

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

**Special purpose financial statements
For the year ended 31 December 2025**

With the Independent auditor's report thereon

Contents

	Page
Independent Auditor's Report	1
Statement of sources and uses of funds	3
Summary of funds and expenditures	5
Statement of cash balances, funds and liabilities	8
Notes to the special purpose financial statements	9

Independent Auditor's Report

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

Grant Thornton DOO
Sv. Kiril i Metodij 52b-1/20
1000 Skopje
North Macedonia
T +389 (0)2 3214 700
F +389 (0)2 3214 710
E Contact@mk.gt.com
VAT No. 4030003475973

Opinion

We have audited the special purpose financial statements of 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 2025 and the Summary of funds and expenditures for the year then ended and a summary of significant accounting policies and other explanatory information included on pages 3 to 18.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of Nalas as of 31 December 2025, 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.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing¹. Our responsibilities under these standards are described in the section Auditor's Responsibility for the Audit of the Special Purpose Financial Statements of this report. We are independent of NALAS in accordance with the ethical requirements relevant to our audit of the financial statements in the Republic of North Macedonia, and we have fulfilled all other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

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 purpose of reporting to the Association's 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 the Association's General Assembly and the Swiss Agency for Development and Cooperation and should not be distributed to or used by other parties. Our opinion is not modified in respect of this matter.

Responsibility of management and those charged with governance for the financial statements

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

In preparing the special purpose financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, where applicable, matters related to going concern, and using the going concern basis of accounting, unless management intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

¹ International Standards on Auditing ("ISA") translated and published in the Official Gazette of the Republic of North Macedonia No. 273 of 2024, effective from 1 January 2025.

Auditor's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of the audit in accordance with the International Standards on Auditing, we apply professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Suzana Stavrikj
Director
Grant Thornton DOO, Skopje
Skopje, 03 April 2026



Suzana Stavrikj
Certified Auditor

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

Special purpose financial statements

For the year ended 31 December 2025

STATEMENT OF SOURCES AND USES OF FUNDS

For the year 31 December 2025

(Expressed in EUR)

	note	Projects	SDC Revolving Fund	Membership fee	Other contributions	Total 2025	Total 2024
Balance at beginning of year		173,015	691,239	407,122	-	1,271,376	3,848,987
SOURCES OF FUNDS							
Membership fee		-	-	59,500	-	59,500	65,631
Projects		2,120,758	-	-	-	2,120,758	855,744
Other contributions		-	-	-	800	800	10,542
TOTAL SOURCES OF FUNDS	4	2,293,773	691,239	466,622	800	3,452,434	4,780,904
EXPENDITURES							
Expenditures		1,371,341	6	60,939	1,564	1,433,850	3,486,460
TOTAL EXPENDITURES	4	1,371,341	6	60,939	1,564	1,433,850	3,486,460
Bank interest	8	32	4,245	2,654	-	6,931	6,789
Co-financing	5	37,191	(37,191)	-	-	-	-
Currency exchange gains/(loss)	7	(23)	-	(2)	-	(25)	4
Grant funds returned	4	(14,351)	-	-	-	(14,351)	(29,861)
Surplus / (deficit) of funds over expenditures		945,281	658,287	408,335	(764)	2,011,139	1,271,376

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

Special purpose financial statements

For the year ended 31 December 2025


STATEMENT OF SOURCES AND USES OF FUNDS (continued)

For the year 31 December 2025

(Expressed in EUR)

	<u>note</u>	<u>Projects</u>	<u>SDC Revolving Fund</u>	<u>Membership fee</u>	<u>Other contributions</u>	<u>Total 2025</u>	<u>Total 2024</u>
Advances (given) / received, net	6	3,275	(701)	2,852	-	5,426	(136,491)
Cash available / (deficit) at end of year		948,556	657,586	411,187	(764)	2,016,565	1,134,885
Cash available at end of year consist of:							
Bank accounts						1,511,988	527,628
Bank accounts Revolving Fund	5					503,164	606,161
Petty cash						1,413	1,096
Total cash available at end of year						2,016,565	1,134,885

