

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

**Special purpose financial statements  
For the year ended 31 December 2023**

**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**

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

## Independent Auditor's Report

To the Management of  
Network of Associations of Local Authorities of South East Europe (NALAS)

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### 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 the Statement of sources and uses of funds as at 31 December 2023 and the Summary of funds and expenditures for the year then ended and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared by management of NALAS in accordance with the cash receipts and disbursement basis of accounting as described in Note 3.

### Management's responsibility for the special purpose financial statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the cash receipts and disbursements basis of accounting as described in Note 3, for determining that the basis of preparation of the special purpose financial statements is acceptable in the circumstances and for such internal control as management determines it necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with the auditing standards accepted in the Republic of North Macedonia<sup>1</sup>. 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 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 the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 present fairly, in all material respects, the financial position of Nalas as of 31 December 2023, and its sources and uses of funds for the year then ended in accordance with the cash receipts and disbursements basis as described in Note 3.

### Other matter

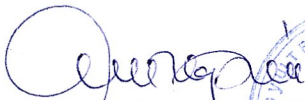
The special purpose financial statements of the Association as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion in their report on 10 March 2023.

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

### 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 describe the basis of accounting. The special purpose financial statements are prepared for the purpose of reporting to the NALAS General Assembly and the Swiss Agency for Development and Cooperation on the activities of the Association, related to funds 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.



Suzana Stavrikj  
Director  
Grant Thornton DOO, Skopje



Skopje, 11 April 2024



Suzana Stavrikj  
Certified Auditor

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

### STATEMENT OF SOURCES AND USES OF FUNDS

For the year 31 December 2023

(Expressed in EUR)

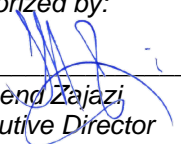
	<u>note</u>	<u>Projects</u>	<u>SDC Revolving Fund</u>	<u>Membership fee</u>	<u>Other contributions</u>	<u>Total 2023</u>	<u>Total 2022</u>
Balance at beginning of year		1,824,880	854,569	406,123	-	3,085,572	2,792,777
<b>SOURCES OF FUNDS</b>							
Membership fee		-	-	57,900	-	57,900	55,500
Projects		1,659,855	-	-	-	1,659,855	1,283,490
Other contributions		-	-	-	4,985	4,985	-
<b>TOTAL SOURCES OF FUNDS</b>	<b>4</b>	<b>3,484,735</b>	<b>854,569</b>	<b>464,023</b>	<b>4,985</b>	<b>4,808,312</b>	<b>4,131,767</b>
<b>EXPENDITURES</b>							
Expenditures		864,968	7,913	48,700	12,968	934,549	1,038,821
<b>TOTAL EXPENDITURES</b>	<b>4</b>	<b>864,968</b>	<b>7,913</b>	<b>48,700</b>	<b>12,968</b>	<b>934,549</b>	<b>1,038,821</b>
Bank interest	9	79	5,776	1,093	-	6,948	6,661
Co-financing	6	38,391	(38,391)	-	-	-	-
Currency exchange gains/(loss)	8	-	-	(16)	-	(16)	(11,746)
Transfer to/(from) reserve funds and others		-	-	-	-	-	-
Grant funds returned		(31,708)	-	-	-	(31,708)	(2,289)
<b>Surplus / (deficit) of funds over expenditures</b>		<b>2,626,529</b>	<b>814,041</b>	<b>416,400</b>	<b>(7,983)</b>	<b>3,848,987</b>	<b>3,085,572</b>

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

**STATEMENT OF SOURCES AND USES OF FUNDS (continued)**  
**For the year 31 December 2023**  
**(Expressed in EUR)**

	<u>note</u>	<u>Projects</u>	<u>SDC Revolving Fund</u>	<u>Membership fee</u>	<u>Other contributions</u>	<u>Total 2023</u>	<u>Total 2022</u>
Advances (given) / received, net	7	(2,146,392)	-	(586)	-	(2,146,978)	(1,514,321)
<b>Cash available / (deficit) at end of year</b>		<b>480,137</b>	<b>814,041</b>	<b>415,814</b>	<b>(7,983)</b>	<b>1,702,009</b>	<b>1,571,251</b>
<b>Cash available at end of year consist of:</b>							
Bank accounts						952,015	756,875
Bank accounts Revolving Fund	6					747,503	810,543
Petty cash						2,491	3,833
<b>Total cash available at end of year</b>						<b>1,702,009</b>	<b>1,571,251</b>

