



BAKER TILLY
RE OPINION

**AUDIT OF FINANCIAL INFORMATION FOR THE PROJECT
"AGRICULTURE – AGRIBUSINESS MICROENTERPRISE
DEVELOPMENT IN BiH"
FOR THE PERIOD
FROM 18 SEPTEMBER 2014 TO 17 SEPTEMBER 2015
CITIZENS' ASSOCIATION "NEŠTO VIŠE", SARAJEVO**

Implementing Partner: Citizens' Association "Nešto Više", Sarajevo

Project: Agriculture – Agribusiness Microenterprise Development in BiH

Reference No. AID-168-F-13-00002

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BAKER TILLY RE OPINION

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Independent Auditor's Report

To Management of
Citizens' Association "Nešto Više"
Trg Sabora bosanskog 36
71 000 Sarajevo

We have audited the accompanying financial information of the project "Agriculture – Agribusiness Microenterprise Development in BiH" for the period from 18 September 2014 to 17 September 2015 implemented by the Citizens' Association Nešto Više (hereinafter the "Association" and "Project"). The project was financed by USAID grant - Fixed Obligation Grant (FO) No. AID-168-F-13-00002.

Management's Responsibility

Management is responsible for the preparation of the financial information and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial information 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 information.

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

Opinion

In our opinion, the financial information give a fair view of the activities of the Association on the project "Agriculture – Agribusiness Microenterprise Development in BiH" for the period 18 September 2014 to 17 September 2015.

Nihad Fejzić, Director and Certified Auditor

Baker Tilly Re Opinion d.o.o. Sarajevo

Sarajevo, 30 November 2015



Sanita Delić, Certified Auditor

1. GENERAL

Introduction

In the terms of the scope of work identified in the Audit Engagement Letter between the Citizens' Association "Nešto Više" (hereinafter the "Association") and Baker Tilly Re Opinion d.o.o. Sarajevo dated 26 November 2015 and also in terms of the provisions contained in the Fixed Obligation Grant No. AID-168-F-13-00002 between the United States Agency for International Development (USAID) Sarajevo and the Association dated 18 September 2013, which regulates all conditions concerning implementation of the Project "Agriculture – Agribusiness Microenterprise Development in BiH", financed by the USAID, we carried out an audit of the financial information pertaining to this Project for the period 18 September 2014 to 17 September 2015. The financial information comprise USAID grants received and expenses incurred during implementation of the project. The subject of our audit is the second year of project implementation. First year of project implementation was audited by NGO and Business Audit d.o.o. Sarajevo.

About the Citizens' Association "Nešto Više"

Citizens' Association "Nešto Više" is a non-governmental organization founded in 1997 by a group of young professionals with experience in working with civil society organizations through Bosnia and Herzegovina. Association acquired the status of a state wide organization and was entered into the Register of Associations by permission of the Ministry of Justice of Bosnia and Herzegovina number RU-88/03 dated 15 April 2003. Last Decision of Ministry of Justice of Bosnia and Herzegovina was issued as of 9 March 2011 with registration number 01/6-52/03-RS. This Decision is still in force.

Association has three offices, in Sarajevo, Mostar and Istočno Sarajevo. Associations head office is on address Trg Sabora bosanskog 36 in Sarajevo.

Management Bodies of the Association are: Assembly and Executive Director, Deputy Director and Association Secretary. Associations' Assembly, as highest governing body, has 13 members, out of which 5 members are staff members who participate in Assembly's work but do not have right to vote during decision making. Association has 9 employees.

Assembly members:

1. Željka Rubinić
2. Branimir Šešlija
3. Verica Kelava
4. Duško Stojanović
5. Adis Arapović
6. Azra Tabaković Kedić
7. Angelina Lučić
8. Danijel Lozančić
9. Aleksandar Bundalo
10. Adem Lisičić
11. Duško Cvjetanović
12. Sanja Đermanović
13. Vanja Sudar

Management of the Association:

1. Aleksandar Bundalo, Executive Director
2. Sanja Đermanović, Executive Director Deputy
3. Duško Cvjetinović, Association Secretary

Pursuant to the provisions of Law on Associations and Foundations of Bosnia and Herzegovina, Assembly of the Association enacted Statute as of 4 March 2003. Among other things, Statute prescribes rights, duties and responsibilities of Assembly members as well as Executive Director, Deputy Director and Association Secretary.

