



**PRIVREDNI SAVETNIK – REVIZIJA DOO**

**Foundation ADRA – Adventist Development and Relief Agency,  
Belgrade, Radoslava Grujica Street, No.4**

**AUDITOR'S REPORT ON FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31<sup>st</sup> DECEMBER 2018**

Belgrade, October 2019



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**Foundation ADRA – Adventist Development and Relief Agency,  
Belgrade**

AUDITOR'S REPORT ON FINANCIAL STATEMENTS FOR THE YEAR 2018

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Independent auditor's opinion

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**INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

TO THE MANAGEMENT OF THE FOUNDATION ADRA – ADVENTIST DEVELOPMENT AND RELIEF  
AGENCY, BELGRADE

*Introduction*

1. We have audited the accompanying balance sheet of Foundation ADRA – Adventist Development and Relief Agency, Belgrade Radoslava Grujica street, no.4 (in further text: Foundation) as of 31<sup>st</sup> December 2018 and the related income statement for the year then ended and review of significant accounting policies and other notes.

*Management's responsibility for financial statements*

2. Management of the Foundation is responsible for the preparation and fair presentation of these financial statements in accordance with Serbian accounting regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Serbian Law on Auditing, International Standards on Auditing (ISA) and Code of Ethics for Professional Accountants. These regulations require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 entity's preparation and fair presentation of the 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 estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.



## PRIVREDNI SAVETNIK – REVIZIJA DOO

### *Independent Auditor's Opinion*

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Foundation ADRA – Adventist Development and Relief Agency, Belgrade, as of 31 December 2018 and the results of its operations for the year then ended, in accordance with accounting regulations of the Republic of Serbia.

Belgrade, 15<sup>th</sup> October 2019

„Privredni Savetnik-Revizija“  
Svetlana Bjelica- Licensed Certified Auditor



## BALANCE SHEET

ASSETS:	Notes	2018	2017
<i>NON-CURRENT ASSETS</i>			
Property, Plant and Equipment	3.1; 3.2; 7	3.835	5.038
<i>CURRENT ASSETS</i>			
Advance Payments	8	2.328	270
Other Receivables	9	74	2
Cash and Cash Equivalents	3.4; 10	10.017	11.887
Prepaid Expenses	11	362	329
<b>TOTAL ASSETS</b>		<b>16.616</b>	<b>17.526</b>
<i>EQUITY AND LIABILITIES:</i>			
<i>EQUITY</i>			
Initial Capital	12	529	529
Surplus Income over Expenses	13	7.918	7.895
<i>LONG-TERM PROVISIONS AND LIABILITIES</i>			
Short-term Financial Liabilities	3.6; 14	300	300
Operating Liabilities	3.7; 15	114	231
Other Short-term Liabilities	16	163	148
Accruals and Deferred Income	3.10; 17	7.592	8.423
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16.616</b>	<b>17.526</b>

INCOME STATEMENT

	Notes	2018	2017
<i>OPERATING REVENUES</i>	3.9	89.287	92.181
Income from premiums, subsidies, grants, donations and similar	18	89.287	91.181
<i>OPERATING EXPENSES</i>		88.949	91.038
Costs of material and energy	19	5.538	5.609
Salaries, fringe benefits and other personal expenses	20	59.349	58.631
Productions services costs	21	4.774	3.557
Depreciation	3.2; 22	1.469	1.186
Donation costs	23	14.718	18.692
Immaterial costs	24	3.101	3.363
<i>OPERATING PROFIT</i>		338	1.143
<i>OPERATING LOSS</i>		-	-
<i>FINANCIAL INCOME</i>	25	49	37
<i>FINANCIAL EXPENSES</i>	26	274	684
<i>OTHER INCOME</i>	27	4	-
<i>OTHER EXPENSES</i>	28	23	143
<i>NET SURPLUS EXPENSES OVER INCOME FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIOD</i>		71	2
<b>NET SURPLUS INCOME OVER EXPENSES</b>		<b>23</b>	<b>351</b>

## 1. GENERAL INFORMATIONS

Foundation ADRA – Adventist Development and Relief Agency, Belgrade (in further text: the Foundation) was established in 1990 in Belgrade. It organizes and implements relief and development projects on the territory of Republic of Serbia. The purpose of Foundation is: Serving humanity so that all may live as God intended. The foundation`s Motto is: Justice, compassion, love.

Sources of financing are mostly donations from international donors, companies and natural persons.

