

**„ASSOCIATION RAINBOW“, ŠABAC
INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS FOR THE YEAR ENDING
DECEMBER 31 2018.**

Belgrade, March 2019.

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AUDITORS REPORT TO THE BOARD OF ASSOCIATION RAINBOW

Aleksandar Prica, Executive Director
Association Rainbow
Šabac

Dear Mr. Prica,

We have audited the accompanying financial statements of the Association Rainbow, Šabac (hereinafter: the Association) which comprise balance sheet as of December 31 2018, the profit and loss statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations currently prevailing in the Republic of Serbia, and for such internal control, as management determines, it is necessary to enable the preparation of financial statements that are free from material misstatement, whether it is due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, Accounting Law and Law on Auditing of the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 these risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in these 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 propriety of accounting policies used and the integrity 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 the auditor's opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association, as of December 31, 2018, and its financial performance for the year then ended in accordance with the accounting regulations prevailing in Republic of Serbia.

Emphasis of Matter

The Association keeps its record and prepares its financial statements based on the accrual accounting base of business changes and transactions, in accordance with the Law on Accounting of Republic of Serbia ("Official Gazette of Republic of Serbia" 62/2013; 30/2018) and the Rule book on the manner of recognition, evaluation, presentation and disclosure of positions in the individual financial statements of micro and other legal entities ("Official Gazette of the Republic of Serbia"; 118/2013; 95/2014) and is obligated to prepare and submit basic financial statements, consisted of: Balance Sheet and Profit and loss statement.

Certified Auditor


Polonca Đurić

PROFIT AND LOSS STATEMENT
Year ended December 31,

(In thousands of dinars)

	Note	2018.	2017.
Revenues:		14,531	8,130
Revenues from grants	4	14,338	8,120
Non-financial revenues		193	10
Expenses:		9,891	8,119
Income from the use of own products, services and goods		165	425
Cost of material and energy	5	1,403	1,240
Wages, salaries, and other employee benefits expenses	6	4,872	4,071
Operating expenses	7	1,709	1,448
Depreciation costs		87	87
Intangible expenses	8	1,985	1,698
Operating profit		4,640	11
Financial expenses		8	32
Lost from financing		8	32
Other revenues		212	-
Excess of revenues over expenses for the year		4,844	-
Excess of expenses over revenues for the year		-	21

BALANCE SHEET
As of December 31.st 2018.

(In thousands of dinars)

	Notes	2018.	2017.
ASSETS:			
Property, plant and equipment:	9	2,542	2,379
Property		2,153	2,209
Equipment		389	170
CURRENT ASSETS:		8,644	4,453
Inventories		4	-
Short term investments		78	77
Cash and cash equivalents	10	8,565	4,376
TOTAL ASSETS		11,186	6,832
FUNDS AND LIABILITES		11,102	6,255
Excess of revenues over expenses for the year		11,122	6,276
Excess of expenses over revenues for the year		20	21
Short-term financial liabilities		84	577
TOTAL FUNDS AND LIABILITIES		11,186	6,832

NOTES TO FINANCIAL STATEMENTS
December 31, 2018.

1. GENERAL INFORMATION

Association Rainbow („Асоцијација Дуга“; hereinafter „Association“) is: voluntary, nonpolitical, nonprofit, non-government organization that acts as an Association of citizens. The Association acts on the territory of Republic of Serbia and it was established as non-profit organization it was registered at the Serbian Business Registers Agency. **MB No 17559575, PIB No 103406590 (Tax identification number)**. The headquarters of the Association is on 7. October street, No. 1, Jevremovac, 15000 Šabac

Members of Steering Committee:

Aleksandar Prica	Chairman of the Board of Directors
Slaviša Kovač	President of the youth
Sandra Ilić	Vice President of the Board of Directctors
Jovana Todorović	Vice President of Youth
Viktor Tešić	Project manager of the board
Boro Novaković	Secretary General of the Board of Directors
Ljubica Tešić	PIR administrative

The Association has aspects of a civil legal entity, with all the rights and responsibilities resulting from them.

The Association is required to provide an insight into their work only to the competent state authorities.

The main goal of Association

Promoting human rights of lesbians, gay men, bisexual and transgender people, including their families, with a particular reference to multiple other vulnerable populations. Such as young people, people in the third age of life, institutional residents and former residents of institutional accommodation in the systems of social protection as well as in the health and judicial systems, users of psychoactive substances, sex workers, young people in conflict with the law and people living with HIV / AIDS. Goals are achieved by reducing violence and discrimination in their environments, providing education services, increasing safety, arrange support, economic empowerment, gender equality and granting health and social services.

