

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

**Special purpose financial statements
For the year ended 31 December 2022**

With the Independent auditor's report thereon

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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

PricewaterhouseCoopers Revizija DOO Skopje
8 September Blvd no.16
1000 Skopje
Republic of North Macedonia



Independent auditor's report

To: NALAS General Assembly and Swiss Agency for Development and Cooperation

Report on the special purpose financial statements

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 Summary of funds and expenditures as at 31 December 2022 and 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 the Management of NALAS in accordance with the accounting policies of the Association as described in Note 3, based on the principles of cash inflows and cash outflows.

Management's responsibility for the special purpose financial statements

Management is responsible for the preparation of these special purpose financial statements based on the principles of cash inflows and cash outflows 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 International Standards on Auditing. Our audit procedures also included the procedures required by the Standards on Auditing applicable in Republic of North Macedonia. 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 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 the 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 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 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 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 audit opinion.



Opinion

In our opinion, the accompanying special purpose financial statements of the Association for the year ended 31 December 2022 are prepared, in all material respects, in accordance with the accounting policies of the Association as described in Note 3, based on the principles of cash inflows and cash outflows.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 3 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared for the purposes of reporting to the NALAS General Assembly and the Swiss Agency for Development and Cooperation on the activities of the Association, related to funding received. As a result, the special purpose financial statements may not be suitable for another purpose. Our report is intended solely for NALAS General Assembly and the Swiss Agency for Development and Cooperation and should not be distributed to or used by other parties.


Dragan Davitkov
General Manager




Dragan Davitkov
Certified Auditor

PricewaterhouseCoopers Revizija DOO Skopje

10 March 2023

Skopje, Republic of North Macedonia

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

STATEMENT OF SOURCES AND USES OF FUNDS

For the year 31 December 2022

(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 2022</u>	<u>Total 2021</u>
SOURCES OF FUNDS							
Balance at beginning of year		983	1,474,966	882,784	434,044	2,792,777	1,032,407
Membership fee		-	-	-	55,500	55,500	59,000
Other own revenues/contributions		-	-	-	-	-	-
NDI		-	-	-	-	-	5,401
Grants from SDC (2018-2022)	4	46,000	-	-	-	46,000	190,000
Grants form SDC-Revolving Fund	5	-	-	-	-	-	231,218
ORF/GIZ (RCDN II)		-	-	-	-	-	163,937
ORF/GIZ (RCDN 2021-2022)		-	152,347	-	-	152,347	189,654
GIZ (SoRi Phase II)		-	-	-	-	-	327,850
GIZ (SoRi Phase III)		-	99,687	-	-	99,687	-
GIZ (CEE-SEE)		-	-	-	-	-	20,484
GIZ (Services for Minorities -BLP)		-	256	-	-	256	54,417
GIZ (Services for Minorities -BLP II)		-	70,000	-	-	70,000	-
GIZ/ORF (Convent of Mayors)		-	33,888	-	-	33,888	-
GIZ/ORF (City Network)		-	30,902	-	-	30,902	-
UN Women		-	19,531	-	-	19,531	27,403
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	-	-	11,936
SDC Albania (One Voice of Municipalities)		-	-	-	-	-	33,500
PLATFORMA		-	50,222	-	-	50,222	79,721
PLATFORMA SGA3		-	15,117	-	-	15,117	-
FRIEMDSHIP		-	84,071	-	-	84,071	-
EU for Municipalities		-	664,819	-	-	664,819	1,078,702
L2BR		-	-	-	-	-	136,802
ADA (BACID/KDZ)		-	11,250	-	-	11,250	-
OECD/SIGMA		-	5,400	-	-	5,400	-
TOTAL SOURCES OF FUNDS		46,983	2,712,456	882,784	489,544	4,131,767	3,642,432

The accompanying notes from 1 to 9 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 2022

(Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2022	Total 2021
OPERATIONAL EXPENSES							
Personnel		61,144	-	-	9,789	70,933	90,289
Office Expenses		15,229	-	24	4,945	20,198	25,951
Total operational expenses		76,373	-	24	14,734	91,131	116,240
TASK FORCES AND KNOWLEDGE CENTER							
Knowledge Center		34,176	-	-	52,287	86,463	79,581
Member Services		5,417	-	-	11,074	16,491	3,388
Advisory Concilium		515	-	-	1,103	1,618	1,436
Task Forces		6,823	-	-	2,719	9,542	15,356
External and EU integration activities		1,619	-	-	10	1,629	1,273
Statutory meeting		4,977	-	-	3,639	8,616	3,339
Gender		-	-	-	508	508	-
Total task forces and knowledge center		53,527	-	-	71,340	124,867	104,373
ORF (RCDN II)		-	-	-	-	-	106,431
ORF/GIZ (RCDN 2021-2022)		-	236,543	-	-	236,543	103,733
GIZ (SoRi Phase II)		-	286,684	-	-	286,684	215,131
GIZ (SoRi Phase III)		-	7,828	-	-	7,828	-
GIZ (CEE/SEE)		-	129	-	-	129	25,649
GIZ (Services for Minorities -BLP)		-	7	-	-	7	54,690
GIZ (Services for Minorities -BLPII)		-	29,132	-	-	29,132	-
GIZ/ORF (Convent of Mayors)		-	4,052	-	-	4,052	-
GIZ/ORF (City Network)		-	1,729	-	-	1,729	-

The accompanying notes from 1 to 9 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 2022 (Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2022	Total 2021
UN Women		-	23,713	-	-	23,713	30,284
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	-	-	8,135
SDC Albania (One Voice of Municipalities)		-	35,759	-	-	35,759	918
LoGoV	5	-	-	-	-	-	1,026
PLATFORMA	5	-	3,273	(3,273)	-	-	65,326
PLATFORMA SGA 3		-	34,472	19,967	-	54,439	11,429
FRIENDSHIP		-	58,142	-	-	58,142	-
EU for Municipalities	5	-	25,352	-	-	25,352	30,272
L2BR		-	23,594	-	-	23,594	7,640
ADA (BACID/KDZ)		-	20,550	3,750	-	24,300	-
OECD/SIGMA		-	5,400	-	-	5,400	-
Audit fees		6,020	-	-	-	6,020	3,670
TOTAL EXPENDITURES		135,920	796,359	20,468	86,074	1,038,821	884,947

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

STATEMENT OF SOURCES AND USES OF FUNDS (continued) For the year 31 December 2022 (Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2022	Total 2021
Bank interest	8	-	-	4,141	2,520	6,661	2,345
Currency exchange gains/(loss)	7	-	1	(11,904)	157	(11,746)	32,947
Transfer to/(from) reserve funds and others		-	8	16	(24)	-	-
Grant funds returned/GIZ (CEE/SEE)		-	(2,289)	-	-	(2,289)	-
Surplus / (deficit) of funds over expenditures		(88,937)	1,913,817	854,569	406,123	3,085,572	2,792,777
Advances (given) / received	6	-	(1,505,987)	(183)	(8,151)	(1,514,321)	(345,946)
Cash available / (deficit) at end of year		(88,937)	407,830	854,386	397,972	1,571,251	2,446,831
Cash available at end of year consist of:							
Bank accounts						756,875	1,611,882
Bank accounts Revolving Fund						810,543	832,091
Petty cash						3,833	2,858
Total cash available at end of year						1,571,251	2,446,831

Authorized on behalf of


Kelmend Zajazi
Executive Director

Date: 10 March 2023

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

STATEMENT OF EXPENDITURE DETAILS

For the year ended 31 December 2022

(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 2022</u>	<u>Total 2021</u>
OPERATIONAL EXPENSES							
1. Personnel							
Personnel expenses		61,144	-	-	9,789	70,933	90,289
Total personnel expenses		61,144	-	-	9,789	70,933	90,289
2. Office							
Office		15,229	-	24	4,945	20,198	25,951
Total office expenses		15,229	-	24	4,945	20,198	25,951
Total operational expenses		76,373	-	24	14,734	91,131	116,240
TASK FORCES AND KNOWLEDGE CENTER							
1. Knowledge Center							
SO1. Sustainable Local Economic Development		2,067	-	-	1,917	3,984	2,840
SO2. Resilience, Migration, Disaster Risk Management, etc.		1,325	-	-	2,525	3,850	427
Running Knowledge Center		4,980	-	-	-	4,980	4,848
Network of National Knowledge Managers		25,804	-	-	47,845	73,649	71,466
Total Knowledge Center		34,176	-	-	52,287	86,463	79,581

