

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2018

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. 1/2019 of 28 March 2019, 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 2019, item 351). 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 2018.

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

The closing balance sheet of the year 2017 was entered in the books as the opening balance sheet as on 1 January 2018. Denomination was carried out properly.

The loss for the year 2017, amounting to PLN 159 519,07, was booked to decrease the statutory fund.

C. FINANCIAL STATEMENT

Financial statement of the Union of the Baltic Cities includes:

- balance sheet as on 31 December 2018, on the assets and liabilities side showing the amount of PLN 898 325,96.
- profit and loss account for the period covering the time from 1 January to 31 December 2018, showing the profit amounting to PLN 190 169,41.
- additional information

The financial statement was prepared in accordance with annex no. 6 to the Accounting Act 29 September 1994 (Journal of Laws 2019, item 351).

The audited year concerns the following 12 months of the year 2018 and the previous year concerns the following 12 months of the year 2017, and 12 following months of 2016.

Summary balance sheet for the period 2018-2016 (in thousands PLN)

Specification	State at the end of the year						Changes 2018/2017
	2018		2017		2016		
	kwota	%	kwota	%	kwota	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	0	0,0%	0	0,0%	0	0,0%	0,0%
B. Current assets	898	100,0%	606	100,0%	801	100,0%	148,2%
Total	898	100,0%	606	100,0%	801	100,0%	148,2%
<u>LIABILITIES</u>							
A. Statutory fund	791	88,1%	601	99,2%	760	94,9%	131,6%
B. Liabilities and Reserves Commitments	107	11,9%	5	0,8%	41	5,1%	2140,0%
Total	898	100,00%	606	100,0%	801	100,0%	148,18%

Summary profit and loss sheet for the period 2018-2016 (in thousands PLN)

Specification	Period (years)			Changes 2018/2017 %
	2018	2017	2016	
1	2	3	4	5
Income from statutory activities, dues	1 016	920	974	110,4%
Costs of execution of statutory tasks	899	1 065	1 021	84,4%
Profit (loss) on statutory activities	117	-145	-47	-80,7%
Other operational income	54	21	17	257,1%
Other operational costs	0	0	0	0,0%
Financial income	19	0	28	0,0%
Financial costs	0	35	0	0,0%
Profit (loss) gross	190	-159	-2	-119,5%
Income tax	0	0	0	0,0%
Profit (loss) net	190	-159	-2	-119,5%

Total income	1 089	941	1 019	115,7%
Total costs	899	1 100	1 021	81,7%

D. ASSESSMENT OF THE CORRECTNESS OF THE BOOKS

1. *Fixed Assets* include;

• Original value	18 248,00 zł
• Depreciation	18 248,00 zł
• Net value	0,00 zł

Balance correct.

2. *Current assets* comprise;

• Short-term dues	18 414,84 zł
• Short-term investments	879 904,56 zł
• Short-term accrued expenses	6,56 zł
• Total	898 325,96 zł

The amount of cash follows from cash report of 31.12.2018 and banking statement as of 31.12.2018, confirmed by the Bank. The bookings were made correctly.

3. *Funds* comprise;

• Statutory fund	600 884,40 zł
• Profit	190 169,41 zł
• Total	791 053,81 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	104 179,33 zł
• To the state budget	3 092,82 zł
• Total	107 272,15 zł

The balances are correct, accounted in 2019. Bookings were made correctly.

E. PROFIT AND LOSS ACCOUNT

1. Costs Borne

Costs of core operating activities	899 096,77 zł
• Depreciation	2 833,38 zł
• Usage of materials and energy	363,90 zł
• Wages, social security, other	280 467,00 zł
• Taxes and fees	3 684,67 zł
• Other services	558 754,20 zł
• Other costs	52 993,62 zł
Other costs of execution of statutory tasks	75,40 zł
Financial costs	0,00 zł
Total costs	899 172,17 zł

The costs borne were booked correctly, concern 2018.

1. Income

Income from statutory activities	1 015 643,93 zł
Including: - membership fees	1 015 643,93 zł
Other income and profits	54 704,59 zł
Financial income	19 013,06 zł
Total income	1 089 361,58 zł

The income received was booked correctly, concern 2018 .

3. Financial result

Profit (gros)	190 189,41 zł
- income tax	20,00 zł
Profit (net)	190 169,41 zł

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 2019, item 351). The financial statement was prepared in accordance with Appendix No. 6.

Incomes and costs are correct, the principle of continuity is maintained and the financial result for 2018 is reflected truly and fairly.

The information presented is contained in 8 numbered pages including the appendices.

