REGIONAL SCHOOL FOR PUBLIC ADMINISTRATION
BRANELOVICA, DANILOVGRAD

Financial Statements
December 31, 2015
and Independent Auditors' Report

This Report is translation of the Auditors' Report issued in the Montenegrin language. In the case of any discrepancy between the Montenegrin and English versions, the Montenegrin shall prevail

CONTENTS:

Deloitte d.o.o.
Bulevar Svetog Petra Cetinjskog nn
Building Maxim
81 000 Podgorica

Tel: +382 (0) 20 228 324
+382 (0) 20 228 096
Fax: +382 (0) 20 228 327

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INDEPENDENT AUDITORS' REPORT

To the Management of Regional School for Public Administration, Branelovica, Danilovgrad

We have audited the accompanying financial statements (pages from 2 to 28) of Regional School for Public Administration, Branelovica, Danilovgrad (hereinafter the "ReSPA"), which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines are necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. These standards require that we comply with ethical requirements and 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 controls 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 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 solid basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the ReSPA as at December 31, 2015 as well as the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte d.o.o. Podgorica
Podgorica
May 31, 2016

STATAMENT OF COMPREHENSIVE INCOME
Year ended December 31, 2015
(In EUR)

	Notes	Year ended December 31, 2015	Year ended December 31,2014
Operating activities – regular course of business			
Sales income	4	199,175	175,504
Investments income		1,223	8,581
Other income	5	2,573,561	1,986,127
Other loss/income		(226)	-
Changes in inventories of finished goods and unfinished production	6	(38,317)	(57,129)
Materials, fuel and energy used	7	(110,112)	(76,897)
Salaries, wages & other personnel expenses	8	(583,532)	(579,999)
Amortization	9	(190,117)	(245,651)
Production expenses	10	(16,344)	(11,310)
Costs of non-production expenses	11	(1,834,701)	(1,008,231)
Other expenses		(5,008)	-
Profit before taxation		(4,398)	190,995
Net profit for the year from operations		(4,398)	190,995
NET PROFIT FOR THE CURRENT YEAR		(4,398)	190,995
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR		(4,398)	190,995

The accompanying notes on the following pages
are an integral part of these financial statements.

As sugested and initiated by Budget Board, these financial stataments were submitted to the Management Board of the Regional School for Public Administration, Branelovica, Danilovgrad for their review on April 16, 2016.

Signed on behalf of Regional School for Public Administration, Branelovica, Danilovgrad:

Operations Manager: (Vlatko Naumovski)

ReSPA Director: (Goran Paštrović a.i.)

Regional School of Public Administration ReSPA DANILOVGRAD * MONTENEGRO

STATEMENT OF FINANCIAL POSITION
As of December 31, 2015
(In EUR)

	Notes	December 31, 2015	December 31, 2014
ASSETS			
Fixed assets			
Intangible assets	12	9,057	14,903
Property and investments in assets owned by third parties	13	135,360	297,538
Total fixed assets		144,417	312,441
Current assets			
Inventories	14	25,620	29,170
Accounts receivable	15	52,514	41,446
Cash and cash equivalents	16	1,037,044	1,362,618
Prepaid expenses		235	6,692
Total current assets		1,115,413	1,439,926
Total assets		1,259,830	1,752,367
LIABILITIES			
Equity			
Retained earnings		800,425	609,430
Accumulated losses		(80,826)	(80,826)
Profit / (loss) for the period		(4,398)	190,995
Total equity		715,201	719,599
Current liabilities			
Short-term liabilities	17	56,076	83,606
Accrued liabilities	18	488,553	949,162
Total current liabilities		544,629	1,032,768
Total equity and liabilities		1,259,830	1,752,367

The accompanying notes on the following pages
are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2015
(in EUR)

Content / Description	Retained earnings	Accumulated Loss	Loss for the current year	Total
Balance, January 1, 2014	609,430	(80,826)	-	528,604
Net profit for the period	190,995	-	-	190,995
Balance, December 31, 2014	800,425	(80,826)	-	719,599
Net profit for the year	-	-	(4,398)	(4,398)
Balance, December 31, 2015	800,425	(80,826)	(4,398)	715,201

The accompanying notes on the following pages
are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended December 31, 2015
(In EUR)

Category/Position	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities		
Inflow from operating activities	2,268,552	2,144,637
Sales and advances	195,289	149,929
Interest receipts from operating activities	1,223	8,581
Other cash generated from operating activities	2,072,040	1,986,127
Outflow from operating activities	2,573,988	2,469,952
Payments to suppliers and given advances	1,993,848	1,856,757
Staff costs	580,140	613,195
Net cash flow from operating activities	(305,436)	(325,315)
Cash flows from investing activities		
Outflow from investing activities	20,138	70,515
Other financial investment (net outflow)	-	300,000
Net cash flow from investing activities	20,138	(370,515)
Net cash flows	(325,574)	(695,830)
Cash at the beginning of reporting period	1,362,618	2,058,448
Cash at the end of reporting period	1,037,044	1,362,618

STATEMENT OF CASH FLOWS
Year ended December 31, 2015
(In EUR)

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NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

1. FOUNDATION AND BUSINESS ACTIVITY

In June 2003 the Council of Ministers of the European Union (hereinafter " EU") adopted "The Solun's Agenda for the Western Balkans: Towards European Integration" which supported the creation of a regional mechanism for training and education of civil servants.