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

STATEMENT OF EXPENDITURE DETAILS (continued)

For the year ended 31 December 2022

(Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2022	Total 2021
2. Member Services							
E-learning		5,417	-	-	321	5,738	3,388
Quick response		-	-	-	10,025	10,025	-
Peer Review		-	-	-	728	728	-
Shadowing / Internship program		-	-	-	-	-	-
Total Member Services		5,417	-	-	11,074	16,491	3,388
3. Advisory Concilium							
Advisory Concilium		515	-	-	1,103	1,618	1,436
Total Advisory Concilium		515	-	-	1,103	1,618	1,436
4. Task Forces							
Task Forces		6,823	-	-	2,719	9,542	15,356
Total Task Forces		6,823	-	-	2,719	9,542	15,356
5. External and EU integration activities							
External and EU integration activities		1,619	-	-	10	1,629	1,273
Total External and EU integration activities		1,619	-	-	10	1,629	1,273
6. Statutory meetings							
General Assembly		4,566	-	-	555	5,121	2,930
LO Meetings		411	-	-	3,084	3,495	409
Executive Bureau meetings		-	-	-	-	-	-
Total Statutory meetings		4,977	-	-	3,639	8,616	3,339

The accompanying notes from 1 to 9 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 2022

(Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2022	Total 2021
7. Gender							
Gender		-	-	-	508	508	-
Total Gender		-	-	-	508	508	-
TOTAL TASK FORCES AND KNOWLEDGE CENTER		53,527	-	-	71,340	124,867	104,373
ORF/GIZ (RCDN II)		-	-	-	-	-	106,431
ORF/GIZ (RCDN 2021-2022)		-	236,543	-	-	236,543	103,733
GIZ (SoRi Phase II)		-	286,684	-	-	286,684	215,131
GIZ (SoRi Phase III)		-	7,828	-	-	7,828	-
GIZ (CEE-SEE)		-	129	-	-	129	25,649
GIZ (Services for Minorities -BLP)		-	7	-	-	7	54,690
GIZ (Services for Minorities -BLP II)		-	29,132	-	-	29,132	-
GIZ/ORF (Convent of Mayors)		-	4,052	-	-	4,052	-
GIZ/ORF (City Network)		-	1,729	-	-	1,729	-
UN Women		-	23,713	-	-	23,713	30,284
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	-	-	8,135
SDC Albania (One Voice of Municipalities)		-	35,759	-	-	35,759	918
LoGoV		-	-	-	-	-	1,026
PLATFORMA		-	3,273	(3,273)	-	-	65,326
PLATFORMA SGA 3		-	34,472	19,967	-	54,439	11,429
FRIENDSHIP		-	58,142	-	-	58,142	-

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

STATEMENT OF EXPENDITURE DETAILS (continued)

For the year ended 31 December 2022

(Expressed in EUR)

	<u>note</u>	<u>SDC Grant</u>	<u>Other Projects</u>	<u>Revolving Fund</u>	<u>Membership fee/other contributions</u>	<u>Total 2022</u>	<u>Total 2021</u>
EU for Municipalities		-	25,352	-	-	25,352	30,272
L2BR		-	23,594	-	-	23,594	7,640
ADA (BACID/KDZ)		-	20,550	3,750	-	24,300	-
OECD/SIGMA		-	5,400	-	-	5,400	-
Audit fees		6,020	-	-	-	6,020	3,670
TOTAL EXPENDITURES		<u>135,920</u>	<u>796,359</u>	<u>20,468</u>	<u>86,074</u>	<u>1,038,821</u>	<u>884,947</u>