Authorized by:


Kelmend Zajazi
Executive Director

Date: 24 March 2026

Network of Associations of Local Authorities of South East Europe (NALAS)
Special purpose financial statements
For the year ended 31 December 2025

SUMMARY OF FUNDS AND EXPENDITURES
31 December 2025
(Expressed in EUR)

	note	31 December 2025	31 December 2024
EXPENDITURES AND CASH BALANCES			
1. Expenditures			
Revolving Fund-SDC		6	502
Membership fee and other own sources		60,939	65,359
GIZ (SoRi Phase III)		465,018	311,989
ORF/GIZ (RCDN + '23-'24)		0	20,336
ORF/GIZ (RCDN + '24-'26)		412,430	219,853
GIZ/ORF (City Network)		-	14,571
GIZ/ORF (Convent of Mayors)		10,828	80,633
GIZ (PEMO/Host Communities)		43,370	91,644
GIZ (Circular Economy)		5,299	-
GIZ (Climate Adaptation)		25,648	-
GIZ (U-Lead '23)		-	867
GIZ (U-Lead '24)		1,031	46,349
GIZ (U-Lead '25)		43,852	-
SDC Albania (One Voice of Municipalities)		-	2,369
ADA (BACID/KDZ)		-	39,600
UN Women (Gender)		41,799	12,628
UNDP (YPS)		50,353	-
CoE (D. Democracy)		92,377	4,107
EU (D4LA)		914	-
EU (WATERWILL)		11,551	-
EU (COVALEX)		3,605	68,098
EU (FRIENDSHIP)		53,489	50,275
EU (PLATFORMA SGA 4)		106,494	12,428
EU for Municipalities		-	2,435,496
EU (LoGov)		3,283	6,797
Other contributions-KDZ (cost reimbursements)		-	1,943
Other contributions-CoE (cost reimbursements)		-	616
Other contributions-CEMR (cost reimbursements)		1,564	-
Total expenditures		1,433,850	3,486,460
2. Currency exchange losses, net			
Currency exchange losses, net	7	25	-
Total Currency exchange losses, net		25	-
3. Advances			
Advances given	6	42,474	187,060
Total Advances		42,474	187,060

Network of Associations of Local Authorities of South East Europe (NALAS)
Special purpose financial statements
For the year ended 31 December 2025

SUMMARY OF FUNDS AND EXPENDITURES

31 December 2025 (continued)

(Expressed in EUR)

	<u>note</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
4. Cash and bank balances			
Cash and bank balances		2,016,565	1,134,885
Total cash and bank balances		<u>2,016,565</u>	<u>1,134,885</u>
TOTAL EXPENDITURES AND CASH BALANCES		<u>3,492,914</u>	<u>4,808,405</u>

Network of Associations of Local Authorities of South East Europe (NALAS)
Special purpose financial statements
For the year ended 31 December 2025

SUMMARY OF FUNDS AND EXPENDITURES
31 December 2025 (continued)
(Expressed in EUR)

	<u>note</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
FUNDS AND LIABILITIES			
1. Funds¹			
Revolving Fund-SDC		658,293	691,741
Membership fee and other own sources		469,276	472,483
GIZ (SoRi Phase III)		409,622	477,040
ORF/GIZ (RCDN + '23-'24)		-	20,336
ORF/GIZ (RCDN + '24-'26)		487,936	270,096
GIZ/ORF (City Network)		-	14,571
GIZ/ORF (Convent of Mayors)		17,284	97,917
GIZ (PEMO/Host Communities)		43,370	129,128
GIZ (Circular Economy)		51,871	-
GIZ (Climate Adaptation)		73,332	-
GIZ (U-Lead '23)		-	867
GIZ (U-Lead '24)		1,031	44,351
GIZ (U-Lead '25)		116,224	-
SDC Albania (One Voice of Municipalities)		-	2,369
ADA (BACID/KDZ)		-	33,000
UN Women (Gender)		30,448	27,314
UNDP (YPS)		58,747	-
CoE (D. Democracy)		65,861	-
EU (EU4ALL)		869,800	-
EU (COVALEX)		3,605	86,054
EU (FRIENDSHIP)		29,776	80,051
EU (PLATFORMA SGA 4)		31,205	-
EU (EU for Municipalities)		23,250	2,304,772
EU (LoGoV)		3,283	3,183
Other contributions - KDZ (cost reimbursements)		-	1,943
Other contributions - CoE (cost reimbursements)		-	616
Other contributions - CEMR (cost reimbursements)		800	-
Total Funds		<u>3,445,014</u>	<u>4,757,832</u>
2. Currency exchange gains, net			
Currency exchange gains, net	7	-	4
Total Currency exchange gains, net		<u>-</u>	<u>4</u>
3. Liabilities			
Advances received	6	47,900	50,569
Total Advances		<u>47,900</u>	<u>50,569</u>
TOTAL FUNDS AND LIABILITIES		<u>3,492,914</u>	<u>4,808,405</u>