In accordance with the "Solun's Agenda for the Western Balkans: Towards European Integration" in May 2006 in Brussels, "Protocol on Cooperation in the creation of the Regional School of Public Administration" (hereinafter "ReSPA") was signed between the governments of the Republic of Albania, Bosnia and Herzegovina, the Republic of Croatia, FYR Macedonia, Montenegro and the Republic of Serbia in presence of representatives of the European Commission. After signing the Protocol on cooperation and the foundation of ReSPA, Board of Directors of ReSPA was formed, comprising representatives of ReSPA member countries. Also, ReSPA Secretariat has been formed, comprising representatives of the Organization for Economic Development and Co-operation. At the invitation of the European Commission, all member countries had the opportunity to apply for the head office of ReSPA, and afterwards, at the VI Board Meeting of ReSPA, which took place on January 31, 2008 in Paris, it was decided that the head office will be in Danilovgrad.

By signing the Letter of support in Ljubljana on June 12, 2008, six countries have committed themselves to sign the Agreement on the Foundation of a Regional School of Public Administration. The representatives of five member countries of ReSPA signed agreement on the Foundation of the Regional School of Public Administration on November 21, 2008 in Podgorica, while Bosnia and Hercegovina signed the agreement in 2009.

In accordance with the International Agreement on the Foundation of ReSPA, the agreement is in effect seven years after the date of its entry into force upon signing with the possibility of its extension. At the end of the fifth year of the validity of this Agreement, ReSPA member countries will decide in two-thirds majority if this agreement is to be prolonged for additional seven years.

The project of the Regional School of Public Administration is one of the most important projects in the European Union (EU) in Western Balkan, which was initiated in order to promote regional cooperation in the field of public administration, strengthening of administrative capacity and personnel development in accordance with the principles of European administrative territory. It is planned that ReSPA with its activities encourage cooperation between institutions of public administration of the member countries and similar institutions of other countries of the EU in order to contribute to exchange of information and experiences in purpose of improving and promoting good practice.

ReSPA is common regional institution where civil servants from the member countries receive quality training in the field of public administration, in order to strengthen administrative capacity and human resources development in the candidate countries as well as in the potential candidates for EU membership in the Western Balkans. At the same time, ReSPA helps in promoting professional administration of member countries towards the EU and becomes a core of a network of schools of public administration in the Western Balkans. In addition, ReSPA has an advisory role for the improvement of the regional civil sector.

As an operational part of ReSPA, the hotel performs its activities and its capacities are used solely for accomodation of experts and coaches attending the trainings in the educational activities conducted by ReSPA.

The Government of Montenegro as the host country has provided all necessary conditions, including the offices for ReSPA with complete equipment and facilities for training, necessary for the effective performance of its functions, as well as the hotel building and surrounding land free of charge, in accordance with the Agreement on establishing the ReSPA and Agreement concluded between the ReSPA and the Government of Montenegro on the headquarters and the functioning of ReSPA in the host country ("Host Country Agreement").

As of the date of enacting of the International Agreement on Foundation of ReSPA through June 23, 2011, the Board of ReSPA, appointed the Directorate for Human Resources of Montenegro as a temporary manager of ReSPA. After signing the Agreement between ReSPA and the Government of Montenegro on the headquarters and the functioning of ReSPA in the host country on June 23 2011, the management obligations of ReSPA became the responsibility of the management members of ReSPA itself.

ReSPA is located in Danilovgrad (Branelovica) as an institution providing education and training at the regional level and beyond.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Statement of compliance

The accompanying financial statements present the annual financial statements of ReSPA prepared in accordance with International Financial Reporting Standards (IFRS).

2.2. Basis of Preparation and Presentation of Financial Statements

The accompanying financial statements have been prepared under purchase price convention.

The amounts in the accompanying financial statements are disclosed in EUR.

In the preparation of the accompanying financial statements as of December 31, 2015, ReSPA has adhered to the direct method of reporting on cash flows.

The accompanying financial statements for the year ended December 31, 2015 have been prepared according the going concern principle.

2.3. Effect and Application of Newly Issued and Amended IFRS

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Company's accounting policies.

Standards and Interpretations in issue not yet effective

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.3. Effect and Application of Newly Issued and Amended IFRS (Continued)

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

ReSPA's management has decided not to adopt these standards, revisions and interpretations in advance of their effective dates. The management anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of ReSPA in the period of initial application.

ReSPA did not make required disclosures pursuant to the provisions of IFRS 8 - "Operating Segments" as ReSPA has only one reportable operating segment, i.e. the whole ReSPA is an operating segment.