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

SUMMARY OF FUNDS AND EXPENDITURES 31 December 2022 (Expressed in EUR)

	note	31 December 2022	31 December 2021
EXPENDITURES AND CASH BALANCES			
1. Expenditures			
SDC grant		135,920	190,718
Revolving Fund-SDC		20,468	13,860
Membership fee and other own sources		86,074	46,292
ORF/GIZ (RCDN II)		-	103,704
ORF/GIZ (RCDN 2021-2022)		236,543	103,733
GIZ (SoRi Phase II)		286,684	205,121
GIZ (SoRi Phase III)		7,828	-
GIZ (CEE-SEE)		129	25,649
GIZ (Services for Minorities -BLP)		7	54,690
GIZ (Services for Minorities -BLP II)		29,132	-
GIZ/ORF (Convent of Mayors)		4,052	-
GIZ/ORF (City Network)		1,729	-
UN Women		23,713	30,284
WBI (WB Austria Urb. Partnership Progr. II)		-	8,135
SDC Albania (One Voice of Municipalities)		35,759	918
LoGov		-	1,026
PLATFORMA		3,273	53,160
PLATFORMA SGA 3		34,472	11,429
FRIENDSHIP		58,142	-
EU for Municipalities		25,352	28,588
L2BR		23,594	7,640
ADA (BACID/KDZ)		20,550	-
OECD/SIGMA		5,400	-
Total expenditures		1,038,821	884,947
2. Currency exchange losses, net			
Currency exchange losses, net	7	11,746	-
Total Currency exchange losses, net		11,746	-
3. Advances			
Advances given	6	1,514,321	345,946
Total Advances		1,514,321	345,946
4. Cash and bank balances			
Cash and bank balances		1,571,251	2,446,831
Total cash and bank balances		1,571,251	2,446,831
TOTAL EXPENDITURES AND CASH BALANCES		4,136,139	3,677,724

The accompanying notes from 14 to 22 form an integral part of the NALAS special purpose financial statements

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

SUMMARY OF FUNDS AND EXPENDITURES

31 December 2022 (continued)

(Expressed in EUR)

	<u>note</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
FUNDS AND LIABILITIES			
1. Funds			
SDC grant		46,983	191,701
Revolving Fund-SDC		886,941	863,769
Membership fee and other own sources		492,040 ¹	474,865
NDI		-	5,401
ORF/GIZ (RCDN II)		-	103,704
ORF/GIZ (RCDN 2021-2022)		238,268	189,654
GIZ (SoRi Phase II)		230,859	435,980
GIZ (SoRi Phase III)		99,687	-
GIZ (CEE-SEE)		129	28,083
GIZ (Services for Minorities -BLP)		7	54,417
GIZ (Services for Minorities -BLP II)		70,000	-
GIZ/ORF (Convent of Mayors)		33,888	-
GIZ/ORF (City Network)		30,902	-
UN Women		23,712	34,459
WBI (WB Austria Urb. Partnership Progr. II)		-	8,139
SDC Albania (One Voice of Municipalities)		32,582	33,500
LoGoV		(1,636)	(610)
PLATFORMA		3,273	6,211
PLATFORMA SGA 3		3,688	-
FRIENDSHIP		84,071	-
EU for Municipalities		1,714,933	1,078,702
L2BR		129,162	136,802
ADA (BACID/KDZ)		11,250	-
OECD/SIGMA		5,400	-
Total Funds		<u>4,136,139</u>	<u>3,644,777</u>
2. Currency exchange gains, net			
Currency exchange gains, net	7	-	32,947
Total Currency exchange gains, net		<u>-</u>	<u>32,947</u>
3. Advances			
Advances received	6	-	-
Total Advances		<u>-</u>	<u>-</u>
TOTAL FUNDS AND LIABILITIES		<u>4,136,139</u>	<u>3,677,724</u>

¹ The amount of EUR 492,040 includes EUR 434,044 and EUR 55,500 as sources of funds, increased by bank interest of EUR 2,520 and decreased by transfer from reserve fund of EUR 24 .