¹ 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)
Special purpose financial statements
For the year ended 31 December 2025

STATEMENT OF CASH BALANCES, FUNDS AND LIABILITIES
as of 31 December 2025
(Expressed in EUR)

	note	31 December 2025	31 December 2024
CASH BALANCES			
1. Cash and bank balances			
Cash and bank balances		2,016,565	1,134,885
Total Cash and bank balances		2,016,565	1,134,885
2. Advances			
Advances given	6	42,474	187,060
Total Advances		42,474	187,060
TOTAL CASH BALANCES AND ADVANCES		2,059,039	1,321,945
FUNDS AND LIABILITIES			
1. Outstanding fund balances			
Revolving Fund-SDC	5	658,287	691,239
Membership fee and other own sources		408,335	407,122
GIZ (SoRi Phase III)		(55,396)	165,051
ORF/GIZ (RCDN + '24-'26)		75,506	50,243
GIZ/ORF (Convent of Mayors)		6,456	17,284
GIZ (PEMO/Host Communities)		-	37,484
GIZ (Circular Economy)		46,572	-
GIZ (Climate Adaptation)		47,684	-
GIZ (U-Lead '24)		-	(1,998)
GIZ (U-Lead '25)		72,372	-
ADA (BACID/KDZ)		-	(6,600)
UN Women (Gender)		(11,387)	14,692
UNDP (YPS)		8,407	-
CoE (D. Democracy)		(26,516)	(4,107)
EU (D4LA)		(914)	-
EU (WATERVILL)		(11,551)	-
EU (EU4ALL)		869,800	-
EU (COVALEX)		-	17,956
EU (FRIENDSHIP)		(23,713)	29,776
EU (PLATFORMA SGA 4)		(75,289)	(12,428)
EU (EU for Municipalities)		23,250	(130,724)
EU (LoGov)		-	(3,614)
Other contributions-CEMR (cost reimbursements)		(764)	-
Total outstanding funds balances		2,011,139	1,271,376
2. Liabilities			
Advances received	6	47,900	50,569
Total Liabilities		47,900	50,569
TOTAL FUNDS AND LIABILITIES		2,059,039	1,321,945

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 was audited as foreseen in the EU for Municipality Project contract with EU.

NALAS Branch in Albania is also implementing the project/activities One Voice of LGAs in Albania-Phase 2, funded by Swiss Confederation, represented by Swiss Federal Department of Foreign Affairs, acting through Embassy of Switzerland in Albania, for which an audit is foreseen in the Contract.

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 2025 to 31 December 2025.

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).