2.4. Use of Estimates

The presentation of the financial statements requires ReSPA's management to make best estimates and reasonable assumptions that affect the disclosure of potential receivables and liabilities as of the date of the preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available as of the date of preparation of the financial statements. However, future actual results may vary from these estimates. These estimations mostly refer to the estimations of the useful life of equipment and reserves.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

3.1. Income and Expenses

Income is recorded when there is high probability that the economic benefits attributable to business transactions will flow to ReSPA.

Revenues from sales are recorded according to the accrual basis in accordance with the agreed conditions of sale. Income is measured at the fair value of the consideration received or receivable, for the products sold and services rendered in the regular course of business, net of any discounts.

At the time when income is recognized, the related expenditure is also recognized (as per the "matching principle"). The expense is charged to the statement of comprehensive income in the accounting period to which it relates, and when it does not qualify to be recognized as assets.

Interest income and interest expense are credited or charged to the statement of comprehensive income in the accounting period to which they relate.

3.2. Employee Benefits

Pursuant to the provisions of Chapter "X - privileges and immunities" of Agreement on Foundation of ReSPA signed in Podgorica on November 21, 2008 i.e. Certificate on registration issued by Ministry of foreign affairs of Montenegro - Department for consular affairs and diasporas, and pursuant to the provisions of the Article 166, paragraph 1 of the Law on General Administrative Procedure (Official Gazette of the Republic of Montenegro No. 60/02, 60/03 and Official Gazette of Montenegro No. 32/11) and on the basis of Article 18a paragraph 4) item 1) of the Law on Social Security ("Official Gazette of Montenegro" No. 13/07, 79/08, 86/09, 78/10, 14/12, 62/13, and 08/15), ReSPA is exempt from contributions and other duties relating to salaries.

3.3. Exchange Gains and Losses

All assets and liabilities denominated in foreign currencies as of the statement of financial position date are translated to EUR by applying the official exchange rates as of that date. Business transactions denominated in foreign currencies are translated to EUR by applying the official exchange rates available at European Commission official web site. Foreign exchange gains or losses arising upon the translation of assets, liabilities and transactions are credited or charged to the statement of comprehensive income as finance income or expenses.

3.4. Taxes and Contributions

Pursuant to the provisions of Chapter "X - privileges and immunities" of Agreement on Foundation of ReSPA signed in Podgorica on November 21, 2008 i.e. Certificate on registration issued by Ministry of foreign affairs of Montenegro - Department for consular affairs and diasporas, and pursuant to the provisions of the Article 166, paragraph 1 of the Law on General Administrative Procedure, and according to the following:

- Article 184, paragraph 1) item 1) of the Customs Law ("Official Gazette of Montenegro" No. 21/08),
- Article 25, paragraph 1) item 8b) of Law on Value Added Tax ("Official Gazette of the Republic of Montenegro" No. 04/06, and Official Gazette of Montenegro No. 16/07, 29/13 and 09/15),
- Article 6, paragraph 1) item 1) of Law on Personal Income Tax ("Official Gazette of the Republic of Montenegro" No. 37/04, 78/06 and Official Gazette of Montenegro No, 86/09, 14/12, 06/13, 62/13, 60/14 and 79/15),
- Article 18a paragraph 4) item 1) Law on Social Security ("Official Gazette of Montenegro" No. 13/07, 79/08, 86/09, 78/10, 14/12, 62/13, and 08/15).

ReSPA is exempt from customs duties, taxes and other fiscal charges.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Intangible Assets

After the initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any impairment losses. intangible assets comprise purchased software.

Costs directly attributable to the acquisition of software for which it is probable that the future economic benefits attributable to the asset will flow to the entity over a period exceeding one year, are recognized as intangible assets. Costs incurred based on computer software maintenance and development are disclosed as expense of the period to which they relate.

3.6. Equipment and investments in assets owned by third parties

An item is classified as an item of equipment if its useful life is longer than one year.

Equipment is stated at cost net of accumulated depreciation. Cost represents the price billed by suppliers increased all costs incurred in bringing new fixed assets into functional use.

Investments in assets that are not owned by the company and that have an expected useful life of more than one year are considered investments in assets owned by third parties.

Additional expenditures incurred while investing in assets owned by third parties, such as replacement of parts of property or equipment, modification, adaptation or general repair of the assets are recognized as an increase in the net book value of the investments in assets owned by third parties, when it is probable that future economic benefits will flow to ReSPA, and when the cost can be reliably measured.

The maintenance and repair expenses: replacement and installation of spare parts and consumables used, as well as the expenses of day-to-day servicing of equipment are charged to expenses of the period.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in the statement of comprehensive income.

3.7. Amortization

The amortization of equipment is calculated based on the cost of an asset at the beginning of the year, as well as equipment put into use during the year on the straight-line basis. The basic annual rates of depreciation were unchanged in comparison to previous year and are presented in the following table:

	Useful life (in years)	Rate (%)	Rate Prescribed by Income Tax Law (%)
Vehicles	5	20	15
Computers and other equipment	5	20	30
Other equipment	3 – 10	33.33 – 10	20

The amortization of equipment and software is calculated using digressive method for the whole period, disregarding the date of activation of such assets.