The accompanying notes from 14 to 22 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 2022 (Expressed in EUR)

	note	31 December 2022	31 December 2021
CASH BALANCES			
1. Cash and bank balances			
Cash and bank balances		1,571,251	2,446,831
Total Cash and bank balances		1,571,251	2,446,831
2. Advances			
Advances given	6	1,514,321	345,946
Total Advances		1,514,321	345,946
TOTAL CASH BALANCES		3,085,572	2,792,777
FUNDS AND LIABILITIES			
1. Outstanding fund balances			
SDC grant	4	(88,937)	983
Revolving Fund-SDC	5	854,569	882,784
Membership fee and other own sources		406,123	434,044
ORF/GIZ (RCDN 2021-2022)		1,725	85,921
GIZ (SoRi Phase II)		(55,825)	230,859
GIZ (SoRi Phase III)		91,859	-
GIZ (CEE-SEE)		-	2,434
GIZ (Services for Minorities -BLP)		-	(273)
GIZ (Services for Minorities -BLP II)		40,868	-
GIZ/ORF (Convent of Mayors)		29,836	-
GIZ/ORF (City Network)		29,173	-
UN Women		-	4,181
SDC Albania (One Voice of Municipalities)		(3,177)	32,582
LoGov		(1,636)	(1,636)
PLATFORMA		-	(46,949)
PLATFORMA SGA 3		(30,784)	(11,429)
FRIENDSHIP		25,929	-
EU for Municipalities		1,689,581	1,050,114
L2BR		105,568	129,162
ADA (BACID/KDZ)		(9,300)	-
Total Funds		3,085,572	2,792,777
2. Liabilities			
Advances received	6	-	-
Total Liabilities		-	-
TOTAL FUNDS AND LIABILITIES		3,085,572	2,792,777

The accompanying notes from 14 to 22 form an integral part of the NALAS special purpose financial statements

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 economies in South East Europe.

NALAS was established in 2001 as an informal network and in 2005 was 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 in Republic of North Macedonia under coordination of the President and Executive Director of NALAS.

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 (NALAS (Mreza na nacionalnite asocijacii na lokalnite vlasti vo Jugoistocna Evropa) Podruznica-neprofitna stranska organizacija-Skopje)) and operates through a non-resident account in Republic of North Macedonia. NALAS address in Strasbourg is Maison Des Associations, place des Orphelins, 1a while the branch office address in Skopje is Varshavska 36A.

For the purpose of implementation of the EU funded “EU for Municipalities” Project in Albania, NALAS has established a Branch Office in Albania, registered at the Tirana District Court as NALAS Branch in Albania in 2022. The operations of the NALAS Branch in Albania will be audited as foreseen in the EU for Municipality Project contract with EU.

The Secretariat is responsible for the day-to-day running of the Association, administration of the Association, as well as for communication and internal and international relations. The Secretariat is responsible for the practical implementation of the decisions taken by the Governing Bodies.

2. Objectives of NALAS

The overall goal of the association is to advocate for local self-government development and decentralization and to 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.

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

NALAS supports 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.

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 ("the Donor") 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 on 9 February 2018 and the Contribution Contract for Revolving Fund dated 1 October 2017, excluding the operation of the NALAS Branch Office in Albania.

This Statement includes all operational and task-related expenditures incurred for the period from 1 January 2022 to 31 December 2022.

3.2. Accounting Convention

The policy of the Association is to prepare the special purpose financial statements based on the principles of cash inflows and cash outflows. 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 financiers - Swiss Agency for Development and Cooperation (SDC) and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ).

Notes to the special purpose financial statements (continued)

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 EUR using the average middle exchange rate for the year 2022, 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 2022	31 December 2021
1 EUR	61,49 Denars	61,63 Denars
1 CHF	62,45 Denars	59,47 Denars
Average EUR	61,05 Denars	61,63 Denars
Average CHF	61,62 Denars	57,00 Denars

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.

