

## UNION OF THE BALTIC CITIES

### AUDITOR'S REPORT for 2023 (Translation)

#### A. GENERAL INFORMATION

The Union of the Baltic Cities was established in 1991. It was entered into the Register of Associations, Other Social and Professional Organizations, Foundations and Independent Public Health Care Facilities, currently kept by the Registry Court Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register under the KRS number 0000005342. It has a tax identification number NIP: 5831066139 and REGON: 190048545.

The objective of the Union of the Baltic Cities is:

- Promote and strengthen cooperation and exchange of experiences among the cities in the Baltic Sea Region,
- Advocate for common interests of the local authorities in the region, and act on behalf of the cities and local authorities in common matters towards regional, national, European and international bodies,
- Strive to achieve sustainable development of the Baltic Sea Region with full respect to European principles of local and regional self-governance and subsidiarity.

Union of the Baltic Cities brings together 61 member cities from 9 Baltic Sea countries. The Union does not conduct business activity and is supported by membership fees. Income of the Union is tax-free.

The audit was performed by a statutory auditor – Danuta Kowalska, No. 9925 of the register kept by Polish Chamber of Statutory Auditors in Warsaw, on the basis of the contract of 09 September 2025, concluded between KKP 33 LLC located in Gdynia, and the Union of the Baltic Cities located in Gdańsk.

## B. ACCOUNTING BOOKS

The books for 2023 were kept by Stowarzyszenie Ekspertów Księgowych i Podatkowych Spółka z o.o. [Association of Auditors and Tax Experts, Co. Ltd.], of Gdańsk, ul. Aldony 17. Accounting is kept in compliance with generally applicable legal provisions, i.e. the Act of 29 September 1994 on Accounting (Journal of Laws of 2023, item 120, with further amendments) and the accounting principles (policy) adopted on its basis - Order 1/02 of the Secretary General of the Union of the Baltic Cities. The principles presented in the accounting policy are consistently followed.

The accounting is carried out on a computer system using the Symfonia Finance & Accounting program. The records enable obtaining the necessary data on revenues and costs and meet the requirements of the Accounting Act. The documentation is complete and sufficient; the documents are checked in terms of accounting and content. Documents are stored correctly. The closing balance for 2022 was entered into accounting books as the opening balance as of 1 January 2023. Balance sheet continuity was maintained.

The net profit for the 2022 financial year in the amount of PLN 221 422,39 was dedicated to the statutory fund of the Association and reclassified accordingly.

As of 31 December 2023, a statement of turnover and balances of synthetic and analytical accounts was prepared, constituting the basis for the preparation of the balance sheet and profit and loss account.

## C. FINANCIAL STATEMENT

**Financial statement** of the Union of the Baltic Cities includes:

- balance sheet as of 31 December 2023, which shows the total of PLN 1 867 069,74 on the assets and liabilities side,
- profit and loss account for the period from 1 January 2023 to 31 December 2023, showing a net profit of PLN 366 378,60,
- additional information, including general information and supplementary information to the financial statements,

The financial statement was prepared in accordance with annex no. 6 to the Accounting Act 29 September 1994 (Journal of Laws 2023, item 120 with further amendments). The audited year and the preceding one include 12 consecutive months. The principle of continuity has been preserved.

**Summary balance sheet for the period 2021-2023 (in thousands PLN)**

Specification	State at the end of the year						Changes 2023/2022
	2023		2022		2021		
	amount	%	amount	%	amount	%	%
1	2	3	4	5	6	7	8
<b><u>ASSETS</u></b>							
A. Fixed assets	8	0,0%	0	0,0%	0	0,0%	0,0%
B. Current assets	1859	100,0%	1924	100,0%	1005	100,0%	97%
<b>Total</b>	<b>1867</b>	<b>100,0%</b>	<b>1924</b>	<b>100,0%</b>	<b>1005</b>	<b>100,0%</b>	<b>97%</b>
<b><u>LIABILITIES</u></b>							
A. Statutory fund	1562	84%	1196	62%	974	97%	131%
B. Accounts payable	305	16%	728	38%	31	3%	42%
<b>Total</b>	<b>1867</b>	<b>100%</b>	<b>1924</b>	<b>100,0%</b>	<b>1005</b>	<b>100,0%</b>	<b>97%</b>