Specific goals

1. Advocating for the improvement of the social protection system for LGBT people and their families, young people, people in the third age of life, institutional residents and former institutional residents in social protection, health care and judicial systems, users of psychoactive substances, sex workers, young people in conflict with the law and people living with HIV / AIDS.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018.

1. GENERAL INFORMATION (CONTINUED)

2. Advocating for the improvement of the health care system in the field of HIV / AIDS-prevention, hepatitis, sexually transmitted infections and tuberculosis, prevention of the use of psychoactive substances and preservation of mental health for LGBT people and their families, young people, people in the third age of life, institutional residents and former residents of institutional accommodation in social protection, health and judicial systems, users of psychoactive substances, sex workers and people living with HIV / AIDS.

3. Advocating for the improvement of the system of education and upbringing in order to reduce peer and digital violence as well as discrimination, and for the promotion of human rights of LGBT people, young people, institutional residents and former residents of institutional accommodation in social protection, health and judicial systems, youth in conflict with the law and people living with HIV / AIDS.

4. Advocating for increasing safety, reducing violence and discrimination, domestic and peer violence, cyber violence, promoting the concept of safe culture, reducing gender-based violence and hate crimes for LGBT people and their families, young people, people in the third age of life, institutional residents and former residents of institutional accommodation in social protection, health and judicial systems, users of psychoactive substances, sex workers, young people in conflict with the law and people living with HIV / AIDS.

5. Promotion for a more effective cooperation between different sectors that are engaged on international, national, regional and local level in order to provide an adequate approach to addressing the problems of LGBT people and their families, young people, people in the third age of life, institutional residents and former residents of institutional accommodation in social protection systems as well as in health and judicial systems, users of psychoactive substances, young people in conflict with law, sex workers and people living with HIV / AIDS.

6. Advocating for poverty reduction and economic empowerment of LGBT people, young people, people in the third age of life, institutional residents and former residents of institutional accommodation in social protection, health and judicial systems, users of psychoactive substances, sex workers, young people in conflict with the law and people living with HIV / AIDS through the development of social entrepreneurship, co-operatives and support measures for self-employment as well as employment.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018.

1. GENERAL INFORMATION (CONTINUED)

In order to achieve its main aim and its specific goals, the Association especially excels at: creating and providing health and social services, accreditation of various programs of education, preparation and submission of programs and services to standardization, creation of minimum standards for services, media campaigns, round tables, training sessions, workshops, panel debates, outreach activities, counseling, shelters, safe houses, researches, publications of educational materials, public advocacy, business clubs, cultural and entertainment events, trips, excursions, monitoring and evaluation of the state authorities work, help, establishing social enterprises, establishing cooperation with state institutions as well as other associations and other activities in accordance with the binding laws and regulations.

NOTES TO FINANCIAL STATEMENTS
December 31, 2018.

Projects retrospective

The tables below show the overview of the projects implemented in the period from 2016 to 2018.

For the year 2018. *

Table 1

Topic	Description	Grant/Donation	Year	Currency/Amount
HIV and sexually transmitted infections prevention	Youth for Youth	International AIDS Society	2018	USD 10.000.00
Public advocacy	Building the capacities of local institutions in order to respond to the needs of LGBT people and their families	Embassy of Netherland Kingdom	2018	EUR 29.996.00
Public advocacy	LGBT persons recognised as vulnerable population in strategic plan of social policy of the city of Šabac	TRAG Foundation EU	2018	RSD 550.000.00
HIV and sexually transmitted infections prevention	Respond to HIV/AIDS and sexually transmitted diseases	Raška Municipality	2018	RSD 142.049.00
HIV and sexually transmitted infections prevention	Respond to HIV/AIDS and sexually transmitted diseases	Osečina Municipality	2018	RSD 50.000.00
Social protection	"Preventive social-health care development program"	UNDP – EU – Šabac Municipality	2018	RSD 3.529.500,00
Security	"Increasing the safety of LGBT youth"	Ministry of Youth and Sports	2018	RSD 1.746.000,00
Security	"The Security Plan, the new service within the Social Protection System"	OEBS Mission	2018	RSD 1,222,600.00
Democratization of Serbia	"When I know, I can act"	CRTA - SIDA	2018	RSD 1.415.703,00
Human rights of LGBT persons	"LGBT - Youth Leader Academy"	Tempus – Erasmus K1	2018	EUR 10.192,00
Human rights of LGBT persons	"Coming out of Unemployment"	The European Commission – Erasmus	2018	EUR 66.074,0

*For more information about current projects, please visit <http://en.asocijaciaduga.org.rs>

NOTES TO FINANCIAL STATEMENTS
December 31, 2018.