Authorized by:

  
 \_\_\_\_\_  
 Kelmend Zajazi  
 Executive Director

Date: 11 April 2024

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

## SUMMARY OF FUNDS AND EXPENDITURES 31 December 2023 (Expressed in EUR)

	note	31 December 2023	31 December 2022
<b>EXPENDITURES AND CASH BALANCES</b>			
<b>1. Expenditures</b>			
SDC grant		-	135,920
Revolving Fund-SDC		7,913	20,468
Membership fee and other own sources		48,700	86,074
ORF/GIZ (RCDN 2021-2022)		-	236,543
ORF/GIZ (RCDN +)		84,697	-
GIZ (SoRi Phase II)		-	286,684
GIZ (SoRi Phase III)		170,548	7,828
GIZ (CEE-SEE)		-	129
GIZ (Services for Minorities -BLP)		-	7
GIZ (Services for Minorities -BLP II)		35,004	29,132
GIZ/ORF (Convent of Mayors)		68,077	4,052
GIZ/ORF (City Network)		98,131	1,729
GIZ (U-Lead)		57,791	-
GIZ (PEMO/Host Communities)		5,672	-
UN Women		-	23,713
SDC Albania (One Voice of Municipalities)		27,377	35,759
LoGov		-	-
PLATFORMA		-	3,273
PLATFORMA SGA 3		53,330	34,472
FRIENDSHIP		93,004	58,142
EU for Municipalities		1,751	25,352
L2BR		86,522	23,594
COVALEX		4,614	-
ADA (BACID/KDZ)		39,600	20,550
OECD/SIGMA		-	5,400
SIDA/Air Quality		38,850	-
Other contributions-KDZ (cost reimbursements)		11,191	-
Other contributions-CEMR (cost reimbursements)		1,508	-
Other contributions-FUEN (cost reimbursements)		269	-
<b>Total expenditures</b>		<b>934,549</b>	<b>1,038,821</b>
<b>2. Currency exchange losses, net</b>			
Currency exchange losses, net	8	16	11,746
<b>Total Currency exchange losses, net</b>		<b>16</b>	<b>11,746</b>
<b>3. Advances</b>			
Advances given	7	2,161,128	1,514,321
<b>Total Advances</b>		<b>2,161,128</b>	<b>1,514,321</b>



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

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### SUMMARY OF FUNDS AND EXPENDITURES

31 December 2023 (continued)

(Expressed in EUR)

	<u>note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>4. Cash and bank balances</b>			
Cash and bank balances		1,702,009	1,571,251
<b>Total cash and bank balances</b>		<b>1,702,009</b>	<b>1,571,251</b>
<b>TOTAL EXPENDIDURES AND CASH BALANCES</b>		<b>4,797,702</b>	<b>4,136,139</b>

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

## SUMMARY OF FUNDS AND EXPENDITURES 31 December 2023 (continued) (Expressed in EUR)

	note	31 December 2023	31 December 2022
<b>FUNDS AND LIABILITIES</b>			
<b>1. Funds<sup>1</sup></b>			
SDC grant		-	46,983
Revolving Fund-SDC		821,954	886,941
Membership fee and other own sources		465,116	492,040
ORF/GIZ (RCDN 2021-2022)		-	238,268
ORF/GIZ (RCDN +)		112,373	-
GIZ (SoRi Phase II)		-	230,859
GIZ (SoRi Phase III)		477,918	99,687
GIZ (CEE-SEE)		-	129
GIZ (Services for Minorities -BLP)		-	7
GIZ (Services for Minorities -BLP II)		35,004	70,000
GIZ/ORF (Convent of Mayors)		87,669	33,888
GIZ/ORF (City Network)		102,968	30,902
GIZ (U-Lead)		81,179	-
GIZ (PEMO/Host Communities)		60,020	-
UN Women		-	23,712
SDC Albania (One Voice of Municipalities)		28,823	32,582
LoGoV		3,183	(1,636)
PLATFORMA		-	3,273
PLATFORMA SGA 3		3,804	3,688
FRIENDSHIP		113,055	84,071
EU for Municipalities		2,189,761	1,714,933
L2BR		86,522	129,162
COVALEX		79,518	-
ADA (BACID/KDZ)		29,700	11,250
OECD/SIGMA		-	5,400
KDZ (cost reimbursements)		3,208	-
CEMR (cost reimbursements)		1,508	-
FUEN (cost reimbursements)		269	-
<b>Total Funds</b>		<b>4,783,552</b>	<b>4,136,139</b>
<b>2. Currency exchange gains, net</b>			
Currency exchange gains, net	8	-	-
<b>Total Currency exchange gains, net</b>		<b>-</b>	<b>-</b>
<b>3. Liabilities</b>			
Advances received	7	14,150	-
<b>Total Advances</b>		<b>14,150</b>	<b>-</b>
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>4,797,702</b>	<b>4,136,139</b>

