

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2015

A. GENERAL INFORMATION

Union of the Baltic Cities was established in 1991. Registration of the Union at the Province Court of Gdańsk, XII Economic Department, National Court Register, Register of Associations and other Social and Professional Organisations under No. KRS: 0000005342, currently run by the Gdańsk-Północ Registration Court in Gdańsk, 7th Commercial Division of the National Court Register. The Union's taxation identity number NIP is 583-10-66-139 and REGON is 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 and optimal economic and social development in the Baltic Sea Region with full respect to European principles of local and regional self-governance and subsidiarity.

Around 100 cities from 10 Baltic Sea countries are associated in the Union of the Baltic Cities. The Union does not conduct business activity and is supported from membership fees. Income of the Union is tax-free.

The audit was performed by a chartered auditor - Jadwiga Zemło, No. 4615 of the register kept by National Board of Chartered Auditors in Warsaw, on the strength of contract No. 1/2017 of 28 March 2017, concluded between Usługi Księgowe - Bilans, of Gdańsk, and the Union of the Baltic Cities.

B. BOOKS

The books are kept by Stowarzyszenie Ekspertów Księgowych i Podatkowych Spółka z o.o. [Association of Chartered Auditors and Tax Experts, Co. Ltd.], of Gdańsk, ul. Aldony 17.

The chart of accounts was developed basing on the standard chart of accounts for social and professional organizations, associations and endowments, issued by the Association of Accountants of Poland.

The above said chart of accounts ensures the accounts being kept in compliance with the provisions of the Accounting Act of 29 September 1994 (Journal of Laws 2013, item 330 with subsequent modifications). The rules contained in the chart of accounts are consistently adhered to.

The books are kept by means of a computer, using Symfonia – Finanse i Rachunkowość software. The records kept make it possible to obtain necessary data on incomes and costs and comply with the requirements set up in the Accounting Act. A statement of movement and balances on synthetic and analytical accounts being a basis for the drawing up of balance sheet and profit and loss account was made as on 31 December 2015.

Accounting documents are complete and adequate, checked from accounting and material point of view. The documents are stored correctly.

The closing balance sheet of the year 2014 was entered in the books as the opening balance sheet as on 1 January 2015. Denomination was carried out properly.

The profit for the year 2014, amounting to PLN 154 351,93 was booked to increase the statutory fund.

C. FINANCIAL STATEMENT

Financial statement of the Union of the Baltic Cities includes:

- balance sheet as on 31 December 2015, on the assets and liabilities side showing the amount of PLN 771 764,13.
- profit and loss account for the period covering the time from 1 January to 31 December 2015, showing the profit amounting to PLN 59 900,72.
- additional information

The financial statement was prepared in accordance with annex no. 4 to the Accounting Act 29 September 1994 (Journal of Laws 2013, item 330 with the subsequent modifications) for micro entities applied with simplifications.

The audited year concerns the following 12 months of the year 2015 and the previous year concerns the following 12 months of the year 2014, and 12 following months of 2013.

Summary balance sheet for the period 2015-2013 (in thousands PLN)

Specification	State at the end of the year						Changes 2015/2014
	2015		2014		2013		
	amount	%	amount	%	amount	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	0	0,00%	0	0,00%	0	0,00%	0,00%
B. Current assets	772	100,00%	806	100,00%	552	100,00%	95,78%
Total	772	100,00%	806	100,00%	552	100,00%	95,78%
<u>LIABILITIES</u>							
A. Statutory funds	763	98,83%	702	87,10%	548	99,28%	108,69%
B. Accounts payable	9	1,17%	104	12,90%	4	0,72%	8,65%
Total	772	100,00%	806	100,00%	552	100,00%	95,78%

Summary profit and loss sheet for the period 2015-2013 (in thousands PLN)

Specification	Period (years)			Changes 2015/2014
	2015	2014	2013	
1	2	3	4	5
Income from statutory activities, dues	930	1 077	977	86,35%
- change in the balance of products (increase – positive value, decrease – negative value)	-19	19	0	-100,00%
Costs of execution of statutory tasks	914	951	975	96,11%
- depreciation	1	2	0	50,00%
- usage of materials and energy	3	2	6	150,00%
- wages, social security, other costs	223	249	196	89,56%
- other costs	687	698	773	98,42%
Other income and profits	44	28	69	157,14%