Network of Associations of Local Authorities of South East Europe (NALAS)
For the year ended 31 December 2025

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, the cash transactions executed during the year denominated in Macedonian Denars are translated into EUR using the average middle exchange rate for the year 2025, 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 2025	31 December 2024
1 EUR	61.50 Denars	61.50 Denars
Average EUR	61.59 Denars	61.53 Denars

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

For the year ended 31 December 2025

Notes to the special purpose financial statements (continued)

4. STATEMENT OF SOURCES AND USES OF FUNDS DETAILS

For the year ended 31 December 2025
(expressed in EUR)

	note	SoRi III GIZ	RCDN+ '24- '26 GIZ	COMO GIZ	Host Communities GIZ	Circular Economy GIZ	Climate adaptation GIZ	U-Lead '24 GIZ	U-Lead '25 GIZ	BACID ADA/KDZ	Gender Un Woman	YPS UNDP	D. Democracy CoE
Balance on beginning of year		165,051	50,243	17,284	37,484	-	-	(1,998)	-	(6,600)	14,692	-	(4,107)
SOURCES OF FUNDS													
I. Membership fee		-	-	-	-	-	-	-	-	-	-	-	-
II. Projects		-	-	-	-	-	-	-	-	-	-	-	-
Other own sources/contributions		-	-	-	-	-	-	-	-	-	-	-	-
Grants from SDC-Revolving Fund	5	244,571	-	-	-	-	-	-	-	-	-	-	-
GIZ (SoRi Phase III)		-	-	-	-	-	-	-	-	-	-	-	-
ORF/GIZ (RCDN+ '24-'26)		-	437,693	-	-	-	-	-	-	-	-	-	-
GIZ/ORF (City Network)		-	-	-	-	-	-	-	-	-	-	-	-
GIZ/ORF (Convent of Mayors)		-	-	-	-	-	-	-	-	-	-	-	-
GIZ (PEMO/Host Communities)		-	-	-	5,886	-	-	-	-	-	-	-	-
GIZ (Circular Economy)		-	-	-	-	51,871	-	-	-	-	-	-	-
GIZ (Climate adaptation)		-	-	-	-	-	73,332	-	-	-	-	-	-
GIZ (U-Lead '24)		-	-	-	-	-	-	3,029	-	-	-	-	-
GIZ (U-Lead '25)		-	-	-	-	-	-	-	116,192	-	-	-	-
SDC Albania (One voice for Municipalities)		-	-	-	-	-	-	-	-	-	-	-	-
ADA (BACID/KDZ)		-	-	-	-	-	-	-	-	4,950	-	-	-
Gender (Un Woman)		-	-	-	-	-	-	-	-	-	15,756	-	-
YPS (UNDP)		-	-	-	-	-	-	-	-	-	-	58,747	-
D. Democracy (CoE)		-	-	-	-	-	-	-	-	-	-	-	69,968
Air Quality (SIDA)		-	-	-	-	-	-	-	-	-	-	-	-
COVALEX		-	-	-	-	-	-	-	-	-	-	-	-
FRIENDSHIP		-	-	-	-	-	-	-	-	-	-	-	-
PLATFORMA 3		-	-	-	-	-	-	-	-	-	-	-	-
PLATFORMA 4		-	-	-	-	-	-	-	-	-	-	-	-
EU4M		-	-	-	-	-	-	-	-	-	-	-	-
LoGoV		-	-	-	-	-	-	-	-	-	-	-	-
D4LA		-	-	-	-	-	-	-	-	-	-	-	-
WATERWILL		-	-	-	-	-	-	-	-	-	-	-	-
EU4ALL		-	-	-	-	-	-	-	-	-	-	-	-
III. Other Contributions		-	-	-	-	-	-	-	-	-	-	-	-
KDZ (costs reimbursements)		-	-	-	-	-	-	-	-	-	-	-	-
CEMR (costs reimbursements)		-	-	-	-	-	-	-	-	-	-	-	-
CoE (costs reimbursements)		-	-	-	-	-	-	-	-	-	-	-	-
TOTAL SOURCES OF FUNDS		409,622	487,936	17,284	43,370	51,871	73,332	1,031	116,192	(1,650)	30,448	58,747	65,861
EXPENDITURES													
I. Human Resources / Personnel		83,466	159,220	9,106	15,036	5,223	19,798	-	39,548	-	8,987	18,568	12,544
II. Travel & Accommodation		120,608	43,392	421	46	-	5,558	811	3,201	-	18,068	21,533	15,344
III. Equipment & Supplies		9,319	956	549	353	-	-	189	-	-	-	-	-
IV. Office Costs		8,135	6,087	429	2,472	5	173	-	805	-	2,211	3,105	3,010
V. Services		48,675	30,597	323	15,499	71	119	31	298	-	7,837	7,147	61,479
VI. Forward Funding (subgranting LGA, LGs, partner)		194,815	172,178	-	9,964	-	-	-	-	-	4,696	-	-
TOTAL EXPENDITURES		465,018	412,430	10,828	43,370	5,299	25,648	1,031	43,852	-	41,799	50,353	92,377
Bank interest	8	-	-	-	-	-	-	-	32	-	-	-	-
Co-financing	5	-	-	-	-	-	-	-	-	1,650	-	-	-
Currency exchange gains/(loss)	7	-	-	-	-	-	-	-	-	-	(36)	13	-
Transfer to reserve funds and others		-	-	-	-	-	-	-	-	-	-	-	-
Grant funds returned		-	-	-	-	-	-	-	-	-	-	-	-
Surplus of funds over expenditures		(55,396)	75,506	6,456	-	46,572	47,684	-	72,372	-	(11,387)	8,407	(26,516)
Advances (given)/received	6	39,359	(20,540)	-	-	-	-	-	-	-	(14)	-	-
Cash available / (deficit) at end of year		(16,037)	54,966	6,456	-	46,572	47,684	-	72,372	-	(11,401)	8,407	(26,516)