<sup>1</sup> The Funds include total sources of funds, bank interest, co-financing and Grant funds returned.

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

## STATEMENT OF CASH BALANCES, FUNDS AND LIABILITIES as of 31 December 2023 (Expressed in EUR)

	note	31 December 2023	31 December 2022
<b>CASH BALANCES</b>			
<b>1. Cash and bank balances</b>			
Cash and bank balances		1,702,009	1,571,251
<b>Total Cash and bank balances</b>		<b>1,702,009</b>	<b>1,571,251</b>
<b>2. Advances</b>			
Advances given	7	2,161,128	1,514,321
<b>Total Advances</b>		<b>2,161,128</b>	<b>1,514,321</b>
<b>TOTAL CASH BALANCES AND ADVANCES</b>		<b>3,863,137</b>	<b>3,085,572</b>
<b>FUNDS AND LIABILITIES</b>			
<b>1. Outstanding fund balances</b>			
SDC grant	5	-	(88,937)
Revolving Fund-SDC	6	814,041	854,569
Membership fee and other own sources		416,400	406,123
ORF/GIZ (RCDN 2021-2022)		-	1,725
ORF/GIZ (RCDN +)		27,676	-
GIZ (SoRi Phase II)		-	(55,825)
GIZ (SoRi Phase III)		307,370	91,859
GIZ (Services for Minorities -BLP II)		-	40,868
GIZ/ORF (Convent of Mayors)		19,592	29,836
GIZ/ORF (City Network)		4,837	29,173
GIZ (U-Lead)		23,388	-
GIZ (PEMO/Host Communities)		54,348	-
SDC Albania (One Voice of Municipalities)		1,446	(3,177)
LoGov		3,183	(1,636)
PLATFORMA SGA 3		(49,526)	(30,784)
FRIENDSHIP		20,051	25,929
EU for Municipalities		2,188,010	1,689,581
L2BR		-	105,568
COVALEX		74,904	-
ADA (BACID/KDZ)		(9,900)	(9,300)
SIDA/Air Quality		(38,850)	-
KDZ (cost reimbursements)		(7,983)	-
<b>Total Funds</b>		<b>3,848,987</b>	<b>3,085,572</b>
<b>2. Liabilities</b>			
Advances received	7	14,150	-
<b>Total Liabilities</b>		<b>14,150</b>	<b>-</b>
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>3,863,137</b>	<b>3,085,572</b>

## **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. The association is set up for an unlimited period. In the period from July 2006 till its registration, NALAS operations have been managed through bank account in Societe General in Strasburg and with the support by Swiss Embassy in the 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 the 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, including the use of the revolving fund for pre-financing and co-financing of the projects, excluding the operation of the NALAS Branch Office in Albania.

These financial statements include all operational and task-related expenditures incurred for the period from 1 January 2023 to 31 December 2023.

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, except for expenditures from implementing partners and subgrantees which are recognized after approval of financial reports submitted to Nalas. The accounting policies have been applied consistently throughout the reporting periods. They have been developed to meet the requirements of the donors which have provided institutional support to NALAS - Swiss Agency for Development and Cooperation (SDC) and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ).