Other costs and losses	0	0	0	0,00%
Income tax	0	0	0	0,00%
Total net financial result	60	154	71	38,96%
Surplus of income over costs (positive value)	60	154	71	38,96%
Surplus of costs over income (negative value)				
Total income	974	1 105	1 046	88,14%
Total costs	914	951	975	96,11%

D. ASSESMENT OF THE CORRECTNESS OF THE BOOKS

- **Fixed Assets** include computer sets:

• original value	12 105,72 zł
• depreciation	12 105,72 zł
• net value	0,00 zł

Balance correct;

2. **Current assets** comprise:

• short-term dues	12 132,08 zł
• short-term investments	759 359,77 zł
• short-term accrued expenses	272,28 zł
• Total	771 764,13 zł

The amount of cash follows from cash report of 31.12.2015 and banking statement as of 31.12.2015, confirmed by the Bank. The bookings were made correctly.

3. **Funds** comprise:

• statutory fund	702 561,40 zł
• surplus of costs over income	59 900,72 zł
• Total	762 462,12 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	6 518,00 zł
• to the state budget	2 784,01 zł
• Total	9 302,01 zł

The balances are correct, accounted in 2016. Bookings were made correctly.

E. PROFIT AND LOSS ACCOUNT**1. Costs Borne**

Costs of core operating activities		914 812,76 zł
Depreciation	1 118,00 zł	
Usage of materials and energy	3 063,45 zł	
Wges, social security, other	223 245,00 zł	
Other costs	687 386,31 zł	
<i>including: costs of execution of statutory tasks</i>	<i>587 249,70 zł</i>	
Other costs and losses		0,42 zł
Total costs		914 813,18 zł

The costs borne were booked correctly, concern 2015.

2. Income

Income from statutory activities		930 333,67 zł
Including: - membership fees	949 613,19 zł	
- change in the balance of products	-19 279,52 zł	
Other income and profits		44 380,23 zł
Total income		974 713,90 zł

The income received was booked correctly, concern 2015.

3. Profit on operation	59 900,72 zł
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Annual settlement on CIT-8 form was filed with the Fiscal 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 2013, item 330 with subsequent modifications). The financial statement was prepared in accordance with Appendix No. 4 for micro entities preparing the simplified balance sheet and profit and loss account.

Incomes and costs are correct, the principle of continuity is maintained and the financial result for 2015 is reflected truly and fairly.

The information presented is contained in 6 numbered pages. Each of the pages was marked with the auditor's name put next to the number of the page.

mgr Jadwiga Zemło
Biegły Rewident
numer ewidencyjny 4615

Usługi Księgowe- BILANS
80-328 Gdańsk, ul. Świerkowa 11/3
Nr ewidencyjny w KIBR 613

Gdańsk, 27.04.2017 r.

BALANCE

made at 31.12.2015

(PLN)

Specification	Balance at 31.12.2015	Balance at 31.12.2014
<u>ASSETS</u>		
A . Fixed assets including:	0,00	0,00
- Fixed assets	0,00	0,00
B. Current assets including:	771 764,13	806 412,70
- Stock	0,00	0,00
- Receivables	12 132,08	43,44
C. Unpaid share capital (basic)	0,00	0,00
D. Own Shares	0,00	0,00
TOTAL ASSETS	771 764,13	806 412,70
<u>LIABILITIES</u>		
A. Shareholds' Funds	762 462,12	702 561,40
- Basic fund	702 561,40	548 197,47
B. Liabilities and provisions including:	9 302,01	103 851,30
- Provisions for liabilities	0,00	0,00
- Liabilities concerning credits and loans	0,00	0,00
TOTAL LIABILITIES	771 764,13	806 412,70

Gdańsk, 27.04.2017

PROFIT AND LOSS ACCOUNT
 for the period from 01.01.2015 to 31.12.2015
 (comparison)