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

For the year ended 31 December 2025

Notes to the special purpose financial statements (continued)

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

For the year ended 31 December 2025
(expressed in EUR)

	note	D4LA EU	WATERWILL EU	EU4ALL EU	COVALEX EU	Friendship EU	PLATFORMA 4 EU	EU4M EU	LoGoV EU	Revolving Fund SDC	NALAS Membership fee	Other contributions	Total 2025	Total 2024
Balance on beginning of year		-	-	-	17,956	29,776	(12,428)	(130,724)	(3,614)	691,239	407,122	-	1,271,376	3,848,987
SOURCES OF FUNDS														
I. Membership fee		-	-	-	-	-	-	-	-	-	59500	-	59,500	65,631
II. Projects		-	-	-	-	-	-	-	-	-	-	-	-	-
Other own sources/contributions		-	-	-	-	-	-	-	-	-	-	-	-	-
Grants from SDC-Revolving Fund	5	-	-	-	-	-	-	-	-	-	-	-	-	-
GIZ (SoRi Phase III)		-	-	-	-	-	-	-	-	-	-	-	244,571	169,670
ORF/GIZ (RCDN+ '24-'26)		-	-	-	-	-	-	-	-	-	-	-	437,693	270,096
GIZ/ORF (City Network)		-	-	-	-	-	-	-	-	-	-	-	-	9,734
GIZ/ORF (Convent of Mayors)		-	-	-	-	-	-	-	-	-	-	-	-	78,325
GIZ (PEMO/Host Communities)		-	-	-	-	-	-	-	-	-	-	-	5,886	74,780
GIZ (Circular Economy)		-	-	-	-	-	-	-	-	-	-	-	51,871	-
GIZ (Climate adaptation)		-	-	-	-	-	-	-	-	-	-	-	73,332	-
GIZ (U-Lead '24)		-	-	-	-	-	-	-	-	-	-	-	3,029	44,351
GIZ (U-Lead '25)		-	-	-	-	-	-	-	-	-	-	-	116,192	-
SDC Albania (One voice for Municipalities)		-	-	-	-	-	-	-	-	-	-	-	-	923
ADA (BACID/KDZ)		-	-	-	-	-	-	-	-	-	-	-	4,950	32,175
Gender (Un Woman)		-	-	-	-	-	-	-	-	-	-	-	15,756	27,314
YPS (UNDP)		-	-	-	-	-	-	-	-	-	-	-	58,747	-
D. Democracy (CoE)		-	-	-	-	-	-	-	-	-	-	-	69,968	-
Air Quality (SIDA)		-	-	-	-	-	-	-	-	-	-	-	-	38,850
COVALEX		-	-	-	-	-	-	-	-	-	-	-	-	-
FRIENDSHIP		-	-	-	-	-	-	-	-	-	-	-	-	60,000
PLATFORMA 3		-	-	-	-	-	-	-	-	-	-	-	-	49,526
PLATFORMA 4		-	-	-	-	-	8,092	-	-	-	-	-	8,092	-
EU4M		-	-	-	-	-	-	153,974	-	-	-	-	153,974	-
LoGoV		-	-	-	-	-	-	-	6,897	-	-	-	6,897	-
D4LA		-	-	-	-	-	-	-	-	-	-	-	-	-
WATERWILL		-	-	-	-	-	-	-	-	-	-	-	-	-
EU4ALL		-	-	869,800	-	-	-	-	-	-	-	-	869,800	-
III. Other Contributions		-	-	-	-	-	-	-	-	-	-	-	-	-
