

# **CRVENI NOSOVI KLAUNOVIDOKTORI**

Financial statements as at 31 December 2016

## Contents

	<i>Page</i>
Organization profile	1
Review report	3
Crveni Nosovi Income statement	4
Crveni Nosovi Balance sheet	5
Notes to financial statements	7

## Organization profile

### History and incorporation

CRVENI NOSOVI klaunovidoktori / RED NOSES clowndoctors is an association ("Association") that brings smile to sick and suffering people, first of all to children treated in Croatian hospitals. Office of the association is in Zagreb, Medulićeva 34.

The mission of the organization is to provide psychosocial support and alleviate suffering of physically and mentally ill people with humor and joy of life. The mission is realized by the implementation of regular visits of clown doctors in health and social institutions. In carrying out of the mission, the organization is implementing high artistic and moral standards and encourages the building of trust, commitment and professionalism in their relations in the internal as in the external environment.

Humor as one of the fundamental values of the Association contributes to the creation of an environment where differences and freedom of opinion and expression are respected and participation in decision-making is encouraged. Since the mission of the organization is realized in an environment of hospitals and social institutions where suffering, pain, and often death are present, bringing laughter and joy of living in such environments requires courage and empathy.

Clowndoctors are specially trained professionals (actors, musicians and entertainers) whose clown- therapeutic action helps sick children and their parents cope with the stress caused by illness and hospitalization. Currently in the organization operates thirteen clown doctors. They regularly visit hospitals in Zagreb, Rijeka, Osijek and Split. They also regularly visit homes for elderly people in Zagreb, Rijeka and Osijek. Occasionally they visit children's hospitals in other cities across the Croatia and also in Bosnia & Herzegovina.

Users of the program are children treated in Croatian hospitals / wards from birth to 18 years of age and older citizens placed in the homes for the sick and disabled, as well as all the other sick and infirm persons.

Thanks to donations from citizens, companies and institutions, clown doctors have made over 1.500 visits to hospitals and brought smile to more than 75.000 sick children and elderly people, from the start of their mission in Croatia in October 2010 till today. For their work, RED NOSES clown doctors received the award "Pride of Croatia" for the year 2011.

### Directors and management

The bodies of RED NOSES clown doctors are the following: General Assembly and Management Board.

*The Management Board comprises the following members:*

Monica Culen	President
Ivanka Gregurinčić	Vice president
Giora Seeliger	General Secretary
Pavo Djedović	Treasurer
Ronald B. Given	Member

*People authorized for representing the Association:*

Monica Culen  
Ivanka Gregurinčić  
Pavo Djedović  
Mladenka Majerić

### Statement of responsibilities of the Board

The Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with the basis of accounting set out in Note 1.

After making enquiries, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis on preparing the financial statements.

In preparing those financial statements, the responsibilities of the Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed; and
- the financial statements are prepared on the going concern basis.

The Board must also ensure that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Association. The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the CRVENI NOSOVI klaunovidoktori on 15 November 2017:



Mladenka Majerić  
Managing Director



Pavo Djedović  
Treasurer

CRVENI NOSOVI klaunovidoktori  
Medulićeva 34  
10000 Zagreb  
Republic of Croatia

Zagreb, 15 November 2017





Building a better  
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Ernst & Young d.o.o.  
Radnička cesta 50  
10 000 Zagreb  
Hrvatska / Croatia  
MBS: 080435407  
OIB: 58960122779  
PDV br. / VAT no.: HR58960122779

Tel: +385 1 5800 800  
Fax: +385 1 5800 888  
www.ey.com/hr

Banka / Bank:  
Erste & Steiermärkische Bank d.d.  
Jadranski trg 3A, 51000 Rijeka, Hrvatska / Croatia  
IBAN: HR3324020061100280716  
SWIFT: ESBCHR22

## To the Board of Crveni nosovi klaunovidoktori

We have reviewed the accompanying financial statements for Crveni nosovi kalunovidoktori (the "Company") that comprise the Balance Sheet as at 31 December 2016, the Income Statement and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared in accordance with the basis of accounting set out in Note 1.

### Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting set out in Note 1 and for such internal control as management determines is necessary to provide financial statements free of material misstatement, whether due to fraud or error.

### Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Crveni nosovi kalunovidoktori as at 31 December 2016, and its financial performance for the year then ended, in accordance with the with the basis of accounting set in Note 1.