1. GENERAL INFORMATION (CONTINUED)

For the year 2017:

Table 2

Topic	Description	Grant/ Donation	Year	Currency/Amount
Social protection	Advanced trainings for work with sexual and gender minorities and their families in the social protection system	Office for human and minority rights of the Government of Republic Serbia	2017	RSD 3.000.000.00
Human rights of LGBT persons	Capacity building of youth workers in providing services to LGBT youth	EU ERAZMUS +	2017	EUR 60.975.00
Security	Promoting the concept of security culture for LGBT youth	OEBS Mission	2017	RSD 1.157.600.00
HIV prevention	HIV prevention in Raška	Raška Municipality	2017	RSD 142.000.00
HIV prevention	HIV prevention in Šabac	City of Šabac	2017	RSD 170.000.00
Human rights	Alive Library	City of Šabac	2017	RSD 135.000.00

NOTES TO FINANCIAL STATEMENTS
December 31, 2018.

1. GENERAL INFORMATION (CONTINUED)

For the year 2016:

Table 3

Topic	Description	Grant/donation	Year	Currency/Amount
HIV prevention and social protection	HIV prevention on the territory of Raška; in Osečina with Advanced Training of the Employees in the Social Welfare Centres for Providing Quality Services for LGBT Persons and their Families	Embassy of Canada		CAD 24.768.00
Security	SOS LGBT line-promoting the concept of good practice in cooperation between police and NGO	OEBS Mission	2016	RSD 1.157.600.00
Human rights of LGBT persons	Support to LGBT persons and their families	Office for human and minority rights of the Government of Republic Serbia	2016	RSD 300.000.00
HIV prevention	HIV prevention in Raška	Raška Municipality	2016	RSD 142.000.00
HIV prevention	HIV prevention in Bogatić	Bogatić Municipality	2016	RSD 120.000.00
HIV prevention	HIV prevention in Šabac	City of Šabac	2016	RSD 140.000.00
Human rights	Alive Library	City of Šabac	2016	RSD 120.000.00

NOTES TO FINANCIAL STATEMENTS

December 31, 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

The financial statements of the Association have been prepared in accordance with the Law on Accounting rules and laws of the Republic of Serbia and a Rulebook on the manner of recognition, evaluation, presentation and disclosure of positions in the individual financial statements of micro and other legal entities ("Official Gazette of the Republic of Serbia"; 118/2013; 95/2014); in order to provide true and fair presentation of the balance sheet positions, balance of assets, liabilities, sources of assets, income and expenses and the operating results.

The Association's financial statements are presented in Serbian Dinars ("RSD"). All amounts in the financial statements and related notes are presented in Dinars, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the financial statements are presented further in this report. The Association is requested to apply the accounting policies consistently.

3.1 Recognition of income and expenses

The recognition of the income and expenses is in accordance with the accounting base of modified occurrence of business changes and transactions.

According to the accounting base for modified occurrence of business changes and transactions, the revenues are recognized in the accounting period in which they have occurred according the criteria of measurability and availability. Revenues are earned when are generated in the accounting period and are used to cover the liabilities related to that accounting period.

According the accounting base for modified occurrence of business changes and transactions, expenses are recognized in the accounting period in which have occurred. Expenses for used short term assets are recognized in the moment and in the amount of the actual cost incurred.

Income from rendering services is recognized during the period in which customers paid for the delivered services.

Government income receivables that do not impose the conditions on the recipient related to certain future results are recognized as income in the case of recognizing claims based on benefits. Income from government benefits that impose on the recipient the conditions related to certain future results are recognized as income only when the conditions for the results are met.

Income from the activation of effects is considered as income from the transfer of own products to supplies of goods for further sale.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Recognition of income and expenses (continued)

Costs of direct materials and goods sold are valued and recognized at cost.

Wage costs are recorded in the amount of actually accrued earnings.

Other operating expenses are recognized at the invoice value, that is, the values determined on the basis of the accounting document.

3.2 Foreign Exchange Transaction

Transactions denominated in foreign currencies have been translated into Dinars at the rates set by the National Bank of Republic of Serbia applicable at the date of each transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the end of the reporting period using official rates of exchange ruling on that date.

Net foreign exchange gains or losses resulting from foreign currency translation are included in income and expense statement in the period in which they arise.