Appendices:

- 1) Balance as of 31.12.2018
- 2) Profit and loss account 01.01.2018 - 31.12.2018.

mgr Jadwiga Zemło
Biegły Rewident
numer w rejestrze 4615

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

Gdańsk, 26.04.2019

Załącznik nr 1

BALANCE

Made on 31.12.2018 (PLN)

Specification	Balance at 31.12.2018	Balance at 31.12.2017
ASSETS		
A . Fixed assets	0,00	0,00
I. Intangible assets	0,00	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. Current assets	898 325,96	606 401,12
I. Stocks	0,00	0,00
II. Short-term receivables	18 414,84	51 344,11
III. Short-term investments	879 904,56	554 024,95
IV. Short-term accruals	6,56	1 032,06
C. Payments for the statutory fund	0,00	0,00
TOTAL ASSETS	898 325,96	606 401,12
LIABILITIES		
A. Shareholds' Funds	791 053,81	600 884,40
I. Statutory Fund	600 884,40	760 403,47
II. Other funds	0,00	0,00
III. Profit (loss) from previous years	0,00	0,00
IV. Profit (loss) net	190 169,41	-159 519,07
B. Liabilities and provisions	107 272,15	5 516,72
I. Provisions for commitments	0,00	0,00
II. Long-term liabilities	0,00	0,00
III. Short-term liabilities	107 272,15	5 516,72
IV. Accruals	0,00	0,00
TOTAL LIABILITIES	898 325,96	606 401,12

Gdańsk, 26.04.2019

Jadwiga Zemło

PROFIT AND LOSS ACCOUNT

For the period from 01.01.2018 to 31.12.2018 (PLN)

Specification	Amount for	
	2018	2017
A. Income from basic operation including	1 015 643,93	919 828,85
I. Income from unpaid public benefit activities	1 015 643,93	919 828,85
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	899 096,77	1 064 895,61
I. Costs of unpaid public benefit activities	899 096,77	1 064 895,61
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)	116 547,16	-145 066,76
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	0,00	0,00
.		
H. Profit (loss) from operating activities (C +F -G)	116 547,16	-145 066,76
I. Other operating income	54 704,59	20 615,17
J. Other operating costs	75,40	2,42
K. Financial income	19 013,06	69,85
L. Financial costs	0,00	35 134,91
M. M. Profit (loss) gross (H +I -J +K -L)	190 189,41	-159 519,07
N. Income tax	20,00	0,00
O. Profit (loss) net (M -N)	190 169,41	-159 519,07

Gdańsk, 26.04.2019

Jadwiga Zemło

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2017

A. GENERAL INFORMATION

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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 2017, item 2342). 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 2017.

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

The closing balance sheet of the year 2016 was entered in the books as the opening balance sheet as on 1 January 2017. Denomination was carried out properly.

The loss for the year 2016, amounting to PLN 2 058,65, was booked to decrease the statutory fund.

C. FINANCIAL STATEMENT

Financial statement of the Union of the Baltic Cities includes:

- balance sheet as on 31 December 2017, on the assets and liabilities side showing the amount of PLN 606 401,12.
- profit and loss account for the period covering the time from 1 January to 31 December 2017, showing the loss amounting to PLN 159 519,07.
- additional information

The financial statement was prepared in accordance with annex no. 6 to the Accounting Act 29 September 1994 (Journal of Laws 2017, item 2342).

The audited year concerns the following 12 months of the year 2017 and the previous year concerns the following 12 months of the year 2016, and 12 following months of 2015.

Summary balance sheet for the period 2017-2015 (in thousands PLN)

Specification	State at the end of the year						Changes 2017/2016
	2017		2016		2015		
	amount	%	amount	%	amount	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	0	0,0%	0	0,0%	0	0,0%	0,0%
B. Current assets	606	100,0%	801	100,0%	772	100,0%	75,7%
Total	606	100,0%	801	100,0%	772	100,0%	75,7%
<u>LIABILITIES</u>							
A. Statutory fund	601	99,2%	760	94,9%	763	98,8%	79,1%
B. Accounts payable	5	0,8%	41	5,1%	9	1,2%	12,2%
Total	606	100,0%	801	100,0%	772	100,0%	75,7%

Summary profit and loss sheet for the period 2017-2015 (in thousands PLN)

Specification	Period (years)			Changes 2017/2016
	2017	2016	2015	
1	2	3	4	5
Income from statutory activities, dues	920	974	930	94,5%
Costs of execution of statutory tasks	1 065	1 021	915	104,3%
Profit (loss) on statutory activities	-145	-47	15	308,5%
Other operational income	21	17	0	123,5%
Other operational costs	0	0	0	0,0%
Financial income	0	28	45	0,0%
Financial costs	35	0	0	0,0%
Profit (loss) gross	-159	-2	60	7950,0%
Income tax	0	0	0	0,0%
Profit (loss) net	-159	-2	60	7950,0%
Total income	941	1 019	991	92,3%
Total costs	1 100	1 021	931	107,7%