Full name of foundation: ADRA – Adventist Development and Relief Agency

Type of legal entity: Foundation

Place: Belgrade

Address: Radoslava Grujica Street, No.4

Activity Code: 9499

The name of the core business: Other organizations based on association

Identification number: 07497024

Classification: small-sized

Founder: Seventh-Day Adventist Church – South East European Union

Number of employees in 2018: 18

## 2. BASIS FOR REPRESENTATION OF FINANCIAL STATEMENTS, GOING CONCERN CONCEPT AND REPORTING CURRENCY

### 2.1. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The Association has prepared financial statements in accordance with the Law on Accounting ("Official Gazette of the RS" no. 62/2013), and other accounting regulations applicable in Serbia.

Financial statements have been prepared under the historical cost convention.

### 2.2. COMPARATIVE DATA

Comparative data for 2017 have been prepared on the same basis as for 2018.

### 2.3. GOING CONCERN CONCEPT

The financial statements are prepared in accordance with the going concern concept, which assumes that the Foundation will continue its operations for the foreseeable future.

### 2.4. FOREIGN CURRENCY TRANSLATION

#### (a) *Functional and presentation currency*

Items included in financial statements of the Foundation are presented in Serbian dinars (RSD) that is in the functional currency of the Republic of Serbia. Financial statements are presented in RSD rounded to the nearest thousand.

Foreign exchange rates as of 31<sup>st</sup> December are as follows:

		<i>2018</i>	<i>2017</i>
1 EUR	=	118,1946	118,4727
1 USD	=	103,3893	99,1155
1 CHF	=	104,9779	101,2847

(b) *Transactions and status*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions in foreign currency and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

3. BASIC ACCOUNTING POLICIES

Basic accounting policies applied in preparation of financial statements for the year 2018 are as follows:

3.1. PROPERTY AND EQUIPMENT

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Where an item of fixed assets comprises major components having different useful lives, they are accounted for as separate items of fixed assets.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Association. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other (losses)/gains in the income statement.

3.2. DEPRECIATION

Depreciation on assets is calculated using the straight-line method to allocate their purchase value or revaluated value, lessened for their residual values, over their estimated useful lives, as follows:

	Useful life (years)	Depreciation rate
Property	10-50	2-10%
Equipment	3-20	5-33,33%

Depreciation of property and equipment starts when they are put into use.

The residual value of an asset is the estimated amount that the Foundation would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Foundation expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.



### 3.3. TRADE RECEIVABLES

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, lessened for provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments for more than one year receivables overdue are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement through impaired expenses. Subsequent collections of impaired amounts are stated in income statement within account Other income.

### 3.4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes: cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### 3.5. PROVISIONS

Provisions are recognised when the Foundation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are charged in full to the income statement in the period the provision is made. Termination of provisions is credited to the income statement in the period the termination is made.

### 3.6. BORROWINGS

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest model.

Borrowings are classified as current liabilities unless the Foundation has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 3.7. TRADE PAYABLES

Trade payables are recognized initially at their fair value and subsequently measured at depreciation

costs using the effective interest rate method.

### 3.8. EMPLOYEE BENEFITS

#### (a) *Pension obligations*

The Foundation doesn't have its own pension funds or other options for retirement payments through shares and has no stated liabilities on this basis as on 31<sup>st</sup> December 2018.

The Foundation operates a defined contribution pension plan. The Foundation pays contributions to publicly administered pension insurance plans on a mandatory basis. The Foundation has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

### 3.9. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Foundation's activities.

The Foundation recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Foundation's activities as described below. The amount of the revenue is not considered to be reliably measurable until all contingences relating to the sale have been resolved. The Foundation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### 3.10. GOVERNMENT AND OTHER GRANTS

Grants from the Government and other grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Foundation will comply with all attached conditions.

Grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs they are intended to compensate.

Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as other liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with Serbian Law on Accounting requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Foundation's accounting policies. Accounting estimates are continuously valued and are based on historical experience and other factors involving reasonable valuation of future events, that can, however, differ from expected events. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in further text.

#### 4.1. USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

The Foundation's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projected product lifecycles for its products. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### 5. FINANCIAL RISK MANAGEMENT

#### 5.1. FINANCIAL RISK FACTORS

The Foundation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Foundation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Foundation's financial performance.

##### *(a) Market risk*

##### *(i) Foreign exchange risk*

The Foundation is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR, USD and CHF. The risk rises from future commercial transactions, recognized assets and liabilities.

##### *(ii) Price risk*

The Foundation is not exposed to services price risk as it does not have market sale. The Foundation is not exposed to equity securities price risk because it does not hold securities for sale.

##### *(iii) Cash flow and fair value interest rate risk*

As the Foundation has no significant interest-bearing assets, the Foundation's income and operating cash flows are substantially independent of changes in market interest rates.