**Notes to the special purpose financial statements (continued)**  
**Basis for preparation (continued)**

**3.2. 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 2023, 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:

	<b>31 December 2023</b>	<b>31 December 2022</b>
1 EUR	61.50 Denars	61.49 Denars
1 CHF	-	62.45 Denars
Average EUR	61.56 Denars	61.62 Denars
Average CHF	-	61.05 Denars

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

## Notes to the special purpose financial statements (continued)

### 4. STATEMENT OF SOURCES AND USES OF FUNDS DETAILS

For the year ended 31 December 2023  
(Expressed in EUR)

note	ID Grant SDC	SoRI II GIZ	RCDN '21-'22 GIZ	SoRI III GIZ	COMO GIZ	City Network GIZ	Services for Minorities - BLP/II GIZ	U-Lead GIZ	RCDN+ GIZ	PEMO GIZ	One Voice SDC	BACID ADA/KDZ	COVALEX EU	Friendship EU	PLATFORMA EU	EU4M EU	L2BR EU	Air Quality SIDA	LoGoV EU	Revolving Fund SDC	NALAS Members hip fee	Other contributions	Total 2023
	(88,937)	(55,825)	1,725	91,859	29,836	29,173	40,868	-	-	-	(3,177)	(9,300)	-	25,929	(30,784)	1,689,581	105,568	-	(1,636)	854,569	406,123	-	3,085,572
Balance on beginning of year																							
<b>SOURCES OF FUNDS</b>																							
I. Membership fee																							
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,900	-	57,900
II. Projects																							
	88,937	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,937
5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	112,373	-	-	-	-	-	-	-	-	-	-	-	-	-	112,373
	-	55,825	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,825
	-	-	-	386,059	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	386,059
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	57,833	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,833
	-	-	-	-	-	73,795	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,795
	-	-	-	-	-	-	-	81,100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81,100
	-	-	-	-	-	-	-	-	-	60,020	-	-	-	-	-	-	-	-	-	-	-	-	60,020
	-	-	-	-	-	-	-	-	-	-	32,000	-	-	-	-	-	-	-	-	-	-	-	32,000
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,819	-	-	-	4,819
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,020	-	-	-	-	-	-	-	11,020
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	87,126	-	-	-	-	-	-	-	-	87,126
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500,180	-	-	-	-	-	-	500,180
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	79,518	-	-	-	-	-	-	-	-	-	79,518
	-	-	-	-	-	-	-	-	-	-	-	29,250	-	-	-	-	-	-	-	-	-	-	29,250
III. Other Contributions																							
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,208	3,208
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,508	1,508
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	269	269
<b>TOTAL SOURCES OF FUNDS</b>	-	-	1,725	477,918	87,669	102,968	40,868	81,100	112,373	60,020	28,823	19,950	79,518	113,055	(19,764)	2,189,761	105,568	-	3,183	854,569	464,023	4,985	4,808,312
<b>EXPENDITURES</b>																							
I. Human Resources / Personnel																							
	-	-	-	78,036	42,293	19,215	4,121	16,313	48,329	4,538	3,006	39,600	4,189	77,779	19,391	-	-	7,000	-	-	22,938	-	386,748
II. Travel & Accommodation																							
	-	-	-	20,622	22,523	55,483	15,623	12,287	24,343	1,023	13,687	-	-	7,584	15,112	-	-	-	-	-	12,240	12,220	212,747
III. Equipment & Supplies																							
	-	-	-	859	-	-	665	-	2,680	-	-	-	-	-	-	-	-	-	-	-	935	-	5,139
IV. Office Costs																							
	-	-	-	5,690	1,624	4,005	413	1,502	3,654	20	798	-	280	6,384	-	-	-	1,707	-	-	2,052	-	28,129
V. Services																							
	-	-	-	20,473	1,637	19,428	11,932	7,261	5,691	91	9,886	-	145	1,257	18,827	1,751	-	30,143	-	7,913	10,535	748	147,718
VI. Forward Funding (subgranting LGA, LGs, partner)																							
	-	-	-	44,868	-	-	2,250	20,428	-	-	-	-	-	-	-	-	86,522	-	-	-	-	-	154,068
<b>TOTAL EXPENDITURES</b>	-	-	-	170,548	68,077	98,131	35,004	57,791	84,697	5,672	27,377	39,600	4,614	93,004	53,330	1,751	86,522	38,850	-	7,913	48,700	12,968	934,549
Bank interest	9	-	-	-	-	-	-	79	-	-	-	-	-	-	-	-	-	-	-	5,776	1,093	-	6,948
Co-financing	6	-	-	-	-	-	-	-	-	-	-	9,750	-	-	23,568	-	5,073	-	-	(38,391)	-	-	-
Currency exchange gains/(loss)	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16)	-	(16)
Grant funds returned	-	-	(1,725)	-	-	-	(5,864)	-	-	-	-	-	-	-	-	-	(24,119)	-	-	-	-	-	(31,708)
<b>Surplus of funds over expenditures</b>	-	-	-	307,370	19,592	4,837	-	23,388	27,676	54,348	1,446	(9,900)	74,904	20,051	(49,526)	2,188,010	-	(38,850)	3,183	814,041	416,400	(7,983)	3,848,987
Advances (given)/received	7	-	-	32,928	-	-	-	(10,983)	25	24,920	-	-	-	-	-	2,102,669	(3,167)	-	-	-	586	-	2,146,978
<b>Cash available / (deficit) at end of year</b>	-	-	-	274,442	19,592	4,837	-	34,371	27,651	29,428	1,446	(9,900)	74,904	20,051	(49,526)	85,341	3,167	(38,850)	3,183	814,041	415,814	(7,983)	1,702,009