KDZ (costs reimbursements)		-	-	-	-	-	-	-	-	-	-	-	-	9,926
CEMR (costs reimbursements)		-	-	-	-	-	-	-	-	-	-	800	800	-
CoE (costs reimbursements)		-	-	-	-	-	-	-	-	-	-	-	-	616
TOTAL SOURCES OF FUNDS		-	-	869,800	17,956	29,776	(4,336)	23,250	3,283	691,239	466,622	800	3,452,434	4,780,904
EXPENDITURES														
I. Human Resources / Personnel		-	11,163	-	3,565	48,722	39,810	-	3,283	-	23,677	-	501,716	428,900
II. Travel & Accommodation		885	359	-	-	1,014	30,694	-	-	-	18,061	1,564	281,559	266,423
III. Equipment & Supplies		-	-	-	-	-	-	-	-	-	-	-	11,366	15,595
IV. Office Costs		-	-	-	-	3,478	-	-	-	-	4,315	-	34,225	28,300
V. Services		29	29	-	40	275	35,990	-	-	6	14,886	-	223,331	129,002
VI. Forward Funding (subgranting LGA, LGs, partner)		-	-	-	-	-	-	-	-	-	-	-	381,653	2,618,240
TOTAL EXPENDITURES		914	11,551	-	3,605	53,489	106,494	-	3,283	6	60,939	1,564	1,433,850	3,486,460
Bank interest	8	-	-	-	-	-	-	-	-	4,245	2,654	-	6,931	6,789
Co-financing	5	-	-	-	-	-	35,541	-	-	(37,191)	-	-	-	-
Currency exchange gains/(loss)	7	-	-	-	-	-	-	-	-	-	(2)	-	(25)	4
Transfer to reserve funds and others		-	-	-	-	-	-	-	-	-	-	-	-	-
Grant funds returned		-	-	-	(14,351)	-	-	-	-	-	-	-	(14,351)	(29,861)
Surplus of funds over expenditures		(914)	(11,551)	869,800	-	(23,713)	(75,289)	23,250	-	658,287	408,335	(764)	2,011,139	1,271,376
Advances (given)/received	6	-	5,689	-	-	-	-	(21,219)	-	(701)	2,852	-	5,426	(136,491)
Cash available / (deficit) at end of year		(914)	(5,862)	869,800	-	(23,713)	(75,289)	2,031	-	657,586	411,187	(764)	2,016,565	1,134,885

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 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 2025 to 31 December 2025, NALAS has not received an instalment for this Contract (for the period from 1 January 2024 to 31 December 2024, 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 2025, 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)
- "PLATFORMA (SGA 4)", funded by Directorate-General for International Partnerships (DG International Partnerships or DG INTPA) of the European Commission.