Specification	Amount in PLN 2015	Amount in PLN 2014
A . Income from basic operation including	930 333,67	1 077 145,98
change in the balance of products (increase - positive value, decrease - negative value)	-19 279,52	19 279,52
B. Costs of the statutory activities	914 812,76	951 103,75
I. Depreciation	1 118,00	2 148,58
II. Usage of materials and energy	3 063,45	1 848,29
III. Wages, social insurance, other costs	223 245,00	248 980,50
IV. Other costs	687 386,31	698 126,38
C. Other incomes and profits	44 380,23	28 321,70
Revaluation of assets	0,00	0,00
D. Other costs and loss	0,42	0,00
Revaluation of assets	0,00	0,00
E. Income tax	0,00	0,00
F. Total net financial result (A-B+C-D-E)	59 900,72	154 363,93
I. Surplus of income over costs (positive value)	59 900,72	154 363,93
II. Surplus of costs over income (negative value)		

Gdańsk, 27.04.2017

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2016

A. GENERAL INFORMATION

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- Promote and strengthen cooperation and exchange of experiences among the cities in the Baltic Sea Region,
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B. BOOKS

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The above said chart of accounts ensures the accounts being kept in compliance with the provisions of the Accounting Act of 29 September 1994 (Journal of Laws, item 1047 from 2016). The rules contained in the chart of accounts are consistently adhered to.

The books are kept by means of a computer, using Symfonia – Finanse i Rachunkowość software. The records kept make it possible to obtain necessary data on incomes and costs and comply with the requirements set up in the Accounting Act. A statement of movement and balances on synthetic and analytical accounts being a basis for the drawing up of balance sheet and profit and loss account was made as on 31 December 2016.

Accounting documents are complete and adequate, checked from accounting and material point of view. The documents are stored correctly.

The closing balance sheet of the year 2015 was entered in the books as the opening balance sheet as on 1 January 2016. Denomination was carried out properly.

The profit for the year 2015, amounting to PLN 59 900,72 was booked to increase the statutory fund.

C. FINANCIAL STATEMENT

Financial statement of the Union of the Baltic Cities includes:

- balance sheet as on 31 December 2016, on the assets and liabilities side showing the amount of PLN 801 061,11 .
- profit and loss account for the period covering the time from 1 January to 31 December 2016, showing the profit amounting to PLN 2 058,65.
- additional information

The financial statement was prepared in accordance with annex no. 4 to the Accounting Act of 29 September 1994 for micro entities not conducting business activity (consolidated text Journal of Laws, from 2016, item 1047 as amended).

The audited year concerns the following 12 months of the year 2016 and the previous year concerns the following 12 months of the year 2015, and 12 following months of 2014.

Summary balance sheet for the period 2016-2014 (in thousands PLN)

Specification	State at the end of the year						Changes 2016/2015
	2016		2015		2014		
	amount	%	amount	%	amount	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	0	0,00%	0	0,00%	0	0,00%	0,00%
B. Current assets	801	100,00%	772	100,00%	806	100,00%	103,76%
Total	801	100,00%	772	100,00%	806	100,00%	103,76%
<u>LIABILITIES</u>							
A. Statutory funds	760	94,88%	763	98,83%	702	87,10%	99,61%
B. Accounts payable	41	5,12%	9	1,17%	104	12,90%	455,56%
Total	801	100,00%	772	100,00%	806	100,00%	103,76%

Summary profit and loss sheet for the period 2016-2014 (in thousands PLN)

Specification	Period (years)			Changes 2016/2015
	2016	2015	2014	
1	2	3	4	5
Income from statutory activities, dues	974	930	1 077	104,73%
- change in the balance of products (increase – positive value, decrease – negative value)	0	-19	19	0,00%
Costs of execution of statutory tasks	1 022	914	951	111,82%
- depreciation	3	1	2	300,00%
- usage of materials and energy	15	3	2	500,00%
- wages, social security, other costs	219	223	249	98,21%
- other costs	785	687	698	114,26%
Other income and profits	46	44	28	104,55%

Other costs and losses	0	0	0	0,00%
Income tax	0	0	0	0,00%
Total net financial result	-2	60	154	-3,33%
Surplus of income over costs (positive value)	0	60	154	0,00%
Surplus of costs over income (negative value)	-2	0	0	0,00%

Total income	1 020	974	1 105	104,72%
Total costs	1 022	914	951	111,82%

D. ASSESMENT OF THE CORRECTNESS OF THE BOOKS

- **Fixed Assets** include computer sets:

• original value	15 414,62 zł
• depreciation	15 414,62 zł
• net value	0,00 zł

Balance correct;

- 2. **Current assets** comprise:

• short-term dues	15 711,31 zł
• short-term investments	785 317,96 zł
• short-term accrued expenses	31,84 zł
• Total	801 061,11 zł

The amount of cash follows from cash report of 31.12.2016 and banking statement as of 31.12.2016, confirmed by the Bank. The bookings were made correctly.