CITIZENS' ASSOCIATION „NEŠTO VIŠE“
 „Agriculture – Agribusiness Microenterprise Development in BiH“
 Fixed Obligation Grant (FOG) No. AID -168-F-13-00002
 18 September 2014 to 17 September 2015

1. GENERAL (CONTINUED)

Operations of the Associations are regulated by following internal policies and procedures:

1. Statute
2. Rulebook on Procurement and Grant Allocation
3. Rulebook on Accounting, Internal Accounting Controls, Accounting Policies and Financial Operations
4. Employee Policies and Procedures Manual

Programs and projects of Association are implemented in over 70 local communities in Bosnia and Herzegovina.

Project information

Association signed Fixed Obligation Grant (FOG) with USAID in September 2013, by which USAID awarded grant in amount of 887,624 USD, while the Association will contribute 111,881 USD in cost share. Purpose of the grant is to provide support to the Project "Agriculture – Agribusiness Microenterprise Development in BiH". Duration of grant is for a maximum of 36 months, and Project is to be implemented in period from 18 September 2013 to 17 September 2016. Payments are agreed to be made upon completion of individual milestones, and may be presented as follows:

Reporting period	Milestone number	Milestone	Amount
1	Milestone No. 1	Completion of work Plan	70,000
	Milestone No. 2	Establishment of research teams / Completion of 1st quarterly report	19,870
2	Milestone No. 3	Establishment of ACPD / organized stakeholder focus groups and round tables	11,845
	Milestone No. 4	ACPD equipped	28,293
	Milestone No. 5	Completion of the 2nd quarterly report	44,862
3	Milestone No. 6	Completion of two studies	24,460
	Milestone No. 7	Completion of two inventories	47,260
	Milestone No. 8	Publication of studies and inventories / Completion of 3rd quarterly report	64,504
4	Milestone No. 9	Conference held	26,492
	Milestone No. 10	Completion of Annual labour needs assessment report	13,591
	Milestone No. 11	Strengthening of capacity of ACPD / completion of 4th quarterly report	29,257
5	Milestone No. 12	Implementing of capacity building trainings, internships & volunteer opportunities / completion of 5th quarterly report	63,680
6	Milestone No. 13	Development of micro-business plans for farmers / completion of 6th quarterly report	71,342
7	Milestone No. 14	Completion of micro-business plans / study visits organized / completion of 7th quarterly report	87,277
8	Milestone No. 15	Donation of produce to public institutions / delivery of relevant trainings / quality control testing completed / completion of 8th quarterly report	78,421
9	Milestone No. 16	Completion of technical assistance and trainings / completion of 9th quarterly report	65,015
10	Milestone No. 17	Completion of relevant trainings and technical assistance / completion of 10th quarterly report	62,427
11	Milestone No. 18	Knowledge transfer with relevant institutions / organization of study visits / internship and volunteer opportunities provided / completion of 11th quarterly report	27,843
12	Milestone No. 19	Completion of annual labour needs assessment / organization of 3rd round of career days / completion of 12th quarterly report	28,727
13	Milestone No. 20	Final report / final financial statement	24,609

1. GENERAL (CONTINUED)

Payments are made by USAID within 30 days upon preparing of vouchers certifying that individual milestones were completed and after the verification by USAID of Milestone completion, whichever is later.

Total amount of cost share consist of following:

- | | |
|---|---------------|
| 1. In cash contribution – costs of business registration for start-ups | 7,692.15 USD |
| 2. In kind contribution: | |
| - land and labour of 100 individual agricultural producers from Herzegovina | 75,000.00 USD |
| - Student's volunteer hours | 18,450.00 USD |
| - Mobile distillery for aromatic herbs | 10,739.00 USD |

Project goal is to strengthen competitiveness of agricultural-agribusiness sector in Herzegovina to effectively compete in market economy. Proposed program area is the region of Herzegovina and proposed activity is supposed to provide assistance to beneficiaries in 10 municipalities in the region of Herzegovina in both entities, Federation of Bosnia and Herzegovina and Republic of Srpska.