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

### Notes to the special purpose financial statements (continued)

#### 4. STATEMENT OF SOURCES AND USES OF FUNDS DETAILS (continued)

For the year 31 December 2022  
(Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2022
<b>SOURCES OF FUNDS</b>						
Balance at beginning of year		983	1,474,966	882,784	434,044	2,792,777
Membership fee		-	-	-	55,500	55,500
Other own revenues/contributions		-	-	-	-	-
NDI		-	-	-	-	-
Grants from SDC (2018-2022)		46,000	-	-	-	46,000
Grants form SDC-Revolving Fund		-	-	-	-	-
ORF/GIZ (RCDN II)		-	-	-	-	-
ORF/GIZ (RCDN 2021-2022)		-	152,347	-	-	152,347
GIZ (SoRi Phase II)		-	-	-	-	-
GIZ (SoRi Phase III)		-	99,687	-	-	99,687
GIZ (CEE-SEE)		-	-	-	-	-
GIZ (Services for Minorities -BLP)		-	256	-	-	256
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
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	-	-
SDC Albania (One Voice of Municipalities)		-	-	-	-	-
PLATFORMA		-	50,222	-	-	50,222
PLATFORMA SGA3		-	15,117	-	-	15,117
FRIEMDSHIP		-	84,071	-	-	84,071
EU for Municipalities		-	664,819	-	-	664,819
L2BR		-	-	-	-	-
ADA (BACID/KDZ)		-	11,250	-	-	11,250
OECD/SIGMA		-	5,400	-	-	5,400
<b>TOTAL SOURCES OF FUNDS</b>		<b>46,983</b>	<b>2,712,456</b>	<b>882,784</b>	<b>489,544</b>	<b>4,131,767</b>



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

### Notes to the special purpose financial statements (continued)

#### 4. STATEMENT OF SOURCES AND USES OF FUNDS DETAILS (continued)

For the year 31 December 2022  
(Expressed in EUR)

	note	SDC Grant	Other Projects	SDC Revolving Fund	Membership fee/other contributions	Total 2022
<b>OPERATIONAL EXPENSES</b>						
Personnel		61,144	-	-	9,789	70,933
Office Expenses		15,229	-	24	4,945	20,198
<b>Total operational expenses</b>		<b>76,373</b>	<b>-</b>	<b>24</b>	<b>14,734</b>	<b>91,131</b>
<b>TASK FORCES AND KNOWLEDGE CENTER</b>						
Knowledge Center		34,176	-	-	52,287	86,463
Member Services		5,417	-	-	11,074	16,491
Advisory Concilium		515	-	-	1,103	1,618
Task Forces		6,823	-	-	2,719	9,542
External and EU integration activities		1,619	-	-	10	1,629
Statutory meeting		4,977	-	-	3,639	8,616
Gender		-	-	-	508	508
<b>Total task forces and knowledge center</b>		<b>53,527</b>	<b>-</b>	<b>-</b>	<b>71,340</b>	<b>124,867</b>
ORF (RCDN II)		-	-	-	-	-
ORF/GIZ (RCDN 2021-2022)		-	236,543	-	-	236,543
GIZ (SoRi Phase II)		-	286,684	-	-	286,684
GIZ (SoRi Phase III)		-	7,828	-	-	7,828
GIZ (CEE/SEE)		-	129	-	-	129
GIZ (Services for Minorities -BLP)		-	7	-	-	7
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