3.8. Impairment of Assets

ReSPA's management reviews the carrying amounts of the intangible and tangible assets. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. If the estimated recoverable amount of assets is below their carrying value, the carrying amount of the asset is reduced to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes the invoiced value increased for import expenses and other non-recoverable duties, transportation, manipulative and other expenses that can be directly attributed to acquisition. The inventories of materials used are assigned using the weighted-average cost method.

The net realizable value is the price at which inventories may be sold in the normal course of business, after deduction of sale realization expenses.

Provisions that are charged to "Other expenses" are made where appropriate in order to reduce the carrying value of such inventories according to the management's best estimate of their net realizable value. Inventories found to be damaged, expired or of a substandard quality are adjusted or written off in total amount.

3.10. Donations of European Commission

Granted assets i.e. donated assets (IT equipment, furniture given to use of ReSPA and other related equipment), are recognized at cost at the time of admission. The long-term provisions are formed in the amount of the cost value of equipment.

Donations received for the purpose of purchasing equipment and nonmaterial donations (property) are shown as deferred donations and are amortized over the useful life of the donated equipment.

The amounts of depreciation of the donated equipment are recorded as other operating income during the useful life of the donated equipment.

Income generated from a financial assistance of the European Commission comprises grants approved to ReSPA for the purpose of financing its operations. Funds received are recognized as income on a systematic and rational basis for the period, in the amount necessary to cover the operational costs.

3.11. Financial Instruments

Financial assets are comprised of accounts receivable. The classification of the financial assets depends on a kind and purpose of a financial instrument and is determined at the time of initial recognition.

Accounts Receivable

Accounts receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are measured at amortized cost using the effective interest rate method, reduced for any impairment based on the management's estimate of their collectability.

Impairment of Financial Assets

Financial assets are assessed for impairment as of the financial statements' preparation date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of financial assets impairment could include the following:

- significant financial difficulty of the legal entity - counterparty; or
- delay or default in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organization.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Financial Instruments (Continued)

The book value of accounts receivable is reduced through the allowance account. When an account receivable is not collectible, it is written off through the impairment account. Subsequent collections of the previously written off amounts are disclosed as a decrease in the allowance for impairment. Changes in the book value on the impairment account are recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Derecognition of Financial Assets

Financial assets cease to be recognized only when the ReSPA loses control of the contractual rights governing such instruments, or if it transfers financial assets along with all the risks and rewards of ownership to another entity. In case when ReSPA neither transfers nor substantially retains any of the risks or returns arising from the ownership of financial assets, and it retains control over financial assets, it continues to recognize financial assets.

3.12. Fair Value

Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents comprise cash in hand, cash and balances on current bank accounts, and demand deposits placed with commercial banks for the period of up to three months, that are readily convertible to known amounts of cash with insignificant risk of changes in value.

Short Term Liabilities

Short term liabilities are initially measured at fair value, net of transaction costs.

Derecognition of Financial Liabilities

ReSPA derecognizes financial liabilities when, and only when, ReSPA's obligations are discharged, cancelled or expired.

It is a policy of ReSPA to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their recorded amounts. In Montenegro, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables, investments and other financial assets or liabilities, for which published market prices, at present, are not readily available. As a result, fair value cannot readily or reliably be determined. The management of ReSPA assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may have suffered an impairment loss, appropriately, it recognizes a provision made in order to reduce the value of these assets to their estimated recoverable amounts. In the management's opinion, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

4. SALES INCOME

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Income generated from services rendered-Hotel	199,175	175,504
	199,175	175,504

5. OTHER INCOME

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Financial donation (Note 18)	1,661,820	801,872
Financial donation in equipment (Note 18)	149,461	171,520
Membership fees	750,000	900,000
Income from cancellation of long term provisions	-	112,735
Prior period income	5,098	-
Other income	7,182	-
	2,573,561	1,986,127

Income from financial donations, which for the period from January 1 through December 31, 2015 amounted EUR 1,661,820, refers to the funds from donations from the European Commission in accordance with the Contract "Grant Contract Mainstream of ReSPA Activities No. 2013/331-241", signed on November 25, 2013 between ReSPA and the European Commission with anticipated implementation period of 2 years.

In accordance with Article 23, Chapter "IX - privileges and immunities" of the Agreement on Foundation of ReSPA, all signatories of the agreement are required to pay an annual fee (for the Core Budget) in the amount of EUR 150,000 per member country.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

5. OTHER INCOME (Continued)

Revenue from membership fees by member countries for the period from January 1 through 31, 2015 and for a period from January 1 through December 31, 2014 is as shown in the table below:

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Republic of Albania	150,000	150,000
Federation of Bosnia and Herzegovina	150,000	150,000
Republic of Croatia	-	150,000
Republic of Macedonia	150,000	150,000
Montenegro	150,000	150,000
Republic of Serbia	150,000	150,000
	750,000	900,000

Ministry of the Foreign Affairs and European Integrations of the Republic of Croatia delivered to ReSPA, on December 16, 2013 a document No. 247/13, informing Montenegro that the Republic of Croatia is withdrawing from the Agreement on the Foundation of a Regional School of Public Administration, which was signed in Podgorica on November 21, 2008. The Republic of Croatia resigned frm the mentioned Agreement in 2015, thus ceasing to have liability of paying membership fees.

