

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT for 2024 (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 2024 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 2023 was entered into accounting books as the opening balance as of 1 January 2024. Balance sheet continuity was maintained.

The net profit for the 2023 financial year in the amount of PLN 366 378,60 was dedicated to the statutory fund of the Association and reclassified accordingly.

As of 31 December 2024, 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 2024, which shows the total of PLN 1 893 698,45 on the assets and liabilities side,
- profit and loss account for the period from 1 January 2024 to 31 December 2024, showing a net profit of PLN 35 431,72,
- 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 2022-2024 (in thousands PLN)

Specification	State at the end of the year						Changes 2024/2023
	2024		2023		2022		
	amount	%	amount	%	amount	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	2	0,0%	8	0,0%	0	0,0%	0,0%
B. Current assets	1892	100,0%	1859	100,0%	1924	100,0%	102%
Total	1894	100,0%	1867	100,0%	1924	100,0%	101%
<u>LIABILITIES</u>							
A. Statutory fund	1598	84%	1562	84%	1196	62%	102%
B. Accounts payable	296	16%	305	16%	728	38%	97%
Total	1894	100%	1867	100,0%	1924	100,0%	101%

Summary profit and loss sheet for the period 2022-2024 (in thousands PLN)

Specification	Period (years)			Changes 2024/2023 %
	2024	2023	2022	
1	2	3	4	5
Income from statutory activities, dues	1316	1507	1288	87,33%
Costs of execution of statutory tasks	874	756	800	115,66%
Profit (loss) on statutory activities	442	751	488	58,81%
General administration costs	368	333	278	110,27%
Other operational income	0	76	9	0,00%
Other operational costs	0	0	0	16,13%
Financial income	0	0	2	0,00%
Financial costs	39	127	0	0,00%
Profit (loss) gross	35	366	221	9,67%
Income tax	0	0	0	0,00%
Profit (loss) net	35	366	221	9,67%
Total income	1316	1582	1300	83,14%
Total costs	1280	1216	1078	105,28%

The above data indicates that between 2022 and 2024, the Union of the Baltic Cities maintained revenues of approximately PLN 1.3 million, consisting of contributions and revenues from project grants. In 2024, revenues from grants decreased by 20.4% compared to 2023. Costs increased by a total of 18.7% between 2022 and 2024. The increase in costs in the analyzed period and the decrease in revenues compared to the previous year translated into a significant reduction in profit in 2024. The UBC assets consist almost entirely of current assets. Fixed assets in the form of intangible assets were insignificant as of December 31, 2024, at PLN 1,599.88. In 2024, the structure of assets (liabilities) financing sources remained at the same level as in the previous year – the share of equity in the liabilities structure was 84% and liabilities 16%.

D. ASSESSMENT OF THE CORRECTNESS OF THE BOOKS

1. *Fixed Assets* include;

• Original value	23 965,50 zł
• Depreciation	22 366,32 zł
• Net value	1 599,18 zł

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

2. *Current assets* include;

• Short-term dues	157 279,73 zł
• Short-term investments	1 734 819,54 zł
• Total	1 892 099,27 zł

Short-term receivables consist of funds deposited in the EUR prepaid card settlement account in the amount of EUR 16,767.80, which is PLN 71,648.81, and an erroneously double-paid project coordination fee of EUR 20,040.00, which was refunded to the ZMB account in February 2025.

The cash balances are based on the cash report dated December 31, 2024, and bank statements as of December 31, 2024. They were confirmed by the Bank, and the accounting entries are correct.

3. *Own funds* include;

• Statutory fund	1 562 243,54 zł
• Net profit	35 431,72 zł
• Total	1 597 675,26 zł

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	2 004,90 zł
• to the state budget	14 826,90 zł
• on the score of salaries	29 209,44 zł
• other (unsettled credit card payments)	290,87 zł
• Total	46 332,11 zł

The balances are correct, accounted in 2025. Bookings were made correctly.

5. Accruals

- include funds received for the implementation of the EU programmes PA Secure Kids, DECARBOMILE and RESILIENT CITIES in the amount of **249 691,08 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 01.01.2024	Payment received in 2024	Incurring project costs	Accounted for revenues	State of funds as of 31.12.2024
Resilient Cities	0,00	75 332,00	65 998,53	65 998,53	9 333,47
MC-YOU	0,00	99 478,24	121 340,07	99 478,24	0,00
PA Secure Kids	39 835,31	0,00	0,00	0,00	39 835,31
YUPAD	38 880,03	46 216,60	35 815,34	85 096,63	0,00
DECARBOMILE	116 561,96	188 191,11	104 230,77	104 230,77	200 522,30
PITCH	31 785,52	54 248,56	138 902,72	86 034,08	0,00
MARIEX	0,00	0,00	40 820,49	0,00	0,00
TOTAL	227 062,82	463 466,51	507 107,92	440 838,25	249 691,08

Projects implemented by the Union of the Baltic Cities and financed from grants are settled on a cash basis.