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 1 January 2022 to 31 December 2022 amounted to EUR 46,000 (1 January 2021 to 31 December 2021 amounted to EUR 190,000).

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

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 2022	Contract no. 81053731 1 January- 31 December 2021
	<hr/>	<hr/>
PROJECT FUNDS		
Balance at beginning of year	983	1,701
Contribution during the year	46,000	190,000
TOTAL PROJECT FUNDS	<hr/> 46,983 <hr/>	<hr/> 191,701 <hr/>
PROJECT EXPENDITURES		
OPERATIONAL EXPENSES		
1. Personnel		
Personnel expenses	<hr/> 61,144 <hr/>	<hr/> 71,986 <hr/>
Total personnel expenses	<hr/> 61,144 <hr/>	<hr/> 71,986 <hr/>
2. Office		
Office	<hr/> 15,229 <hr/>	<hr/> 21,790 <hr/>
Total office expenses	<hr/> 15,229 <hr/>	<hr/> 21,790 <hr/>
Total operational expenses	<hr/> 76,373 <hr/>	<hr/> 93,776 <hr/>

**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 2022	Contract no. 81053731 1 January- 31 December 2021
TASK FORCES AND KNOWLEDGE CENTER		
1. Knowledge Center		
SO1. Sustainable Local Economic Development	2,067	2,840
SO2. Resilience, Migration, Disaster Risk Management, etc.	1,325	427
Running Knowledge Center	4,980	4,848
Network of National Knowledge Managers	25,804	67,416
Total Knowledge Center	34,176	75,531
2. Member Services		
E-learning	5,417	3,388
Quick response	-	-
Peer Review	-	-
Shadowing / Internship program	-	-
Total Member Services	5,417	3,388
3. Advisory Concilium		
Advisory Concilium	515	1,436
Total Advisory Concilium	515	1,436
4. Task Forces		
Task Forces	6,823	8,305
Total Task Forces	6,823	8,305
5. External and EU integration activities		
External and EU integration activities	1,619	1,273
Total External and EU integration activities	1,619	1,273
6. Statutory meeting		
General Assembly	4,566	2,930
LO Meetings	411	409
Executive Bureau meetings	-	-
Total Statutory meeting	4,977	3,339
7. Gender		
Gender	-	-
Total Gender	-	-
TOTAL TASK FORCES AND KNOWLEDGE CENTER	53,527	93,272
Audit fees	6,020	3,670
TOTAL EXPENDITURES	135,920	190,718
Currency exchange gains/loss	-	-
Balance at end of year	(88,937)	983

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 1 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 2022 to 31 December 2022, NALAS has not received an instalment for this Contract (contribution for the period from 1 January 2021 to 31 December 2021, is amounted to CHF 250,000 i.e. EUR 231,218).

Two EU funded projects have been obtained in 2018, "PLATFORMA (SGA 2)" 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 the Revolving Fund for the required co-financing and pre-financing started as of 2019.

In 2021, NALAS as a Lead Partner, started the implementation of a new EU funded project titled "EU for Municipalities" funded under the EuropeAid/166359/DD/ACT/AL call for proposals. This project also requested utilization of the Revolving Fund.

During the year 2022, NALAS signed Partnership Agreement with Austrian Association of Cities and Towns and KDZ Public Administration Research Centre for implementation of the Project "BACID III (Building Administrative Capacities of the Western Balkans and the Republic of Moldova)". At the same year, NALAS as a co-applicant together with 29 partners, started implementation of the EU funded project "PLATFORMA (SGA 3)", led by the Council of European Municipalities and Regions (CEMR). Therefore, the Revolving Fund was utilized for the required co-financing and pre-financing of these projects.