- 3. **Funds** comprise:

• statutory fund	762 462,12 zł
• surplus of costs over income	-2 058,65 zł
• Total	760 403,47 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	35 474,92 zł
• to the state budget	5 182,72 zł
• Total	40 657,64 zł

The balances are correct, accounted in 2017. Bookings were made correctly.

E. PROFIT AND LOSS ACCOUNT**1. Costs Borne**

Costs of core operating activities		1 021 768,86 zł
Depreciation	3 308,90 zł	
Usage of materials and energy	15 036,20 zł	
Wages, social security, other	218 874,00 zł	
Other costs	784 549,76 zł	
<i>including: costs of execution of statutory tasks</i>	<i>650 181,58</i>	
Other costs and losses		56,70 zł
Total costs		1 021 825,56 zł

The costs borne were booked correctly, concern 2016.

2. Income

Income from statutory activities		974 210,29 zł
including: - membership fees	974 210,29 zł	
- change in the balance of products	0,0 zł	
Other income and profits		45 566,62 zł
Total income		1 019 776,91 zł

The income received was booked correctly, concern 2016.

3. Surplus of costs over revenue	- 2 058,65 zł
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Annual settlement on CIT-8 form was filed with the Fiscal 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 (consolidated text Journal of Laws, from 2016, item 1047). The financial statement was prepared in accordance with Appendix No. 4 for micro entities preparing the simplified balance sheet and profit and loss account.

Incomes and costs are correct, the principle of continuity is maintained and the financial result for 2016 is reflected truly and fairly.

The information presented is contained in 6 numbered pages. Each of the pages was marked with the auditor's name put next to the number of the page.

mgr Jadwiga Zemła

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*Usługi Księgowe- BILANS
80-328 Gdańsk, ul. Świerkowa 11/3
Nr ewidencyjny w KIBR 613*

Gdańsk, 27.04.2017

BALANCE

made at 31.12.2016

(PLN)

Specification	Balance at 31.12.2016	Balance at 31.12.2015
<u>ASSETS</u>		
A . Fixed assets including:	0,00	0,00
- Fixed assets	0,00	0,00
B. Current assets including:	801 061,11	771 764,13
- Stock	0,00	0,00
- Receivables	15 711,31	12 132,08
C. Unpaid share capital (basic)	0,00	0,00
D. Own Shares	0,00	0,00
TOTAL ASSETS	801 061,11	771 764,13
<u>LIABILITIES</u>		
A. Shareholds' Funds	760 403,47	762 462,12
- Basic fund	762 462,12	702 561,40
B. Liabilities and provisions including:	40 657,64	9 302,01
- Provisions for liabilities	0,00	0,00
- Liabilities concerning credits and loans	0,00	0,00
TOTAL LIABILITIES	801 061,11	771 764,13

Gdańsk, 27.04.2017

PROFIT AND LOSS ACCOUNT
 for the period from 01.01.2016 to 31.12.2016
(comparison)

Specification	Amount in PLN 2016	Amount in PLN 2015
A . Income from basic operation including	974 210,29	930 333,67
change in the balance of products (increase - positive value, decrease - negative value)	0,00	-19 279,52
B. Costs of the statutory activities	1 021 768,86	914 812,76
I. Depreciation	3 308,90	1 118,00
II. Usage of materials and energy	15 036,20	3 063,45
III. Wages, social insurance, other costs	218 874,00	223 245,00
IV. Other costs	784 549,76	687 386,31
C. Other incomes and profits	45 566,62	44 380,23
Revaluation of assets	0,00	0,00
D. Other costs and loss	56,70	0,42
Revaluation of assets	0,00	0,00
E. Income tax	10,00	0,00
F. Total net financial result (A-B+C-D-E)	-2 058,65	59 900,72
I. Surplus of income over costs (positive value)		59 900,72
II. Surplus of costs over income (negative value)	-2 058,65	

Gdańsk, 27.04.2017