**Summary profit and loss sheet for the period 2021-2023 (in thousands PLN)**

Specification	Period (years)			Changes 2023/2022
	2023	2022	2021	
1	2	3	4	5
Income from statutory activities, dues	1507	1288	1137	116,94%
Costs of execution of statutory tasks	756	800	1338	94,46%
<b>Profit (loss) on statutory activities</b>	<b>751</b>	<b>488</b>	<b>-201</b>	<b>153,76%</b>
General administration costs	333	278	0	119,84%
Other operational income	76	9	0	849,70%
Other operational costs	0	0	0	628,24%
Financial income	0	2	2	0,00%
Financial costs	127	0	0	0,00%
<b>Profit (loss) gross</b>	<b>366</b>	<b>221</b>	<b>-199</b>	<b>165,43%</b>
Income tax	0	0	0	0,00%
<b>Profit (loss) net</b>	<b>366</b>	<b>221</b>	<b>-199</b>	<b>165,47%</b>
<b>Total income</b>	<b>1582</b>	<b>1300</b>	<b>1139</b>	<b>121,75%</b>
<b>Total costs</b>	<b>1216</b>	<b>1078</b>	<b>1338</b>	<b>112,78%</b>

The above data shows that in the years 2021 - 2023 the Union of the Baltic Cities recorded a successive increase in revenues - by a total of 32,5%. In 2022, costs were 19% lower compared to 2021, while in 2023, they remained on the same level.

From 2022, ZMB changed the presentation of general and administrative expenses, recognizing them as a separate line item in the profit and loss account. Until 2021, these expenses were recognized in statutory operating expenses. The decrease in costs in the period under review and the increase in revenues translated into financial results achieved in individual years, profits in 2023 and 2022, and a loss in 2021. ZMB's assets consist almost entirely of current assets. Fixed assets in the form of intangible assets constituted an insignificant value as of December 31, 2023, i.e., PLN 7,995.78. In 2023, a significant change was recorded in the structure of financing sources for assets (liabilities) – the share of equity in the structure of liabilities increased from 62% to 84%, and the share of liabilities decreased from 38% to 16%.

#### D. ASSESSMENT OF THE CORRECTNESS OF THE BOOKS

##### 1. *Fixed Assets* include;

• Original value	28 947,46 zł
• Depreciation	20 951,68 zł
• <b>Net value</b>	<b>7 995,78 zł</b>

The actual balance relates to the costs incurred in designing the website.

##### 2. *Current assets* include;

• Short-term dues	137 086,79 zł
• Short-term investments	1 721 643,79 zł
• Short-term prepayments	343,38 zł
• <b>Total</b>	<b>1 859 073,96 zł</b>

The balance of short-term receivables consists of funds deposited on the EUR pre-paid card settlement account in the amount of EUR 19 528,70, which in PLN is 84 910,79, and the Forum Riga Interreg grant of EUR 12,000.00 to cover the costs incurred, which was transferred to the ZMB account in January 2024.

Cash balances result from the cash report of 31 December 2023 and bank statements as of 31 December 2023, were confirmed by the Bank. The bookings were made correctly.

Short-term accruals represent expenses for telecommunications services to be settled in 2024.

**3. Own funds** include;

• Statutory fund	1 195 864,94 zł
• Net profit	366 378,60 zł
• <b>Total</b>	<b>1 562 243,54 zł</b>

The statutory fund was created properly from income surplus to the costs for the period of operation.