Income from cancellation of long-term provisions for the period from January 1 to December 31, 2015 amounted to EUR 112,736 refers to the cancellation of provisions for the investment maintenance of the hotel. Namely, as at April 29, 2015 the state of Montenegro - Human Resources Management Authority and ReSPA signed the Agreement on disposal for usage of official premises, equipment, hotel facility and surrounding land, in accordance with which the ReSPA will continue to use the aforementioned property without compensation, and in accordance with Art. 2 of the Agreement between the Government of Montenegro and ReSPA on seat and the functioning of the ReSPA in the host country. Furthermore, Article 8 of newly concluded Agreement stipulates that ReSPA shall at the time of returning hotel and equipment, return those in conditions appearing after usage, resulting as a consequence of their regular use, resulting as a consequence of regular use of the same, while, in accordance with Article 5, it undertakes to provide a regular insurance of the property and equipment from the risk of flooding, fire, theft, burglary and similar accidents. ReSPA in accordance with these known facts has cancelled the established provisions for investments and maintenance of the hotel in the amount of EUR 112,736, due to the fact that any potential capital investments and investment maintenance are charged to the Government of Montenegro - the Human Resources Administration.

6. CHANGES IN INVENTORIES OF FINISHED GOODS AND UNFINISHED PRODUCTION

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Cost of goods sold in retail	-	1,201
Cost of goods sold at wholesale	38,317	55,928
	38,317	57,129

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

7. RAW MATERIALS, FUEL AND ENERGY USED

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Maintenance	17,177	29,156
Fuel and electricity	39,298	36,480
Office materials	53,637	11,261
	110,112	76,897

8. SALARIES, WAGES AND OTHER PERSONNEL EXPENSES

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries	475,381	495,536
Per diems for business trips	33,670	32,767
Transport, accommodation and meals on business trips	74,481	50,060
Cost of uniforms	-	1,636
	583,532	579,999

Expenses of personal income for the year ended December 31, 2015 amounting to EUR 475,381 refer to personal income of staff employed at Hotel in the amount of EUR 50,017 and personal income paid to the management and staff of ReSPA in the amount of EUR 425,364.

9. DEPRECIATION

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Amortization	5,846	74,131
Amortization of donated assets (Note 18)	184,271	171,520
	190,117	245,651

Cost of depreciation of donated funds for the period from January 1 through December 31, 2015 amounted to EUR 149,461 and are related to the amortization of the equipment the ReSPA received as a donation from the European Union in 2010.

10. COSTS OF PRODUCTION SERVICES

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Costs of maintenance of computer equipment	1,457	1,795
Costs of maintenance vehicles	3,370	1,134
Costs of maintenance of office furniture	278	-
Maintenance costs – business premises	3,255	2,478
Maintenance costs of the building	1,478	1,489
Other costs of maintenance	6,506	4,414
	16,344	11,310

11. COSTS OF NON - PRODUCTION SERVICES

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Seminars	893,334	519,700
Banking fees	18,472	8,204
Marketing and advertisement	1,702	2,633
Legal, accounting and consultancy services	29,045	21,780
Other professional services	604,337	278,021
Postal services	38,389	34,924
Cost of the lease of rooms and inventory	13,820	2,917
Implementation of EC Grant	50,400	37,125
Translation services	76,437	29,549
Representation costs	32,291	11,706
Cost of utilities	7,125	7,137
Catering costs	15,384	-
The costs of securing the facility	22,250	24,245
Expenses of non-production services	8,278	14,423
Membership fees	1,083	3,756
Cost of insurance premiums for fixed assets	22,354	12,111
	1,834,701	1,008,231

Seminars expenses in the amount of EUR 893,334 refer to the costs of organizing the seminars in ReSPA's premises or the cost of the summer schools organized by ReSPA in Belgium and Luxembourg, which in 2015 amounted to EUR 210,310.

Costs of implementation of EC grant in the amount of EUR 50,400 (2014: 37,125) refer to experts and trainers per diem, travel expenses and accommodation costs.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

12. INTANGIBLE ASSETS

	(In EUR) Software and licences
Cost	
Balance, January 1 2014	18,658
Balance, December 31, 2014	18,658
Balance, January 1, 2015	18,658
Balance, December 31, 2015	18,658
Accumulated Amortization	
Balance, January 1, 2014	956
Amortization	2,799
Balance, December 31, 2014	3,755
Balance, January 1, 2015	3,755
Amortization	5,846
Balance, December 31, 2015	9,601
Book Value as at:	
- December 31, 2015	9,057
- December 31, 2014	14,903