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 2025 and 2024:

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 2025</u>	<u>Total 2024</u>
SOURCES OF FUNDS		
Balance at beginning of year	691,239	814,041
Contribution during the year	-	-
Total Sources of funds	<u>691,239</u>	<u>814,041</u>
EXPENDITURES		
Services (bank fees and audit cost)	6	502
Total expenditures	<u>6</u>	<u>502</u>
CO-FINANCING		
PLATFORMA SGA 4 co-financing	35,541	-
EU for Municipalities co-financing	-	116,762
ADA (BACID/KDZ) co-financing	1,650	10,725
Total co-financing	<u>37,191</u>	<u>127,487</u>
Currency exchange gains/(loss)	<u>-</u>	<u>-</u>
Revolving Fund Bank interest income	<u>4,245</u>	<u>5,187</u>
Surplus of funds over expenditures and co-financing	<u>658,287</u>	<u>691,239</u>
Cumulative funds used for pre-financing expenditures		
PLATFORMA ¹	139,264	139,264
PLATFORMA SGA 3 ²	53,751	53,751
LoGoV ³	5,444	5,444
ADA (BACID/KDZ) ⁴	79,275	79,275
FRIENDSHIP ⁵	46,152	24,359
EU4M ⁶	178,221	178,221
PLATFORMA SGA 4 ⁷	72,854	-
Total cumulative funds used for pre-financing	<u>574,961</u>	<u>480,314</u>
Cumulative funds reimbursed for pre-financed expenditures		
PLATFORMA ¹	(139,264)	(139,264)
PLATFORMA SGA 3 ²	(53,751)	(53,751)
LoGoV ³	(5,444)	-
ADA (BACID/KDZ) ⁴	(79,275)	(52,875)
FRIENDSHIP ⁵	(24,359)	(24,359)
Total cumulative funds reimbursed for pre-financed expenditures	<u>(302,093)</u>	<u>(270,249)</u>
Advances		
Advance from PLATFORMA given/(received)	701	(6,541)
Total funds used for advance payment	<u>701</u>	<u>(6,541)</u>
Revolving funds committed for co-financing		
EU for Municipalities co-financing part ⁶	(118,446)	(118,446)
Total Revolving funds committed for co-financing	<u>(118,446)</u>	<u>(118,446)</u>
Funds on bank accounts as of 31 December		
Bank account in CHF	-	-
Bank account in EUR	503,164	606,161
Total Funds on bank accounts Revolving Fund	<u>503,164</u>	<u>606,161</u>

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)

¹ PLATFORMA pre-financing expenditures in amount of EUR 139,264 include funds used for pre-financing of expenditures in previous years. As at 31 December 2025 and 2024, the Project is completed and the funds are reimbursed.

² PLATFORMA SGA3 pre-financing expenditures in amount of EUR 53,751 include funds used for pre-financing of expenditures in previous years. As at 31 December 2025 and 2024, the Project is completed and the funds are reimbursed.

³ LoGov pre-financing expenditures in amount of EUR 5,444 include funds used for pre-financing of expenditures in previous years. As at 31 December 2025, the Project is completed and the funds are reimbursed.

⁴ ADA (BACID/KDZ) pre-financing expenditures in amount of EUR 79,275 include funds used for pre-financing of expenditures in previous years. As at 31 December 2025 the Project is completed and the funds are reimbursed.

⁵ FRIENDSHIP pre-financing expenditures in amount of EUR 46,152 include EUR 21,793 are used for pre-financing of expenditures in year 2025 and EUR 24,359 in previous years. Funds received for pre-financed expenditures for FRIENDSHIP in amount of EUR 24,359 include funds received in year 2024.

⁶ EU4M pre-financing expenditures in amount of EUR 178,221 used for pre-financing of expenditures in 2024 and the funds committed for co-financing in amount of EUR 118,446 from previous years will be reconciliated in next years.

⁷ PLATFORMA SGA4 pre-financing expenditures in amount of EUR 72,854 include funds used for pre-financing of expenditures in year 2025.