D. ASSESSMENT OF THE CORRECTNESS OF THE BOOKS**1. Fixed Assets** include;

• 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	51 344,11 zł
• Short-term investments	554 024,95 zł
• Short-term accrued expenses	1 032,06 zł
• Total	606 401,12 zł

The amount of cash follows from cash report of 31.12.2017 and banking statement as of 31.12.2017, confirmed by the Bank. The bookings were made correctly.

3. Funds comprise;

• Statutory fund	760 403,47 zł
• Surplus of costs of income	-159 519,07 zł
• Total	600 884,40 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	2 827,00 zł
• to the state budget	2 689,72 zł
• Total	5 516,72 zł

The balances are correct, accounted in 2018. Bookings were made correctly.

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

Costs of core operating activities	1 064 895,61 zł
• Usage of materials and energy	1 660,35 zł
• Wages, social security, other	212 741,00 zł
• Taxes and fees	24 160,56 zł
• Other services	775 309,70 zł
• Other costs	51 024,00 zł
Other costs of execution of statutory tasks	2,42 zł
Financial costs	35 134,91 zł
Total costs	1 100 032,94 zł

The costs borne were booked correctly, concern 2017.

2. Income

Income from statutory activities	919 828,85 zł
Including: - membership fees	919 828,85 zł
Other income and profits	20 615,17 zł
Financial income	69,85
Total income	940 513,87 zł

The income received was booked correctly, concern 2017.

3. Loss (net)	159 519,07 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 2017, item 2342). The financial statement was prepared in accordance with Appendix No. 6.

Incomes and costs are correct, the principle of continuity is maintained and the financial result for 2017 is reflected truly and fairly.

The information presented is contained in 8 numbered pages including the appendices.

Appendices:

- 1) Balance as of 31.12.2017
- 2) Profit and loss account 01.01.2017 - 31.12.2017.

mgr Jadwiga Zemło
Biegły Rewident
numer w rejestrze 4615

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

Gdańsk, 26.04.2019

Załącznik nr 1

BALANCE
Made on 31.12.2017 (PLN)

Specification	Balance at 31.12.2017	Balance at 31.12.2016
ASSETS		
A . Fixed assets including:	0,00	0,00
I. Intangible assets	0,00	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. Current assets including:	606 401,12	801 061,11
I. Stocks	0,00	0,00
II. Short-term receivables	51 344,11	15 711,31
III. Short-term investments	554 024,95	785 317,96
IV. Short-term accruals	1 032,06	31,84
C. Payments for the statutory fund	0,00	0,00
TOTAL ASSETS	606 401,12	801 061,11
LIABILITIES		
A. Shareholds' Funds	600 884,40	760 403,47
I. Statutory Fund	760 403,47	762 462,12
II. Other funds	0,00	0,00
III. Profit (loss) from previous years	0,00	0,00
IV. Profit (loss) net	-159 519,07	-2 058,65
B. Liabilities and provisions including:	5 516,72	40 657,64
I. Provisions for commitments	0,00	0,00
II. Long-term liabilities	0,00	0,00
III. Short-term liabilities	5 516,72	40 657,64
IV. Accruals	0,00	0,00
TOTAL LIABILITIES	606 401,12	801 061,11

Gdańsk, 26.04.2019

Jadwiga Zemło

PROFIT AND LOSS ACCOUNT
For the period from 01.01.2017 to 31.12.2017 (PLN)

Specification	Amount for	
	2017	2016
A. Income from basic operation including	919 828,85	974 210,29
I. Income from unpaid public benefit activities	919 828,85	974 210,29
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	1 064 895,61	1 021 768,86
I. Costs of unpaid public benefit activities	1 064 895,61	1 021 768,86
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)	-145 066,76	-47 558,57
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	0,00	0,00
H. Profit (loss) from operating activities (C +F -G)	-145 066,76	-47 558,57
I. Other operating income	20 615,17	17 463,33
J. Other operating costs	2,42	44,70
K. Financial income	69,85	28 103,29
L. Financial costs	35 134,91	12,00
M. Profit (loss) gross (H +I -J +K -L)	-159 519,07	-2 048,65
N. Income tax	0,00	10,00
O. Profit (loss) net (M -N)	-159 519,07	-2 058,65

Gdańsk, 26.04.2019

Jadwiga Zemło