##### *(b) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Foundation Treasury aims to maintain flexibility in funding by maintaining availability under committed credit lines.

### 6. TAXES AND CONTRIBUTIONS

6.1. Tax on profit is computed and payable under the Serbian Corporate Tax Law. The tax rate is 15% on the taxable profit reported in tax returns. Taxable income is computed on the basis of accounting profit disclosed in the annual income statement in accordance with the International Financial Reporting Standards further adjusted for certain disallowed costs.

The Law on income tax of the Republic of Serbia does not allow tax losses from current period to be used as basis for return of taxes paid in previous periods. However, losses from current period stated in tax balance, can be used for lessening tax basis for future periods but no longer than five years.

6.2. Tax system of the Republic of Serbia is in process of continuous changes and audits. However, there are still different interpretations of tax regulations. In different circumstances, tax authorities can have different approach to different matters and can issue additional taxes (combined with penalties and default interest). In the Republic of Serbia, tax period remains open during 5 years period. Management of the Company considers tax liability properly stated.

6.3. Other taxes, contributions and other legal liabilities, defers by municipals and republic regulations. They include VAT, property tax, tax on transfer of absolute rights, contributions charged to employer, contributions for used of public goods and city lands, taxes and contributions for occasional businesses, author fees etc.

## BALANCE SHEET

### 7. NON-CURRENT ASSETS

Under Non-current assets the Foundation stated buildings in the amount of RSD 274 thousand and equipment in the amount of RSD 3.561 thousand as of the balance sheet date.

	Buildings	Equipment	Total
<i>Purchase Value</i>			
<i>Balance as at 1<sup>st</sup> January 2018</i>	444	9.061	9.505
Additions	-	266	266
Decrease	-	-	-
<i>Balance as at 31<sup>st</sup> December 2018</i>	444	9.327	9.771
<i>Accumulated depreciation</i>			
<i>Balance as at 1<sup>st</sup> January 2018</i>	159	4.308	4.467
Depreciation	11	1.458	1.469
<i>Balance as at 31<sup>st</sup> December 2018</i>	170	5.766	5.936
<b><i>Present Value 31<sup>st</sup> December 2018</i></b>	<b>274</b>	<b>3.561</b>	<b>3.835</b>
<i>Present Value 31<sup>st</sup> December 2017</i>	285	4.753	5.038

Depreciation in the amount of RSD 1.469 thousand (2017: RSD 1.186 thousand) is stated within operating costs in income statement (see Note 22).

### 8. ADVANCES PAID

The amount of RSD 415 thousand relates to paid advances for services – domestic and foreign:

	2018	2017
Advances paid for services – domestic and foreign	2.328	270
<b>Total</b>	<b>2.328</b>	<b>270</b>

### 9. OTHER RECEIVABLES

	2018	2017
Receivables regarding prepaid other taxes and contributions	74	2
<b>Total</b>	<b>74</b>	<b>2</b>

### 10. CASH AND CASH EQUIVALENTS

	2018	2017
Current accounts	8.386	10.595
Foreign exchange account	1.581	1.292
Other cash	50	-
<b>Total</b>	<b>10.017</b>	<b>11.887</b>

11. PREPAID EXPENSES AND ACCRUED INCOME

	<i>2018</i>	<i>2017</i>
Prepaid insurance premium	53	42
Prepaid expenses – rent	309	287
<b>Total</b>	<b>362</b>	<b>329</b>

12. INITIAL CAPITAL (FOUNDER'S INVESTMENT)

	<i>2018</i>	<i>2017</i>
Initial capital (Founder's Investment)	529	529
<b>Total</b>	<b>529</b>	<b>529</b>

13. SURPLUS INCOME OVER EXPENSES

	<i>2018</i>	<i>2017</i>
Surplus income over expenses from previous years	7.895	7.544
Surplus income over expenses from current year	23	351
<b>Total</b>	<b>7.918</b>	<b>7.895</b>

14. SHORT-TERM FINANCIAL LIABILITIES

	<i>2018</i>	<i>2017</i>
Short-term loans - domestic	300	300
<b>Total</b>	<b>300</b>	<b>300</b>

15. LIABILITIES FROM BUSINESS OPERATIONS

	<i>2018</i>	<i>2017</i>
Trade payables - domestic	114	231
<b>Total</b>	<b>114</b>	<b>231</b>

16. OTHER SHORT-TERM LIABILITIES

	<i>2018</i>	<i>2017</i>
Liabilities for net salaries and fringe benefits, apart from refund benefits	21	-
Liabilities to employees	43	73
Liabilities for taxes on salaries	14	-
Other liabilities	85	75
<b>Total</b>	<b>163</b>	<b>148</b>

Notes on pages 4 to 15 are an integral part of these financial statements.  
 Auditor's opinion - pages 1 and 2.