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

13. PROPERTY AND INVESTMENTS IN ASSETS OWNED BY THIRD PARTIES

	Investment in buildings – property not owned by ReSPA	IT Equipment	Furniture	Vehicles	Tools and small inventory	Total
Cost						
Balance, January 1, 2014	47,769	409,490	555,989	45,890	39,985	1,099,123
Acquisitions	-	49,864	14,246		12,768	76,878
Activation of the investment	-	-		-	-	-
Balance, December 31, 2014	47,769	459,354	570,235	45,890	52,753	1,176,001
Balance, January 1, 2015	47,769	459,354	570,235	45,890	52,753	1,176,001
Acquisitions	-	2,052	17,802	-	2,239	22,093
Balance, December 31, 2015	47,769	461,406	588,037	45,890	54,992	1,198,094
Impairments						
Balance, January 1, 2014	17,499	263,592	324,788	9,915	19,817	635,611
Depreciation during the period	9,375	127,247	101,372	4,589	269	242,852
Balance, December 31, 2014	26,874	390,839	426,160	14,504	20,086	878,463
Balance, January 1, 2015	26,874	390,839	426,160	14,504	20,086	878,463
Depreciation during the period	405	69,258	105,276	9,178	154	184,271
Balance, December 31, 2015.	27,279	460,097	531,436	23,682	20,240	1,062,734
Net Book Value						
December 31, 2015	20,490	1,309	56,601	22,208	34,752	135,360
December 31, 2014	20,895	68,515	144,075	31,386	32,667	297,538

13. PROPERTY AND INVESTMENTS IN ASSETS OWNED BY THIRD PARTIES (Continued)

In accordance with the Agreement concluded between ReSPA and the Government of Montenegro on the headquarters and the functioning of ReSPA in the host country ("Host Country Agreement"), the Government of Montenegro as a host country, was obliged to provide free of charge all the necessary conditions operating, including the offices of ReSPA and hotel facility, as well as the surrounding land. Under this agreement, the Government was obliged to give these properties to ReSPA for the use.

International agreement on the foundation stipulated that the Government of Montenegro gave the official premises of ReSPA and hotel facility and surrounding land for use to ReSPA free of charge for a period of seven years beginning from August 1, 2010, but after the expiration of five years, the Board of ReSPA will decide whether it will request the Government of Montenegro an extension to the usage deadline for seven years more.

The European Union at the end of 2010 donated IT equipment and furniture to ReSPA in the total amount of EUR 857.968. In accordance with the Decision enacted by the Board of Directors of ReSPA, Directorate for Human Resources had an obligation of taking the above mentioned equipment donated by the European Union, and the obligation to coordinate the activities on furnishing the facilities given to the use of ReSPA by the Government of Montenegro, and to ensure continuous monitoring of these facilities to their assignment to ReSPA. Based on the Decision of the Directorate dated December 6, 2012, the inventory count committee was formed comprising members of the Directorate for Human Resources and RESPA, which conducted the annual inventory count, based on which the above mentioned equipment and furniture has been transferred on January 29, 2013 in the total amount of EUR 857,968.

On April 29, 2015, the Government of Montenegro – Directorate for Personnel and ReSPA concluded the Agreement on Disposal for Usage of official premises, equipment, hotel facility and surrounding land, pursuant to which ReSPA will continue to use the related property without compensation, being also in compliance with the provisions of Article 2 of the Agreement concluded between the Government of Montenegro and ReSPA referring to headquarters and functioning of ReSPA in the host country.

As of December 31, 2015, investments in buildings - property not owned by ReSPA amounted to EUR 20,490, and refer to investment in business premises, hotel building and development of surrounding land, which the Government of Montenegro, as noted above, gave to ReSPA for usage without compensation.

Total depreciation of property, and investments in assets owned by third parties for the year ended December 31, 2015 amounted to EUR 184,271, out of which the depreciation of donated equipment was in the amount of EUR 149,461 and it is recognized as income of the related period (Note 5 and 18).

14. INVENTORIES

(In EUR)

	December 31, 2015	December 31, 2014
Storehouse inventories	25,621	29,009
Goods in retail	-	161
	25,621	29,170

As of December 31, 2015, ReSPA has inventories in the amount of EUR 25,621 relating to food and beverage that are used by participants in the seminars, experts and trainers in the Hotel, given that trainings are organized in that way that all the participants, experts and trainers have been provided with the accommodation and food in the ReSPA.

15. ACCOUNTS RECEIVABLE

(In EUR)

	December 31, 2015	December 31, 2014
Receivables from membership fees (Contribution)		
- Montenegro	37,455	24,723
	37,455	24,723
Receivables from customers:		
- domestic	3,113	8,846
- foreign	1,375	1,348
	4,488	10,194
Other receivables	13,729	6,529
Less allowance:		
- for trade receivables	(3,158)	-
	52,514	41,446

Pursuant to the provisions of Article 23, Chapter IX of Agreement on Foundation of ReSPA signed in Podgorica on November 21, 2008, all states parties to the agreement are required to pay an annual fee (for the Core Budget) in the amount of EUR 150,000 per member country..