### Restriction on use

Our review report is intended solely for the information and use of Company's Management and Shareholders and should not be used by or provided to any other party.

Zvonimir Madunić  
Board member and certified auditor


Ernst & Young d.o.o.  
Republic of Croatia  
Zagreb, 15 November 2017


CRVENI NOSOVI klaunovidoktori  
Income statement for the year ended 31 December 2016

	Notes	2016 HRK	2015 HRK
Income from donations and sponsorship	2	3,776,857	2,437,969
Partnership support		-	69,280
Services income		-	7,825
Income from asset sold		5,569	-
Financial income		1,137	251
Other income		3,870	2,017
<b>Total operating income</b>		<b>3,787,433</b>	<b>2,517,342</b>
Material expenses	3	670,604	611,990
Services expenses	4	1,334,501	945,654
Staff costs	5	388,263	347,022
Amortization		25,621	11,185
Financial expenses		880	1,040
Other operating expenses	6	692,208	396,200
<b>Total operating costs</b>		<b>3,112,078</b>	<b>2,313,092</b>
<b>Result for the year</b>		<b>675,355</b>	<b>204,250</b>

The accompanying accounting policies and notes set out on pages 7 to 13 form an integral part of this income statement.

Approved on behalf of the CRVENI NOSOVI klaunovidoktori on 15 November 2017:

  
Mladenka Majerić  
Managing Director

  
Pavo Djedović  
Treasurer

CRVENI NOSOVI klaunovidoktori  
Balance sheet as at 31 December 2016

	Notes	31 December 2016	31 December 2015
		HRK	HRK
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets		122,054	38,497
Accumulated depreciation		(29,852)	(16,997)
<b>Total non-current assets</b>	7	<b>92,202</b>	<b>21,500</b>
<b>Current assets</b>			
Cash at bank and in hand	8	1,223,116	522,666
Trade receivables	9	-	91,913
Receivables for advance payments	9	47,485	18,255
Other current asset		-	518
<b>Total current assets</b>		<b>1,270,601</b>	<b>633,352</b>
<b>TOTAL ASSETS</b>		<b>1,362,803</b>	<b>654,852</b>

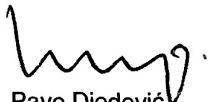
CRVENI NOSOVI klaunovidoktori  
Balance sheet as at 31 December 2016

		31 December 2016	31 December 2015
	Notes	HRK	HRK
<b>ACCUMULATED FUNDS</b>			
From prior periods		107,190	(97,060)
Result for the year		675,355	204,250
<b>Total accumulated funds</b>		<b>782,545</b>	<b>107,190</b>
<b>Non-current liabilities</b>			
Loan liabilities	12	50,390	16,216
<b>Total non-current liabilities</b>		<b>50,390</b>	<b>16,216</b>
<b>Current liabilities</b>			
Trade payables	10	361,575	214,928
Employee and other liabilities	11	41,112	79,194
Loan liabilities	12	13,947	5,944
Deferred revenue	13	113,234	231,380
<b>Total current liabilities</b>		<b>529,868</b>	<b>531,446</b>
<b>TOTAL ACCUMULATED FUNDS AND LIABILITIES</b>		<b>1,362,803</b>	<b>654,852</b>

The accompanying accounting policies and notes set out on pages 7 to 13 form an integral part of this balance sheet.

Approved on behalf of the CRVENI DOKTORI klaunovidoktori on 15 November 2017:

  
Mladenka Majerić  
Managing Director

  
Pavo Djedović  
Treasurer

# CRVENI NOSOVI klaunovidoktori

## Notes to financial statements

### 1 Accounting policies

A summary of CRVENI NOSOVI's principal accounting policies is set out below.

#### Basis of accounting

CRVENI NOSOVI maintains its accounting records in Croatian Kuna (HRK) and in accordance with Croatian law and the accounting principles and practices observed by enterprises in Croatia for non-profit organizations.

#### Basis of preparation

The financial statements have been prepared in accordance with the recognition and measurement bases applied in Croatian Financial Reporting Standards (CFRS) and do not purport to be a complete set of financial statements in accordance with CFRS. These financial statements do not include cash flow statement and statement of changes in equity.

#### Functional and presentation currency

The Financial statements of the Company are presented in kunas (HRK) which is the functional and presentation currency of the Company. The effective rate as at 31 December 2016 was HRK 7,557787 per 1 EUR (31 December 2015: HRK 7,635047).