E. PROFIT AND LOSS ACCOUNT

1. Costs Borne

Costs of core operating activities	1 241 693,72 zł
• Depreciation	6 396,60 zł

• Usage of materials and energy	6 065,17 zł
• Wages, social security, other	624 955,58 zł
• Taxes and fees	8 402,12 zł
• Other services	191 276,17 zł
• Other costs (including donation)	404 598,08 zł
Other operational costs including	3,05 zł
Rounding costs	3,05 zł
Financial costs	38 508,63 zł
Foreign currency losses	38 508,63 zł
Total costs	1 280 205,40 zł

The costs borne in 2024 were booked correctly.

2. Income

Income from statutory activities	1 315 645,99 zł
Including: - membership fees	874 807,74 zł
- grants for projects realization	440 838,25 zł
Other income and profits (reimbursement of costs incurred and rounding)	3,13 zł
Financial income	0,00
Total income	1 315 649,12 zł

The revenues obtained were recorded correctly and relate to the year 2024.

3. Financial Result

Gross profit	35 443,72 zł
- income tax	12,00 zł
Net profit	35 431,72 zł

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 31.12.2024
- 2) Profit and loss account 01.01.2024 - 31.12.2024.

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 31.12.2024 (PLN)

Specification	Balance at 31.12.2024	Balance at 31.12.2023
ASSETS		
A . Fixed assets including:	1 599,18	7 995,78
I. Intangible assets	1 599,18	7 995,78
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. Current assets including:	1 892 099,27	1 859 073,96
I. Stocks	0,00	0,00
II. Short-term receivables	157 279,73	137 086,79
III. Short-term investments	1 734 819,54	1 721 643,79
IV. Short-term accruals	0,00	343,38
C. Payments for the statutory fund	0,00	0,00
TOTAL ASSETS	1 893 698,45	1 867 069,74
LIABILITIES		
A. Share holds' Funds	1 597 675,26	1 562 243,54
I. Statutory Fund	1 562 243,54	1 195 864,94
II. Other funds	0,00	0,00
III. Profit (loss) from previous years	0,00	0,00
IV. Profit (loss) net	35 431,72	366 378,60
B. Liabilities and provisions including:	296 023,19	304 826,20
I. Provisions for commitments	0,00	0,00
II. Long-term liabilities	0,00	0,00
III. Short-term liabilities	46 332,11	77 763,38
IV. Accruals	249 691,08	227 062,82
TOTAL LIABILITIES	1 893 698,45	1 867 069,74

Appendix nr 2

PROFIT AND LOSS ACCOUNT

For the period from 01.01.2024 to 31.12.2024 (PLN)

Specification	Amount for	
	2024	2023
A. Income from basic operation including	1 315 645,99	1 506 535,11
I. Income from unpaid public benefit activities	1 315 645,99	1 506 535,11
II. Income from paid public benefit activities	0,00	0,00
III. Income from the remaining statutory activities	0,00	0,00
B. Costs of the statutory activities	874 058,66	755 696,53
I. Costs of unpaid public benefit activities	874 058,66	755 696,53
II. Costs of paid public benefit activities	0,00	0,00
III. Costs of the remaining statutory activities	0,00	0,00
C. Profit (loss) from the statutory activities (A -B)	441 587,33	750 838,58
D. Business revenues	0,00	0,00
E. Business expenses	0,00	0,00
F. Profit (loss) from business operations (D-E)	0,00	0,00
G. General management costs	367 635,06	333 396,54
H. Profit (loss) from operating activities (C +F -G)	73 952,27	750 838,58
I. Other operating income	3,13	75 849,65
J. Other operating costs	3,05	18,91
K. Financial income	0,00	0,00
L. Financial costs	38 508,63	126 847,18
M. Profit (loss) gross (H +I –J +K -L)	35 443,72	366 425,60
N. Income tax	12,00	47,00
O. Profit (loss) net (M-N)	35 431,72	366 378,60