Accordingly, during the year 2015 Member of States have paid a total of EUR 737,269, and each member paid the sum of EUR 150,000 except the Montenegro, which have paid EUR 137,000 in membership fees for 2015, while Macedonia paid EUR 150,269.

16. CASH AND CASH EQUIVALENTS

(In EUR)

	December 31, 2015	December 31, 2014
Gyro accounts	150,562	677,535
Foreign currency account	886,482	385,083
Other financial deposts	-	300,000
	1,037,044	1,362,618

Other cash in the amount of EUR 300,000 as of December 31, 2014 related to the deposit placed at Prva banka Crne Gore AD, Podgorica, which ReSPA deposited for a period of 3 months with the maturity date January 10, 2015 and interest rate of 3.20% per annum. On January 20, 2015, ReSPA withdrew deposits in whole amount.

17. SHORT-TERM LIABILITIES

(In EUR)

	December 31, 2015	December 31, 2014
Payables to suppliers:		
- domestic	44,084	15,902
- foreign	3,054	19,827
- other liabilities	1,182	-
	48,320	35,729
Liabilities to employees	3,137	6,529
Payables under the contract on hiring experts	4,619	41,348
	56,076	83,606

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

18. ACCRUED LIABILITIES

(In EUR)

	December 31, 2015	December 31, 2014
Received financial donation	461,366	788,414
Received donation in equipment	11,287	160,748
Accrued expenses	15,900	-
	488,553	949,162

Changes in accrued liabilities arising from financial donations received for the year 2015 and 2014 are shown in the following table:

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Balance at the beginning of the period	788,414	1,590,286
Increase during the period - Grant 2	1,334,771	-
Used during the period – Grant 2(Note 5)	(1,661,820)	(801,872)
Balance at the end of the year	461,365	788,414

Changes in accrued liabilities arising from financial donations in equipment received for the year 2015, 2014, are shown in the following table:

(In EUR)

	Year ended December 31, 2015	Year ended December 31, 2014
Balance at the beginning of the period	160,748	332,268
Depreciation for the period (Note 5 and 9)	(149,461)	(171,520)
Balance at the end of the year	11,287	160,748

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

19. RISK MANAGEMENT

19.1. Equity Risk Management

	December 31, 2015	(In EUR) December 31, 2014
Cash and cash equivalents	1,037,044	1,362,618
Debt, net	1,037,044	1,362,618
Equity	715,201	719,600
Total debt to equity ratio	1,45	1.89

There is no formal equity risk management framework implemented in ReSPA. Management deals with equity risk on a case-to-case basis with the aim to mitigate risks and ensure that ReSPA is able to continue as a going concern. As a part of this review, Management considers the cost of capital and the risks associated with each class of capital. Based on this review, ReSPA will balance its overall capital structure, by assuming new liabilities or by settling existing liabilities.

19. RISK MANAGEMENT (Continued)

19.2. Significant Accounting Policies

The details of significant accounting policies and methods adopted, including the recognition criteria, basis for measurement and recognition of income and expenses for each category of financial assets, financial liabilities and equity instruments are disclosed in Note 3 to the financial statements.

19.3. Categories of Financial Instruments

(In EUR)

	December 31, 2015	December 31, 2014
Financial assets		
Accounts receivable	45,967	41,446
Cash and cash equivalents	1,037,044	1,362,618
	1.083.011	1,404,064
Financial liabilities		
Short term liabilities	48,320	35,729
	48,320	35,729

ReSPA does not enter into transactions with derivative financial instruments, such as interest rate swaps or forwards. In addition, in the course of the year ended December 31, 2015, ReSPA did not undertake transactions involving financial instruments.

Basic financial instruments of ReSPA comprise cash and cash equivalents and receivables, which arise directly from ReSPA's operations, as well as accounts payable. In the regular course of business, ReSPA is exposed to further listed risks.

19.4. Aims of Financial Risk Management

In its business activities, ReSPA is exposed to a variety of financial risks, including liquidity risk. ReSPA does not use derivative financial instruments or any other form of hedges against these risks.

There is no formal risk management framework implemented in ReSPA. The Financial Department focuses mainly on liquidity risk, acting on a case-to-case basis to mitigate risks and minimize losses. However, such activities, on "as needed" basis, may not be entirely effective, and therefore ReSPA cannot prevent the adverse effects of fluctuations in the risk variables on the operations, financial position and financial performance.

19.5. Market Risk

(a) Currency Risk

ReSPA is not exposed to risks of the fluctuations in foreign currencies exchange rates, because all business operations are performed in the currency EUR.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

19. RISK MANAGEMENT (Continued)

19.5. Market Risk (Continued)

(b) Interest Rate Risk

The following table gives the present value of financial assets and financial liabilities and their fair value as at December 31, 2015:

(In EUR)

	December 31, 2015	December 31, 2014
Non-interest bearing financial assets		
Accounts receivable	45,967	41,446
Cash and cash equivalents	1,037,044	1,362,618
	1,083,011	1,404,064
Non-interest bearing financial liabilities		
Short term liabilities	48,320	35,729
	48,320	35,729

Given that ReSPA neither has significant interest-bearing assets nor liabilities, the ReSPA's income and expenses are to a great extent independent of interest rate risks.