3.3 Taxation

According to the Law on Corporate Income Tax, non-profit organizations are exempt from paying income tax, if surplus of income does not exceed 400.000 RSD, provided that:

- 1) does not distribute the realized surplus to its founders, members, directors, employees or persons affiliated with them;
- 2) the annual amount of personal income that is paid to the employees, directors and persons related to them is not more than twice the average annual salary per employee in the Republic in the year for which the right to tax exemption is determined, according to the data of the republic authority responsible for statistics;
- 3) does not distribute assets for the benefit of its founders, members, directors, employees or persons affiliated with them;
- 4) that there is no monopolistic or dominant position on the market in the sense of the law regulating the protection of competition.

Current income tax is paid to nondeductible expenses. The income tax rate for 2018 is 15%.

The non-profit organization is obliged to keep records of revenues and expenditures, to submit a tax balance and a tax return.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018.**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

Property, plant and equipment, are recorded at cost value. The cost value of the equipment comprises of the purchase price plus import duties, value added tax, cost of transportation and all other expenses directly attributable to the cost value i.e. to the purchase cost. The value of purchased assets is presented as expense at the time of purchase with increasing the business fund of the Association. Tangible and intangible assets are depreciated on a straight-line basis so that the cost or revaluation value of the fixed assets is depreciated in equal annual amounts over their estimated useful lives.

Depreciation of property fixed assets calculated using the straight-line method to allocate its cost over its estimated useful life. Calculation of depreciation commences in a month following the month when the asset was put in use.

The depreciation charge for the year is recorded on the business fund accounts.

The annual depreciation rates applied are the following:

Property: 2,5%

Equipment: 15%

3.5 Cash and cash equivalents

Cash and cash equivalents comprise from cash in hand and cash on bank accounts in commercial banks. Cash in hand and cash on bank accounts in Serbian Dinars are recorded at their nominal value, and cash in foreign currencies are translated according to the foreign exchange rate of the Central Bank of Republic of Serbia on the reporting date.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Trade payables and other liabilities

Trade payables and other liabilities are stated at fair value on initial recognition and subsequently measured at amortized cost.

3.7 Going concern principle

The financial statements of the Association Rainbow are prepared by applying going concern principle.

4. REVENUES FROM GRANTS

	In thousands of dinars:	
	For the Year ended December 31	
	2018.	2017.
Revenues from Grants	14,531	8,120
	14,531	8,120

5. COST OF MATERIAL EXPENSES

	In thousands of dinars:	
	For the Year ended December 31	
	2018.	2017.
Equipment – fire protection	87	-
Office supplies	184	511
Energy (electricity, fuel)	1,132	729
Cost of material expenses total:	1,403	1,240

6. WAGES, SALARIES AND OTHER EMPLOYEE BENEFITS EXPENSES

	In thousands of dinars:	
	For the Year ended December 31	
	2018.	2017.
Gross salaries	623	-
Contributions	112	-
Cost of contract fees	2,802	3,403
Compensations to employees on business trip	1,335	668
Wages, salaries, and other employee benefits expenses total:	4,872	4,071

NOTES TO FINANCIAL STATEMENTS
December 31, 2018.

7. OPERATING EXPENSES

	In thousands of dinars:	
	For the Year ended December 31	
	2018.	2017.
Postal services	169	261
Maintenance	772	151
Cost of rent	150	694
Advertising and marketing	84	229
Other expenses	534	113
Operating expenses total:	1.710	1.448

8. INTANGIBLE EXPENSES

	In thousands of dinars:	
	For the Year ended December 31	
	2018.	2017.
Costs of non-productive services	624	444
Representation costs	575	870
Insurance	42	55
Payment transaction costs	63	43
Membership fees	555	217
Tax expense	57	55
Other intangible expenses	69	14
Intangible expenses total:	1,985	1,698

9. PROPERTY, PLANT AND EQUIPMENT

	In thousands of dinars:	
	On December 31	
	2018.	2017.
Property	2,153	2,209
Equipment	389	170
Property, plant and equipment total:	2,715	2,466

NOTES TO FINANCIAL STATEMENTS
December 31, 2018.

10. CASH AND CASH EQUIVALENTS

	In thousands of dinars:	
	On December 31	
	2018.	2017.
Domestic currency	2,310	3,139
Foreign currency accounts	6,252	1,237
Cash and cash equivalents total:	8,562	4,376

11. BALANCE IN FOREIGN CURRENCY ACCOUNTS

	On December 31	
	2018.	2017.
EUR Account	52,904	10,443
USD Account	-	-

12. FOREIGN EXCHANGE RATES

	On December 31; RSD :	
	2018.	2017.
1 EUR	118.1946	118.4727
1 USD	103.3893	99.1155
1 CHF	104.9779	101.2847