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

### Notes to the special purpose financial statements (continued)

#### 4. STATEMENT OF SOURCES AND USES OF FUNDS DETAILS (continued)

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>
UN Women		-	23,713	-	-	23,713
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	-	-
SDC Albania (One Voice of Municipalities)		-	35,759	-	-	35,759
LoGoV		-	-	-	-	-
PLATFORMA		-	3,273	(3,273)	-	-
PLATFORMA SGA 3		-	34,472	19,967	-	54,439
FRIENDSHIP		-	58,142	-	-	58,142
EU for Municipalities		-	25,352	-	-	25,352
L2BR		-	23,594	-	-	23,594
ADA (BACID/KDZ)		-	20,550	3,750	-	24,300
OECD/SIGMA		-	5,400	-	-	5,400
Audit fees		6,020	-	-	-	6,020
<b>TOTAL EXPENDITURES</b>		<b>135,920</b>	<b>796,359</b>	<b>20,468</b>	<b>86,074</b>	<b>1,038,821</b>
Bank interest		-	-	4,141	2,520	6,661
Currency exchange gains/(loss)		-	1	(11,904)	157	(11,746)
Transfer to/(from) reserve funds and others		-	8	16	(24)	-
Grant funds returned/GIZ (CEE/SEE)		-	(2,289)	-	-	(2,289)
<b>Surplus / (deficit) of funds over expenditures</b>		<b>(88,937)</b>	<b>1,913,817</b>	<b>854,569</b>	<b>406,123</b>	<b>3,085,572</b>
Advances (given) / received		-	(1,505,987)	(183)	(8,151)	(1,514,321)
<b>Cash available / (deficit) at end of year</b>		<b>(88,937)</b>	<b>407,830</b>	<b>854,386</b>	<b>397,972</b>	<b>1,571,251</b>

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

### Notes to the special purpose financial statements (continued)

#### 5. Swiss Agency for Development and Cooperation (SDC) Contribution

The Swiss Agency for Development and Cooperation (SDC) supported NALAS from its establishment 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.

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 final instalment received for this Contract in the period 1 January 2023 to 31 December 2023 amounted to EUR 88,937 (1 January 2022 to 31 December 2022 amounted to EUR 46,000).

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

(all amounts in EUR)	<b>Contract no. 81053731 1 January- 31 December 2023</b>	<b>Contract no. 81053731 1 January- 31 December 2022</b>
<b>PROJECT FUNDS</b>		
Balance at beginning of year	(88,937)	983
Contribution during the year	88,937	46,000
<b>TOTAL PROJECT FUNDS</b>	<b>-</b>	<b>46,983</b>
<b>PROJECT EXPENDITURES</b>		
<b>OPERATIONAL EXPENSES</b>		
<b>1. Personnel</b>		
Personnel expenses	-	61,144
<b>Total personnel expenses</b>	<b>-</b>	<b>61,144</b>
<b>2. Office</b>		
Office	-	15,229
<b>Total office expenses</b>	<b>-</b>	<b>15,229</b>
<b>Total operational expenses</b>	<b>-</b>	<b>76,373</b>

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

### 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 2023	Contract no. 81053731 1 January- 31 December 2022
<b>TASK FORCES AND KNOWLEDGE CENTER</b>		
<b>1. Knowledge Center</b>		
SO1. Sustainable Local Economic Development	-	2,067
SO2. Resilience, Migration, Disaster Risk Management, etc.	-	1,325
Running Knowledge Center	-	4,980
Network of National Knowledge Managers	-	25,804
<b>Total Knowledge Center</b>	-	<b>34,176</b>
<b>2. Member Services</b>		
E-learning	-	5,417
Quick response	-	-
Peer Review	-	-
Shadowing / Internship program	-	-
<b>Total Member Services</b>	-	<b>5,417</b>
<b>3. Advisory Concilium</b>		
Advisory Concilium	-	515
<b>Total Advisory Concilium</b>	-	<b>515</b>
<b>4. Task Forces</b>		
Task Forces	-	6,823
<b>Total Task Forces</b>	-	<b>6,823</b>
<b>5. External and EU integration activities</b>		
External and EU integration activities	-	1,619
<b>Total External and EU integration activities</b>	-	<b>1,619</b>
<b>6. Statutory meeting</b>		
General Assembly	-	4,566
LO Meetings	-	411
Executive Bureau meetings	-	-
<b>Total Statutory meeting</b>	-	<b>4,977</b>
<b>7. Gender</b>		
Gender	-	-
<b>Total Gender</b>	-	-
<b>TOTAL TASK FORCES AND KNOWLEDGE CENTER</b>	-	<b>53,527</b>
Audit fees	-	6,020
<b>TOTAL EXPENDITURES</b>	-	<b>135,920</b>
Currency exchange gains/loss	-	-
Balance at end of year	-	<b>(88,937)</b>