17. ACCRUALS AND DEFERRED INCOME

	<i>2018</i>	<i>2017</i>
Accrued expenses	164	752
Deferred income and received donations - domestic	2.272	576
Deferred income and received donations - foreign	5.156	7.095
<b>Total</b>	<b>7.592</b>	<b>8.423</b>

Under the item Deferred income and received donations – domestic and foreign, the Foundation stated the amount of RSD 7.428 thousand (2017: RSD 7.671 thousand) and it is related to conditional donations, which will be recognized as a revenue at the moment of occurrence of a donation costs.

INCOME STATEMENT

OPERATING INCOME

18. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS AND SIMILAR

	<i>2018</i>	<i>2017</i>
Income from donations – international associations	79.811	89.089
Income from donations – domestic companies	9.409	2.946
Income from donations – domestic natural persons	67	146
<b>Total</b>	<b>89.287</b>	<b>92.181</b>

The Foundation has no income from market sale.

OPERATING EXPENSES

19. COSTS OF MATERIAL AND ENERGY

	<i>2018</i>	<i>2017</i>
Costs of material	1.301	2.451
Costs of fuel and energy	3.494	2.735
Costs of other material (overheads)	28	221
Costs of spare parts	18	-
Costs of fixings and other	698	204
<b>Total</b>	<b>5.539</b>	<b>5.611</b>

20. WAGES AND SALARIES

	<i>2018</i>	<i>2017</i>
Wages and salaries (gross)	20.734	14.288
Taxes and contributions on wages and salaries charged to employer	3.710	2.557
Costs of fees based on service contract	5.232	3.386
Costs of fees to copyright contracts	5.974	16.163
Costs of fees based on temporary and provisional contracts	18.917	18.381
Costs of fees to natural persons based on other contracts	4.199	3.339
Other personal expenses and benefits	583	517
<b>Total</b>	<b>59.349</b>	<b>58.631</b>

21. COSTS OF PRODUCTION SERVICES

Costs of production services consist of:

	<i>2018</i>	<i>2017</i>
Transportation costs	1.118	1.028
Maintenance	2.475	602
Costs of other services	297	166
Advertising and representation costs	170	281
Rental costs	714	1.480
<b>Total</b>	<b>4.774</b>	<b>3.557</b>

22. DEPRECIATION

	<i>2018</i>	<i>2017</i>
Depreciation costs	1.469	1.186
<b>Total</b>	<b>1.469</b>	<b>1.186</b>

23. DONATION COSTS

	<i>2018</i>	<i>2017</i>
Donation costs	14.718	18.692
<b>Total</b>	<b>14.718</b>	<b>18.692</b>



24. NON-PRODUCTION COSTS

	<i>2018</i>	<i>2017</i>
Costs of non-production services	2.393	2.768
Costs of entertainment	63	113
Insurance premium	201	170
Payment operation costs	258	246
Membership fees	6	-
Taxes	70	3
Other non-production costs	110	63
<b>Ukupno</b>	<b>3.101</b>	<b>3.363</b>

FINANCIAL INCOME AND EXPENSES

25. FINANCIAL INCOME

Financial income consist of:

	<i>2018</i>	<i>2017</i>
Foreign exchange gains	49	37
<b>Total</b>	<b>49</b>	<b>37</b>

26. FINANCIAL EXPENSES

Financial expenses consist of:

	<i>2018</i>	<i>2017</i>
Foreign exchange losses	273	684
Interest cost	1	-
<b>Total</b>	<b>274</b>	<b>684</b>

OTHER INCOME AND EXPENSES

27. OTHER INCOME

	<i>2018</i>	<i>2017</i>
Other revenues	4	-
<b>Total</b>	<b>4</b>	<b>-</b>

28. OTHER EXPENSES

	<i>2018</i>	<i>2017</i>
Other expenses	23	143
<b>Total</b>	<b>23</b>	<b>143</b>

29. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, the Foundation did not identify events that are not covered by these financial statements.

30. POTENTIAL LIABILITIES

Except for liabilities which are presented in the financial statements of the Foundation, there are no other contractual or potential liabilities as of 31<sup>st</sup> December 2018.

(a) *Legal proceedings*

As of 31 December 2018 the Foundation has no legal proceedings in progress.

31. RECONCILIATION OF RECEIVABLES AND LIABILITIES

Reconciliation of receivables and liabilities is conducted once per year, with balance as of 31st October or 31st December. There are no material unreconciled receivables or liabilities as of 31 December 2018.

Independent auditor's opinion – pages 1 and 2