032	

7. UNDISTRIBUTED PROFIT

Undistributed profit can be shown as follows:

	31.12.2018. in 000 RSD
Undistributed profit from previous years	10795
Mistake correction and change of accounting policies	
Other increases	
Other reductions	
Undistributed profit from current year	1891
IN TOTAL	12686

8. SHORT TERM BUSINESS LIABILITIES

Business obligations can be shown as follows:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Borrowing obligations	510	510
IN TOTAL	510	510

9. BUSINESS OBLIGATIONS

Business obligations can be shown as follows:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Received advances, deposits and bail	47	
Suppliers - parent and subsidiaries		
Suppliers - other related legal entities		
Suppliers in the country	6510	363
Suppliers abroad		
Other operating liabilities		
IN TOTAL	6557	363

10. OBLIGATIONS ON THE BASIS OF EARNINGS AND COMPENSATION

Others short term obligations can be shown as follows:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Obligations for earnings compensation	661	255
Obligations for employee benefits for official travel expenses	525	503
Other obligations towards employee	253	
IN TOTAL	1439	758

11. PASIVE TIME DELIMITATION

The state of pasive time delimitation can be shown as follows:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Deferred income - received donations in RSD	3337	
Deferred income-received dedicated foreign currency donations	15658	6371
IN TOTAL	18995	6371

EXCHANGE RATES

Official exchange rates (the official middle exchange rate of the National Bank of Serbia) of foreign currencies used for conversion into RSD equivalent of foreign currency positions of the balance sheet are as follows:

CURRENCY	31.12.2018.	31.12.2017.
EUR	118,1946	118,4727
USD	103,3893	99,1155
GBP	131,1816	133,4302

12. INCOMES FROM THE SALE OF SERVICES

Incomes from the sale of services consist of the following types of income:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Incomes from providing services in the domestic market	834	
Incomes from the sale of services in the foreign market	4032	1762
Other business incomes	117	
IN TOTAL	4983	1762

13. INCOMES FROM DONATIONS

Incomes from donations consists of the following types of income:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Incomes from donations from the budget of the Republic		
Local government donation income		
Incomes from donations from foreign governments and international organizations	102914	177531
Incomes from donations from domestic companies and other legal entities		
IN TOTAL	102914	177531

14. MATERIAL AND ENERGY COSTS

Material costs consist of the following types of costs:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Cost of overhead material	276	423
Fuel and energy costs	327	273
Spare parts costs		
Cost of one-off write-off of tools and inventory	7	
IN TOTAL	610	696

15. COSTS, EARNINGS, AND OTHER PERSONAL EXPENDITURES

Earnings, salaries, and other personal expenditures consist of the following types of expenses:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
COSTS of earnings and earnings compensation (gross)	12747	13189
The cost of taxes and contributions on salaries and benefits at the expense of the employer	2278	2361
Cost of fees for the author agreements	97	1696
Costs of compensation to individuals on the basis of other contracts	1336	1373
Other personal expenses and fees	7175	4070
IN TOTAL	23633	22689

16. COST OF PRODUCTION SERVICES

Costs of production services consist of the following types of costs:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Cost of services on production output	83	80166
Cost of transportation services	973	395
Cost of postal services	16	21
Rental costs	802	106
Ongoing maintenance costs	250	484
Advertising and propaganda costs	3384	460
Research costs	1300	1103
Costs of other manufacturing services	19616	20492
IN TOTAL	26424	103227

17. AMORTIZATION COSTS

Amortization costs consist of the following types of costs:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Amortization costs	424	378
IN TOTAL	424	378

18. IMMATERIAL COSTS

Costs for non-production services consist of the following types of costs:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Costs for non-production services	50502	43924
Representation costs	3473	586
Insurance premium costs		
Membership fees costs	128	
Payment costs	263	226
Costs for tax, taxi and compensation	3	4
Costs of donations given	12	
Other immaterial costs	255	321
IN TOTAL	54636	45061

19. FINANCIAL INCOMES

Financial incomes consist of the following types of incomes:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Interest incomes		
Exchange difference incomes	971	1653
Income from currency clause effect		
Income from participation in profits of subsidiaries and joint investments		
Other financial incomes		
IN TOTAL	971	1653

20. FINANCIAL EXPENDITURES

Financial expenditures consists of the following types of expenditures:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Interest expenditures	1	
Negative currency difference	1172	4174
Expenditures from currency clause effect		
Expenditures from participation in profits of subsidiaries and joint investments		
Other financial expenditures		

IN TOTAL	1173	4174
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21. OTHER INCOMES

Other incomes consist of the following types of incomes:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Other not mentioned incomes	4	4
Mistake correction from previous years	18	
IN TOTAL	22	4

22. OTHER EXPENDITURES

Other expenditures consist of the following:

	31.12.2018. in 000 RSD	31.12.2017. in 000 RSD
Expenditures from direct write-offs of receivables		
Other not mentioned expenditures	99	523
IN TOTAL	99	523

Based on the above data, the Association's Financial Report for 2018. was prepared, according to which the European Policy Center generated a surplus of incomes over expenditures in the amount of RSD 1,891,381.04.

Person responsible for drafting
financial reports

Legal representative