#### Foreign currencies

Transactions denominated in foreign currencies have been translated into HRK at the mid exchange rates set by the Croatian National Bank at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated to HRK at the mid exchange rate on the last day of the accounting period. Gains and losses resulting from foreign currency translation are included in the income statement for the year.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. This cost includes all costs attributable to bringing an asset into its intended use.

Depreciation is provided on the straight-line basis for every individual asset over its useful life as follows:

Vehicle	5 years
Office equipment	4 years

#### Receivables and liabilities

Receivables and liabilities are stated at their nominal value. Receivables and liabilities are recorded in the books based on the relevant document supporting the business transaction. Receivables are stated at the gross value decreased by the provision for bad and doubtful debts. Provision for bad and doubtful debts is made when the collection of the receivables is uncertain.

CRVENI NOSOVI klaunovidoktori  
Notes to financial statements (continued)

**1 Accounting policies (continued)**

**Inventories**

Inventory items with individual values of less than HRK 3,500 are expensed when acquired.

**Cash**

Cash comprises cash held at banks and on hand.

**Taxation**

As a non-profit organization, CRVENI NOSOVI is not subject to income tax or VAT.

**Sponsorships and donations**

Sponsorships are recognized as revenue in the year when they are related to (in compliance with recognized costs if those are required).

Donations are recognized as revenue in the year when they are received.

**Membership**

Members of the Organization can be physical persons and, in the case of promoting members, also legal entities (domestic and foreign).

Types of Membership are: (i) regular, (ii) promoting and (iii) honorary.

Regular Members take part in the Organization's work and pay Membership fees in the amount as determined by the General Assembly.

Promoting Members contribute to the Mission of the Organization. Promoting Members are not paying annual fee and do not have voting right.

Honorary Members are appointed by the Management Board due to their special services to the Organization.

Membership fees are recognized as revenue in the period to which they relate.

**Revenue and expenses**

Revenues and expenses are recognized in the period to which they relate. Revenues, net of value added tax, are recognized when earned for all commercial services.

CRVENI NOSOVI klaunovidoktori  
Notes to financial statements (continued)

**2 Donations and sponsorship**

in HRK	2016	2015
Donations and sponsorship from individual persons	2,712,594	1,814,616
Donations and sponsorship from companies and other organizations	839,069	429,330
Donations from international organizations	87,042	37,304
Donations and sponsorship from State budget	81,772	106,319
Donations and sponsorship from local city budgets	45,000	50,400
Other donations	11,380	-
<b>Total</b>	<b>3,776,857</b>	<b>2,437,969</b>

**3 Material expenses**

in HRK	2016	2015
Promotional material	510,821	502,870
Rent	86,783	37,358
Fuel	19,104	27,477
Office material	17,330	12,747
Representation	16,765	11,996
Small inventory	12,822	12,797
Parking, taxi, bus, car tolls	6,979	6,745
<b>Total</b>	<b>670,604</b>	<b>611,990</b>

**4 Services expenses**

in HRK	2016	2015
Author's fee (fees to clowndoctors)	670,874	380,046
Post services	255,537	235,265
Intellectual services	256,537	173,858
Hotel services	58,970	43,886
Telephone, Internet	23,974	19,538
Utility costs	22,531	11,386
Accounting services	22,500	28,875
Car service costs	9,507	10,716
Transportation costs	7,738	20,164
Bank costs	3,250	8,822
Other services	3,082	13,098
<b>Total</b>	<b>1,334,501</b>	<b>945,654</b>

CRVENI NOSOVI klaunovidoktori  
Notes to financial statements (continued)

Service expenses are mostly related to author's fees based on monthly statements, post service connected to direct mailing project and intellectual services (administration).

**5 Staff costs**

in HRK	2016	2015
Net salary	198,643	187,105
Contributions	106,796	103,918
Taxes	37,117	36,374
Other fees	45,707	19,625
<b>Total</b>	<b>388,263</b>	<b>347,022</b>

Employee expense in 2015 relates to two employees: Managing Director and Artistic Director, and starting from October 2016 new employee for IT management and data base has joined the Company.