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 2022:

(all amounts in EUR)	Total 2022	Total 2021
SOURCES OF FUNDS		
Balance at beginning of year	882,784	632,551
Instalments	-	231,218
Total Sources of funds	882,784	863,769
EXPENDITURES		
Office expenses (bank fees)	24	10
PLATFORMA co-financing	(3,273)	12,166
LoGoV co-financing	-	-
EU for Municipalities co-financing	-	1,684
PLATFORMA SGA 3 co-financing	19,967	-
ADA (BACID/KDZ)	3,750	-
Total expenditures	20,468	13,860
Currency exchange gains/(loss)	(11,904)	32,875
Revolving Fund Bank interest	4,157	-
Surplus of funds over expenditures	854,569	882,784

Notes to the special purpose financial statement (continued)
Contribution Contract for Revolving Fund

(all amounts in EUR)	Total 2022	Total 2021
Funds used for pre-financing expenditures		
PLATFORMA	139,264	135,991
LoGoV	5,444	5,444
PLATFORMA SGA 3	30,783	-
ADA (BACID/KDZ)	20,550	-
Total funds used for pre-financing	196,041	141,435
Funds reimbursed for pre-financed expenditures		
PLATFORMA	(139,264)	(89,042)
ADA (BACID/KDZ)	(11,250)	-
Total funds reimbursed for pre-financed expenditures	(150,514)	(89,042)
Advances		
Advance from PLATFORMA given/(received)	183	-
Total funds used for advance payment	183	-
Revolving Fund funds committed for co-financing		
EU for Municipalities co-financing part	(1,684)	(1,684)
Total Revolving Fund funds committed for co-financing	(1,684)	(1,684)
Revolving Fund bank interest		
Bank interest	-	(16)
Total Revolving Fund bank interest	-	(16)
Funds on bank accounts as of 31 December 2022		
Bank account in CHF	-	773,421
Bank account in EUR	810,543	58,670
Total Funds on bank accounts	810,543	832,091

PLATFORMA pre-financing expenditures in amount of EUR 139,264 include EUR 3,273 used for pre-financing of expenditures in year 2022 and EUR 135,991 in previous years.

LoGov pre-financing expenditures in amount of EUR 5,444 include funds used for pre-financing of expenditures in previous years.

Funds received for pre-financed expenditures for PLATFORMA in amount of EUR 139,264 include EUR 50,222 received in year 2022 and EUR 89,042 received in previous years.

Notes to the special purpose financial statement (continued)

6. Advances

As of 31 December 2022, NALAS has disbursed total net funds of EUR 1,514,321 (2021: EUR 345,946) as advances to members and partners, as well as to other third parties.

The advances given to members and partners are in connection with Grant Agreements signed between NALAS and members, consortium partners in respective projects as well as NALAS Branch office in Tirana specifically for the Project EU for Municipalities.

Following is the breakdown of advances as of 31 December 2022:

(all amounts in EUR)	31 December 2022	31 December 2021
Advances related to Project L2BR	86,111	68,814
Advances related to Project EU for Municipalities	1,422,753	140,921
Advances related to other Projects	5,457	136,211
Total Advances	1,514,321	345,946

The advances related to the Project EU for Municipalities in amount of EUR 1,422,753 (2021: EUR 140,921) include: EUR 215,000 (2021: EUR 0) funds transferred to NALAS Branch office in Tirana, EUR 249,436 (2021: EUR: 140,921) funds transferred to project partners and affiliated entities and EUR 958,317 (2021: EUR 0) funds transferred to Grantees/Municipalities.

7. Currency exchange loss/gain

The net foreign exchange losses in the amount of EUR 11,746 (2021: net foreign exchange gains in the amount of EUR 32,947) consist of foreign exchange losses in the amount of EUR 11,904 (2021: foreign exchange gains in the amount of EUR 32,875) resulting from translating the SDC revolving fund from CHF to EUR and the foreign exchange gains in the amount of EUR 158 (2021: foreign exchange gains in the amount of EUR 72) 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 2022, the amount of EUR 6,661 was received as bank interest from ProCredit Bank in Republic of North Macedonia. In 2021, the amount received as bank interest was EUR 2,345 from ProCredit Bank in the Republic of North Macedonia.

Notes to the special purpose financial statement (continued)

9. 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 exempted from VAT and have no obligation to calculate and express VAT.