**4. Short-term Liabilities;**

• on the score of supplies, work and services	2 976,01 zł
• to the state budget	11 261,23 zł
• on the score of salaries	63 526,14 zł
• <b>Total</b>	<b>77 763,38 zł</b>

The balances are correct, accounted in 2024. Bookings were made correctly.

**5. Accruals**

- include funds received for the implementation of the EU programmes PA Secure Kids, YUPAD and DECARBOMILE, PITCH in the amount of **227 062,82 zł**

This balance will be settled in revenues to cover the costs of activities carried out on the projects.

**6. Implemented projects financed from subsidies**

Project	State of funds as of 01.01.2023	Payment received in 2023	Incurred project costs	Accounted for revenues	State of funds as of 31.12.2023
EUSBSR AF 2023 Riga	0,00	0,00	53 370,00	52 176,00	0,00
CREST*	30 675,33	-24 032,62	0,00	6 642,71	0,00
PA Secure Kids	0,00	39 835,31	0,00	0,00	39 835,31
EUSBSR AF 2021 Lithuania	223 763,52	0,00	0,00	223 763,52	0,00
YUPAD	28 917,66	145 488,67	135 526,30	135 526,30	38 880,03
DECARBOMILE	244 412,10	0,00	127 850,14	127 850,14	116 561,96
PITCH	0,00	46 117,74	14 332,22	14 332,22	31 785,52
<b>TOTAL</b>	<b>527 768,61</b>	<b>207 409,10</b>	<b>331 078,66</b>	<b>560 290,89</b>	<b>227 062,82</b>

\* The total revenue amounted to PLN 6,642.71; PLN 24,032.62 was reimbursed.

\*\* Project implemented until 31 March 2022 - funds received were settled as revenue in January 2023.

**E. PROFIT AND LOSS ACCOUNT**

**1. Costs Borne**

<b>Costs of core operating activities</b>	<b>1 042 017,07 zł</b>
• Depreciation	4 797,45 zł
• Usage of materials and energy	7 566,17 zł
• Wages, social security, other	425 593,38 zł
• Taxes and fees	3 316,39 zł
• Other services	265 804,88 zł
• Other costs (including donation)	334 938,80 zł
<b>Other operational costs including</b>	<b>47 094,91 zł</b>
Donation for the reconstruction of a hospital in Ukraine	47 076,00 zł
Rounding costs	18,91 zł
<b>Financial costs</b>	<b>126 847,18 zł</b>
Foreign currency losses	126 847,18 zł
<b>Total costs</b>	<b>1 215 959,16 zł</b>

The costs borne in 2023 were booked correctly.

**2. Income**

<b>Income from statutory activities</b>	<b>1 506 535,11 zł</b>
Including: - membership fees	952 886,93 zł
- grants for projects realization	553 648,18 zł
<b>Other income and profits (reimbursement of costs incurred and rounding)</b>	<b>75 849,65 zł</b>
<b>Financial income</b>	<b>0,00</b>
<b>Total income</b>	<b>1 582 384,76 zł</b>

The revenues obtained were recorded correctly and relate to the year 2023.

**3. Financial Result**

<b>Gross profit</b>	<b>366 425,60 zł</b>
- income tax	47,00 zł
<b>Net profit</b>	<b>366 378,60 zł</b>

The tax settlement on the CIT-8 form was submitted to the Tax Office.

## **F. SUMMARY OF THE AUDIT**

Accounting of the Union of the Baltic Cities is kept in accordance with the Accounting Act of 29 September 1994 (Journal of Laws 2023, item 120 with further amendments), the adopted accounting principles (policy) and the applicable law, guaranteeing the preparation of financial statements in accordance with Appendix No. 6, which present a reliable and clear picture of the financial situation as well as the financial result of the Union.

The information presented herewith is contained in 9 numbered pages including the appendices.

### **Appendices:**

- 1) Balance as of 31.12.2023
- 2) Profit and loss account 01.01.2023 - 31.12.2023.