Project objectives may be presented as follows:

Objective 1: To assess current opportunities and challenges in agribusiness sector in Herzegovina

Objective 2: To enhance the capacity of MSME's and to strengthen competitiveness of farmers and the workforce, women and youth in particular, through creating the infrastructure to provide intensive, tailor-made capacity building programs

Objective 3: To establish working partnerships amount Agribusiness Centre for Professional Development, academia, employers, farmers, civil society organisations for women and youth and governmental institutions responsible for agriculture and employment.

2. OVERVIEW OF ACCOUNTING POLICIES

Basis of accounting

The project's financial information have been prepared under the historical cost convention using the accrual basis of accounting.

Revenue

Revenue includes income from membership fees, income from donations by donors, interest income, fees, revenues from services provided, donations and other revenues that are accounted for in an accounting document, regardless of collection time.

Income presented in financial statement that is subject of our audit relates to grant from USAID, which is recorded when collected, upon submission of vouchers that certify completion of agreed milestones.

Expenses

Expenses include costs arising from the ordinary activities of the Association. Costs of project can be direct or indirect. Direct costs shall be the eligible costs relating to all activities that are necessary for the implementation of projects. These shall be costs that are directly associated with the projects used exclusively for the objectives of the project. They should be determined in accordance with the usual accounting practices. These costs should be incurred during the project. Indirect costs shall be the eligible costs which cannot be defined by the participants in the project as directly involved in the implementation of the project, but can be identified and justified by the accounting system of calculating the cost where they will be directly associated with eligible costs related to the project. They should not include any eligible direct cost. They shall be an equitable distribution of overall fixed costs of the organization.

2. OVERVIEW OF ACCOUNTING POLICIES (CONTINUED)

Expenses (Continued)

The policy of allocating the costs of the Association shall be based on the number of employees per project and will be used for managing all costs (small equipment, communications, supplies and bank fees).

The Association shall use the method of "Number of employees on the project – the number of hours involved in the project" as a basis for an equitable allocation of indirect costs. The basis of allocation of funds shall be the method of documentation that is used to measure the scope of benefits received when allocating common costs between the various partners. The basis should distribute costs in a fair and reasonable manner without changing the results.

Levels of allocation:

1. Costs incurred especially for a project shall be charged directly to that specific project to which they relate
2. Costs relating to more than one project shall be distributed reasonably according to the benefits that the project gets, i.e. so that the costs associated with such a record would not be excessive in relation to the benefits.
3. Common office costs relating to all projects shall be distributed to all projects using the above method of equitable distribution.

Wages, contributions and payroll tax – Salaries shall be recorded in the projects in accordance with the number of actual working hours in the project. The allocation shall not be based on budget estimates, but shall reflect the actual time determined on the basis of facts. When an employee works on more than one project, the salary shall be divided proportionally based on the time spent on each project. Accurate work shift records/work hours report shall be kept for each employee. Allocation of salaries shall be calculated on a monthly basis.

Overhead costs – Overhead costs shall generally include rent, facilities, maintenance and repair services, security, etc. The size of premises used for each activity as a percentage of a total floor area of premises is the preferred basis for allocating these costs, but since the Association projects other change, these costs shall use the method of cost allocation above.

Communications – whenever possible, the offices shall allocate the costs of communications directly to a project in which the cost incurred. Mobile phones and phone cards, which are granted to employees shall be charged on the basis of the particular salary at a given time period. Communication costs that cannot be directly identified by the project shall be allocated in the same way as overheads.

Small equipment (non-consumptive equipment and furniture with useful life for more than a year and the unit price of less than 500 BAM) can be allocated in the same way as overheads.

General equipment (non-consumptive equipment and furniture with useful life for more than a year and the unit price of equal to/more than 500 BAM, but below 5,000 BAM) shall be charged directly to the project. General equipment cannot be allocating. Allocation can be used only for depreciation i.e. the percentage which is used for a project. In this case the allocation policy above shall be implemented.

Office supplies – goods purchased directly to assist in the project shall be charged directly to the project. When possible, Association should try to allocate the costs of goods on the basis of use by the project. Where this approach is not possible or the costs associated with such registration are excessive in relation to benefits, goods can be allocated in the same way as overheads.

Vehicles – vehicle operating costs shall include fuel, repairs and maintenance, insurance and registration. Where they are directly allocated to a project, vehicle operating costs associated with this vehicle can be charged directly to the project. For vehicles that are shared, the operating costs of vehicles should be allocated based on usage in the project. The usage in the project can be determined from the records of destinations/mileage of vehicle.