**6 Other operating expenses**

in HRK	2016	2015
Fees paid to Red Noses International	491,352	209,166
Compensation for work - students	176,170	170,485
VAT - Received services from EU	7,476	10,721
Other	17,210	5,828
<b>Total</b>	<b>692,208</b>	<b>396,200</b>

Other operating expenses mostly relate to current expenditure which relates to fee paid to RNI (Red Noses International) according to the Partnership agreement (10% of generated revenue in 2015; 15% of generated revenue in 2016) and compensation for students work. During 2016 the Company engaged more students following the growth of the operations.



CRVENI NOSOVI klaunovidoktori  
Notes to financial statements (continued)

**7 Tangible assets**

in HRK	Office equipment	Vehicle	Total
<b>Cost or valuation</b>			
At 1 January 2016	6,247	32,250	38,497
Additions	15,807	100,000	115,807
Disposals	-	(32,250)	(32,250)
At 31 December 2016	22,054	100,000	122,054
<b>Accumulated depreciation</b>			
At 1 January 2016	6,247	10,750	16,997
Charge for the year	6,939	18,683	25,621
Disposals	-	(12,766)	(12,766)
At 31 December 2016	13,186	16,667	29,852
<b>Net book value</b>			
At 1 January 2016	-	21,500	21,500
At 31 December 2016	8,869	83,333	92,202

**8 Cash at bank and in hand**

in HRK	31 December 2016	31 December 2015
Current accounts in bank	1,222,576	522,538
Petty cash	540	128
<b>Total</b>	<b>1,223,116</b>	<b>522,666</b>

**9 Trade receivables**

in HRK	31 December 2016	31 December 2015
Domestic trade receivables	-	73,805
Foreign trade receivables	-	18,108
<b>Total</b>	<b>-</b>	<b>91,913</b>

Receivables for advance payments are mostly related to given advance to the supplier Greenseeker for promotional materials in the amount of HRK 45.625 as at 31 December 2016.

As at 31 December 2015 the advances to Intermax in the amount of HRK 16.593 were also paid for the supply of promotional materials.

CRVENI NOSOVI klaunovidoktori  
Notes to financial statements (continued)

**10 Trade payables**

in HRK	31 December 2016	31 December 2015
Foreign trade payables	274,270	123,348
Domestic trade payables	87,305	91,580
<b>Total</b>	<b>361,575</b>	<b>214,928</b>

Foreign trade payables refer to the partnership fee to Red Noses International. Main suppliers of CRVENI NOSOVI klaunovidoktori in Croatia are Intermax and Weber Escal, both connected with direct mailing project.

**11 Employee and other liabilities**

in HRK	31 December 2016	31 December 2015
Net salary	19,273	15,485
Contributions	11,631	8,593
Liabilities for author's fees	4,862	52,121
Taxes	2,846	2,995
Other liabilities	2,500	-
<b>Total</b>	<b>41,112</b>	<b>79,194</b>

Employee liabilities relate to wage liability at 31 December 2016 for Managing Director, Artistic Director and Administrator. Liability or author's fees relate to liability to clowndoctors based on monthly statements, but most of the fees were paid at the end of December 2016.

**12 Loan liabilities**

Loan liabilities in the total amount of HRK 64 thousand as at 31 December 2016 (31 December 2015: HRK 22 thousand) are related to short and long term liability for the financial leasing.

**13 Deferred revenue**

At 31 December 2016 deferred revenue of HRK 113 thousand is related to sponsorships received during 2016 but related to period in 2017 (cost activities required based on donations and sponsorships received will be performed in 2017).

#### **14 Pensions and retirement benefits**

Association CRVENI NOSOVI does not operate any pension schemes or other retirement benefit schemes for the benefit of any of their employees. Accordingly, no provisions have been made in this regard.

Social security payments required by the authorities are regularly paid by CRVENI NOSOVI. These contributions form the basis of the social benefits payable out of the State pension fund to the employees upon their retirement. The Association has no residual liabilities to pay pensions to its present or former employees.

#### **15 Related parties**

##### *Compensation of key management personnel*

Key management personnel include members of the management board and directors.

CRVENI NOSOVI has a Board of Governors with 5 members who are volunteers and a paid Managing director and Artistic Director.

In 2016 the total compensation paid to the Managing Director and Artistic Director amounted to HRK 190 thousand (2015: HRK 187 thousand).

#### **16 Subsequent Events**

Subsequent to 31 December 2016 no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to clients affairs to require disclosure in a note to the financial statements in order to make them not misleading regarding the financial position or results of operations of Crveni Nosovi.