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

Notes to the special purpose financial statement (continued)

6. Advances

By 31 December 2025, NALAS has received total net funds of EUR 5,426 (2024: disbursed EUR 136,491) 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 on 31 December:

(all amounts in EUR)	31 December 2025	31 December 2024
<i>Advances received related to:</i>		
Project EU for Municipalities	-	48,099
Other Projects/Partners	2,852	2,470
Project Waterwill	5,689	-
Project SoRi III	39,359	-
Total advances received	47,900	50,569
<i>Advances (given) related to:</i>		
Project SoRi III	-	(115,148)
Project RCDN+ '24-'26	(20,540)	(64,033)
Project Host Commun.	-	(7,879)
Project EU for Municipalities	(21,219)	-
Project Gender	(14)	-
Other Projects/Partners	(701)	-
Total advances (given)	(42,474)	(187,060)
Total Advances, net	5,426	(136,491)

As of 31 December 2025, the advances related to the Project EU for Municipalities in amount of EUR 21,219 include: EUR 23,519 funds transferred to NALAS Branch office in Tirana, EUR 2,300 funds to be transferred to project partners and affiliated entities.

As of 31 December 2024, the advances related to the Project EU for Municipalities in amount of EUR 48,099 include: EUR 23,519 funds transferred to NALAS Branch office in Tirana, EUR 71,618 funds to be transferred to project partners and affiliated entities.

The funds transferred to NALAS Branch office as advance payments will be closed after completion of the procedure for VAT reimbursement expected by the Ministry of Finance of Albania.

7. Currency exchange loss/gain

The net foreign exchange losses in the amount of EUR 25 (2024: net foreign exchange gains in the amount of EUR 4) are resulting from translating the Macedonian Denars to EUR for reporting purposes.

Notes to the special purpose financial statement (continued)

8. 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 2025, the amount of EUR 6,931 was received as bank interest from ProCredit Bank in the Republic of North Macedonia. In 2024, the amount received as bank interest was EUR 6,789 from ProCredit Bank in the Republic of North Macedonia.

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, projects financed by foreign donators and IPA funds are exempt from VAT and have no obligation to calculate and express VAT.

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

Appendix

The Swiss Confederation, represented by Swiss Federal Department of Foreign Affairs, acting through Embassy of Switzerland in Albania supported NALAS by granting a contribution to the project/activities of “One Voice of LGAs in Albania-Phase 2”. The Contract is concluded with NALAS Branch in Albania, therefore all the project activities are implemented through NALAS Branch in Albania, where the instalments of the project are received. The sources and uses of funds for this Project presented in the table below, are not included in the special purpose financial statements NALAS for the year ended 31 December 2025.

The Contract No. 81081023, for granting a contribution of maximum EUR 480,000 as a participation towards the realization of the project/activities “One Voice of LGAs in Albania-Phase 2” is concluded for the period from 05 July 2024 to 30 June 2025. The contribution received for this Contract for the period 1 January 2025 to 31 December 2025 amounted to EUR 200,000 (1 January 2024 to 31 December 2024 amounted EUR 199,978).

The project/activities of “One Voice of LGAs in Albania-Phase 2” is implemented through NALAS Branch in Albania and is being audited as foreseen in the Contract No. 81081023, i.e. an interim audit for the period from 05 July 2024 to 30 June 2025 and final audit for the period from 01 July 2025 to 31 May 2026.

Following is the detailed breakdown of funds and uses of funds contributed by Swiss Confederation, represented by Swiss Federal Department of Foreign Affairs, acting through Embassy of Switzerland in Albania:

	<u>note</u>	<u>Total 2025</u>	<u>Total 2024</u>
Balance at beginning of year		153,537	-
SOURCES OF FUNDS			
Projects			
SDC Albania (One Voice of LGAs in Albania 2)		200,000	199,978
		<u>353,537</u>	<u>199,978</u>
TOTAL SOURCES OF FUNDS			
EXPENDITURES			
I. Human Resources / Personnel		79,855	26,645
II. Travel & Accommodation		14,904	7,250
III. Equipment & Supplies		419	-
IV. Office Costs		16,998	8,043
V. Services		16,790	4,476
VI. Forward Funding (subgranting LGA, LGs, partner)		-	-
		<u>128,966</u>	<u>46,414</u>
TOTAL EXPENDITURES			
Currency exchange gains/(loss)		(354)	(27)
		<u>224,217</u>	<u>153,537</u>
Surplus of funds over expenditures			