(c) Receivables

The most important customers – receivables as of December 31, 2015 and 2014 are presented in the following table:

(In EUR)

	December 31, 2015	December 31, 2014
Government of Montenegro	37,455	24,723
Intours doo, Podgorica	-	5,257
Municipalitiy of Danilovgrad	1,285	1,985
Human Resources Administration	1,720	1,310
EIPA	1,348	1,348
Other receivables	4,159	6,823
	45,967	41,446

The structure of accounts receivable as of December 31, 2015 is shown in the following table:

(In EUR)

	Gross	Allowance for impairment	Net
Not matured accounts receivable	49,125	(3,158)	1,330
	49,125	(3,158)	1,330

The structure of accounts receivable as of December 31, 2014 is shown in the following table:

(In EUR)

	Gross	Allowance for impairment	Net
Not matured accounts receivable	41,446	-	41,446
	41,446	-	41,446

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

19. RISK MANAGEMENT (Continued)

19.6. Liquidity risk

On the ReSPA level, liquidity management is centralized. The ReSPA manages its assets and liabilities in the manner which is to ensure that the ReSPA is able to settle its liabilities at any time.

The ReSPA has sufficient amount of highly liquid assets (cash and cash equivalents) and continuous cash flows from service rendering which enables it to settle its liabilities on maturity. The ultimate responsibility for liquidity risk management rests with the Financial Department, which is responsible for the management of the ReSPA's short, medium and long-term funding and liquidity management requirements. The ReSPA manages liquidity risk by maintaining adequate cash reserves by continuously monitoring forecasted and actual cash flows and matching between maturities of financial assets and liabilities. The ReSPA does not use financial derivatives.

Also, the business policy led to dispersion in decision-making levels regarding the acquisition of goods/services. The dispersion is secured through the limits in the powers to make decisions on the liquidity risk exposure vested in an individual or in a ReSPA's department.

The following tables give the details of outstanding contractual liabilities of ReSPA. The amounts presented are based on the undiscounted cash flows arising from financial liabilities based on the earliest date upon which the ReSPA will be due to settle such payables. The table includes both interest and principal cash flows.

Amoounts in EUR	Up to 1 Month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Financial Assets							
Cash and cash equivalents	1,037,044	-	-	-	-	-	1,037,044
Accounts receivable	38,785	7,182	-	-	-	-	45,967
Total:	1,075,829	7,182	-	-	-	-	1,083,011
Financial liabilities							
Short term liabilities	48,320	-	-	-	-	-	48,320
Total:	48,320	-	-	-	-	-	48,320
Maturity gap:							
- December 31, 2015	1,027,509	7,182	-	-	-	-	1,034,691
- December 31, 2014	1,368,335	-	-	-	-	-	1,368,335
Cumulative gap:							
- December 31, 2015	1,027,509	1,034,691	-	-	-	-	1,034,691
- Decembra 31, 2014	1,368,335	-	-	-	-	-	1,368,335

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

19.7. Credit Risk

Not matured receivables from customers

As at December 31, 2015 not matured receivables from customers in the amount of EUR 45,967 (December 31, 2014: EUR 41,446) primarily relate to receivables from customers for the hospitality and restaurant services rendered during the training sessions, as well as receivables from the Government of Montenegro for unpaid membership fee for 2015. These receivables are usually due within 30 days after the invoice issuance date, depending on the agreed terms of payment.

The structure of accounts receivable as of December 31, 2015 is shown in the following table

(In EUR)

	Gross	Allowance for impairment	Net
Not matured accounts receivable	49,125	(3,158)	1,330
	49,125	(3.158)	1.330

19.8. Fair Values of Financial Assets and Liabilities

The following table shows the present value of financial assets and financial liabilities and their fair value as at December 31, 2015:

(In EUR)

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Accounts receivable from customers	45,967	41,446	45,967	41,446
Cash and cash equivalents	1,037,044	1,037,044	1,362,618	1,362,618
	1,083,011	1,083,011	1,404,064	1,404,064
Financial liabilities				
Accounts payable	48,320	48,320	35,729	35,729
	48,320	48,320	35,729	35,729

The assumptions used to estimate current fair values of financial assets and liabilities are summarized below:

- The fair value of other financial assets and liabilities carried at amortized value maturing within a year approximates their fair value as the original interest rates do not differ significantly from the market interest rates.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

20. RELATED PARTIES TRANSACTIONS

Personal benefit of the key management employees for the period from January 1 through December 31, 2015 amounted to EUR 198,439 (2014: EUR 197,400).

21. LITIGATIONS

As of December 31, 2015. ReSPA was not engaged in any legal disputes neither as a defendant nor as a plaintiff.

22. SUBSEQUENT EVENTS

There were no corrective and non-corrective events after the date of the statement of financial position.