**Biegły rewident**  
**Danuta Kowalska**  
**Nr rej. 9925**

**KKP 33 Sp. z o.o.**  
Firma audytorska Nr 4375

Gdynia, 06.10.2025

## Appendix nr 1

**BALANCE**

Made on 31.12.2023 (PLN)

Specification	Balance at 31.12.2023	Balance at 31.12.2022
<b>ASSETS</b>		
<b>A . Fixed assets including:</b>	<b>7 995,78</b>	<b>0,00</b>
I. Intangible assets	7 995,78	0,00
II. Tangible assets	0,00	0,00
III. Long-term receivables	0,00	0,00
IV. Long-term investments	0,00	0,00
V. Long-term accruals	0,00	0,00
<b>B. Current assets including:</b>	<b>1 859 073,96</b>	<b>1 923 960,95</b>
I. Stocks	0,00	0,00
II. Short-term receivables	137 086,79	1 100 308,39
III. Short-term investments	1 721 643,79	810 773,23
IV. Short-term accruals	343,38	12 879,33
<b>C. Payments for the statutory fund</b>	<b>0,00</b>	<b>0,00</b>
<b>TOTAL ASSETS</b>	<b>1 867 069,74</b>	<b>1 923 960,95</b>
<b>LIABILITIES</b>		
<b>A. Share holds' Funds</b>	<b>1 562 243,54</b>	<b>1 195 864,94</b>
I. Statutory Fund	1 195 864,94	974 442,55
II. Other funds	0,00	0,00
III. Profit (loss) from previous years	0,00	0,00
IV. Profit (loss) net	366 378,60	221 422,39
<b>B. Liabilities and provisions including:</b>	<b>304 826,20</b>	<b>728 096,01</b>
I. Provisions for commitments	0,00	0,00
II. Long-term liabilities	0,00	0,00
III. Short-term liabilities	77 763,38	200 327,40
IV. Accruals	227 062,82	527 768,61
<b>TOTAL LIABILITIES</b>	<b>1 867 069,74</b>	<b>1 923 960,95</b>

## Appendix nr 2

**PROFIT AND LOSS ACCOUNT**

For the period from 01.01.2023 to 31.12.2023 (PLN)

Specification	Amount for	
	2023	2022
<b>A. Income from basic operation including</b>	<b>1 506 535,11</b>	<b>1 288 309,81</b>
I. Income from unpaid public benefit activities	1 506 535,11	1 288 309,81
II. Income from paid public benefit activities	0,00	0,00
III. Income from the remaining statutory activities	0,00	0,00
<b>B. Costs of the statutory activities</b>	<b>755 696,53</b>	<b>800 002,43</b>
I. Costs of unpaid public benefit activities	755 696,53	800 002,43
II. Costs of paid public benefit activities	0,00	0,00
III. Costs of the remaining statutory activities	0,00	0,00
<b>C. Profit (loss) from the statutory activities (A -B)</b>	<b>750 838,58</b>	<b>488 307,38</b>
<b>D. Business revenues</b>	0,00	0,00
E. Business expenses	0,00	0,00
<b>F. Profit (loss) from business operations (D-E)</b>	0,00	0,00
G. General management costs	333 396,54	278 195,37
<b>H. Profit (loss) from operating activities (C +F -G)</b>	<b>417 442,04</b>	<b>210 112,01</b>
I. Other operating income	75 849,65	8 926,61
J. Other operating costs	18,91	3,01
K. Financial income	0,00	2 463,78
L. Financial costs	126 847,18	0,00
<b>M. Profit (loss) gross ( H +I -J +K -L)</b>	<b>366 425,60</b>	<b>221 499,39</b>
N. Income tax	47,00	77,00
<b>O. Profit (loss) net (M -N)</b>	<b>366 378,60</b>	<b>221 422,39</b>