### **Notes to the special purpose financial statements (continued)**

#### **6. 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 was valid for the period from 1 October 2017 to 31 December 2022, in total amount of CHF 1,000,000. In 2023, an Amendment to the Contribution Contract for Revolving Fund was signed for extension of the Grant period until 31 December 2027. 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 2023 to 31 December 2023, NALAS has not received an instalment for this Contract (for the period from 1 January 2022 to 31 December 2022, NALAS has not received an instalment for this Contract). The total amount of the Grant has been transferred to NALAS in the previous years.

From signing the Contribution Contract for Revolving Fund till the end of December 2023, the Revolving fund has been mobilized for pre-financing and co-financing of the following Projects:

- "PLATFORMA (SGA 2)" funded by Directorate-General for International Cooperation and Development of European Union (DEVCO)
- "Local Government in an Era of Metropolitan Growth - LOGOV, funded through HORIZON 2020 - Marie Skłodowska-Curie Research and Innovation Staff Exchange Programme (RISE).
- "EU for Municipalities" funded under the EuropeAid/166359/DD/ACT/AL call for proposals,
- "Learn to be Resilient-L2BR" funded under the call for proposals (UCPM-2020-KN-AG) in the field of Civil Protection under the Union Civil Protection Knowledge Network,
- "BACID III (Building Administrative Capacities of the Western Balkans and the Republic of Moldova)", funded by Austrian Development Agency
- "PLATFORMA (SGA 3)", funded by Directorate-General for International Partnerships (DG International Partnerships or DG INTPA) of the European Commission.
- FRIENDSHIP-Strengthening EU-Mongolia Friendship through Equitable, Resilient and Innovative Growth in Darkhan City, funded by EU's EuropeAid funding programme managed by DG INTPA (Directorate General International Partnerships)

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 2023 and 2022:

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

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

(all amounts in EUR)	<u>Total 2023</u>	<u>Total 2022</u>
<b>SOURCES OF FUNDS</b>		
Balance at beginning of year	854,569	882,784
Contribution during the year	-	-
<b>Total Sources of funds</b>	<b><u>854,569</u></b>	<b><u>882,784</u></b>
<b>EXPENDITURES</b>		
Services (bank fees and audit cost)	7,913	24
<b>Total expenditures</b>	<b><u>7,913</u></b>	<b><u>24</u></b>
<b>CO-FINANCING</b>		
PLATFORMA SGA 2 co-financing	-	(3,273)
LoGoV co-financing	-	-
EU for Municipalities co-financing	-	-
PLATFORMA SGA 3 co-financing	23,568	19,967
L2BR co-financing	5,073	-
ADA (BACID/KDZ) co-financing	9,750	3,750
<b>Total co-financing</b>	<b><u>38,391</u></b>	<b><u>20,444</u></b>
<b>Currency exchange gains/(loss)</b>	<b>-</b>	<b><u>(11,904)</u></b>
<b>Revolving Fund Bank interest</b>	<b><u>5,776</u></b>	<b><u>4,157</u></b>
<b>Surplus of funds over expenditures and co-financing</b>	<b><u>814,041</u></b>	<b><u>854,569</u></b>
Cumulative funds used for pre-financing expenditures		
PLATFORMA	139,264	139,264
LoGoV	5,444	5,444
PLATFORMA SGA 3	53,751	30,783
ADA (BACID/KDZ)	50,400	20,550
FRIENDSHIP	9,893	-
<b>Total cumulative funds used for pre-financing</b>	<b><u>258,752</u></b>	<b><u>196,041</u></b>
Cumulative funds reimbursed for pre-financed expenditures		
PLATFORMA	(139,264)	(139,264)
PLATFORMA SGA 3	(11,020)	-
ADA (BACID/KDZ)	(40,500)	(11,250)
<b>Total cumulative funds reimbursed for pre-financed expenditures</b>	<b><u>(190,784)</u></b>	<b><u>(150,514)</u></b>
Advances		
Advance from PLATFORMA given/(received)	254	183
<b>Total funds used for advance payment</b>	<b><u>254</u></b>	<b><u>183</u></b>
Revolving funds committed for co-financing		
EU for Municipalities co-financing part	(1,684)	(1,684)
<b>Total Revolving funds committed for co-financing</b>	<b><u>(1,684)</u></b>	<b><u>(1,684)</u></b>
<b>Funds on bank accounts as of 31 December</b>		
Bank account in CHF	-	-
Bank account in EUR	747,503	810,543
<b>Total Funds on bank accounts Revolving Fund</b>	<b><u>747,503</u></b>	<b><u>810,543</u></b>