2. OVERVIEW OF ACCOUNTING POLICIES (CONTINUED)

Expenses (Continued)

Bank fees – whenever possible, fees should be allocated to projects in the same proportion as the costs to which they relate. If the bank fees cannot be directly linked to the project, i.e. if the bank fees relate to several projects, the sale allocation should apply for the cost incurred.

Program costs – program costs should be identified and charged directly to the project. If a program cost is not directly known, it is necessary to take the facts and conditions into account when allocating the cost.

3. INCOME FROM USAID GRANT

No.	Description	Date received	Bank statement	Agreed USD	Received USD
1	11 th Milestone	7 th November 2014	Unicredit bank 22	29,257	29,257
2	12 th Milestone	10 th February 2015	Unicredit bank 1	63,680	63,680
3	13 th Milestone	20 th May 2015	Unicredit bank 3	71,342	71,342
4	14 th Milestone	3rd August 2015	Unicredit bank 6	87,277	87,277
TOTAL				251,556	251,556

	Received USD	Received BAM*	Received BAM**	Bank fees and Forex
11 th Milestone	29,257	45,715.20	45,492.47	222.73
12 th Milestone	63,680	110,463.21	108,713.11	1,750.10
13 th Milestone	71,342	124,805.77	123,544.70	1,261.07
14 th Milestone	87,277	155,647.79	150,665.86	4,981.93
TOTAL	251,556	436,631.97	428,416.14	8,215.83

*Amount received and calculated using middle exchange rate of the Central Bank of Bosnia and Herzegovina

**Amount after transfer on bank sub account and conversion into BAM

Up to 17th September 2015, Association finished 14 agreed Milestones. Last Milestone refers to completion of micro-business plans, organization of study visits and completion of 7th quarterly report. Association received agreed funds for 14th Milestone as of 3rd August 2015.

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4. EXPENDITURES

Project expenses per months may be presented as follows:

Number	Month, year	Amount BAM
1	18 September – 30 September 2014	16,853
2	October 2014	27,763
3	November 2014	25,503
4	December 2015	41,695
5	January 2015	22,713
6	February 2015	28,560
7	March 2015	60,420
8	April 2015	24,535
9	May 2015	34,452
10	June 2015	30,472
11	July 2015	29,851
12	August 2015	36,881
13	1 September – 17 September 2015	6,379
TOTAL		386,077

Project expenses per type may be presented as follows:

Type of costs	Amount BAM
Gross salaries	148,092
Service agreements	60,265
Other services	42,184
Depreciation	29,323
Material and energy	24,463
Donations	22,272
Rent	15,104
Forex losses	8,494
Travel expenses	8,444
Telecommunication	5,317
Meal allowance	4,734
Holiday allowance	4,035
Audit services	3,680
Accounting services	3,475
Insurance	2,718
Administrative and other taxes	2,576
Transportation allowance	901
TOTAL	386,077

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5. PROPERTY AND EQUIPMENT

The purchase of fixed assets for the Project activities can be presented as follows:

Description of asset	Amount in period 18 September 2014 – 17 September 2015 BAM	Amount in period 18 September 2013 – 17 September 2014 BAM	Amount in period 18 September 2013 – 17 September 2015 BAM
Improvements on the land	29,169	9,021	38,190
Greenhouse ITC P80/500 m2	18,296	-	18,296
Greenhouse ITC P80/450 m2	12,249	-	12,249
Walk-behind tractor	9,235	-	9,235
Motor vehicle Škoda Yeti	-	35,474	35,474
Motor vehicle Škoda Octavia	-	32,849	32,849
Desktop computer (6 pieces)	-	5,731	5,731
Copier Canon	-	2,517	2,517
Laptop	-	1,175	1,175
Projector	-	965	965
Printer	-	549	549
Biological assets	-	450	450
	68,949	88,731	157,680

6. ASSOCIATION'S COST SHARE

In accordance with grant agreement, Association agreed to provide cost share in amount of 111.811 USD. Association's cost share in audited period may be presented as follows:

No.	Date of quarterly report	Cost share USD	Cummulated cost share USD
1	31 December 2014	46,226	46,226
2	31 March 2015	14,427	60,653
3	30 June 2015	3,279	63,932
4	30 September 104	145,045	208,977
Total Association's cost share			208,977
Agreed cost share			111,811
Association's cost share above agreed			97,166