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

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

PLATFORMA pre-financing expenditures in amount of EUR 139,264 include funds used for pre-financing of expenditures in previous years.

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

PLATFORMA SGA3 pre-financing expenditures in amount of EUR 53,751 include EUR 22,968 used for pre-financing of expenditures in year 2023 and EUR 30,783 in year 2022.

ADA (BACID/KDZ) pre-financing expenditures in amount of EUR 50,400 include EUR 29,850 used for pre-financing of expenditures in year 2023 and EUR 30,783 in year 2022.

FRIENDSHIP pre-financing expenditures in amount of EUR 9,893 are used for pre-financing of expenditures in year 2023.

Funds received for pre-financed expenditures for PLATFORMA in amount of EUR 139,264 include funds received in previous years.

Funds received for pre-financed expenditures for PLATFORMA SGA 3 in amount of EUR 11,020 include funds received in year 2023.

Funds received for pre-financed expenditures for ADA (BACID/KDZ) in amount of EUR 40,500 include EUR 29,250 received in year 2023 and EUR 11,250 received in year 2022.

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

### **Notes to the special purpose financial statement (continued)**

#### **7. Advances**

As of 31 December 2023, NALAS has disbursed total net funds of EUR 2,146,978 (2022: EUR 1,514,321) 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:

(all amounts in EUR)	<b>31 December 2023</b>	<b>31 December 2022</b>
Advances received/(given) related to Project L2BR	3,167	(86,111)
Advances (given)/received related to Project EU for Municipalities	(2,102,669)	(1,422,753)
Advances (given)/received related to other Projects	(47,476)	(5,457)
<b>Total Advances</b>	<b>(2,146,978)</b>	<b>(1,514,321)</b>

The advances related to the Project EU for Municipalities in amount of EUR 2,102,669 (2022: EUR 1,422,753) include: EUR 395,000 (2022: EUR 215,000) funds transferred to NALAS Branch office in Tirana, EUR 355,683 (2022: EUR: 249,436) funds transferred to project partners and affiliated entities and EUR 1,351,986 (2022: EUR 958,317) funds transferred to Grantees/Municipalities. The funds transferred to those parties as advance payments will be closed after completion of the EU for Municipalities project and official expenditure verifications done by the independent audit company by the end of year 2024. The first external audit for expenditure verification has been completed in July 2022 verifying the expenditures in total amount of EUR 263,341, covering the period from 01 June 2021 to 31 May 2022. The next final audit will cover the period from 01 June 2022 until the completion date of the project.

#### **8. Currency exchange loss/gain**

The net foreign exchange losses in the amount of EUR 16 (2022: net foreign exchange losses in the amount of EUR 11,746) consist of foreign exchange losses in the amount of EUR 0 (2022: foreign exchange losses in the amount of EUR 11,904) resulting from translating the SDC revolving fund from CHF to EUR and the foreign exchange losses in the amount of EUR 16 (2022: foreign exchange gains in the amount of EUR 158) resulting from translating the Macedonian Denars to EUR for reporting purposes.



### **Notes to the special purpose financial statement (continued)**

#### **9. Bank Interest**

NALAS operates with bank account in Societe Generale Bank in Strasbourg, and several non-residential bank accounts in ProCredit Bank in the Republic of North Macedonia. During the year 2023, the amount of EUR 6,948 was received as bank interest from ProCredit Bank in the Republic of North Macedonia. In 2022, the amount received as bank interest was EUR 6,661 from ProCredit Bank in the Republic of North Macedonia.

#### **10. VAT Recoverable**

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