

ACT ON FINANCIAL OPERATIONS AND ACCOUNTANCY OF NON-PROFIT ORGANIZATIONS

(Official Gazette, number 121/14)

I. GENERAL PROVISIONS

General provisions

Article 1

This Act shall regulate the framework for financial operations and the elements of the accounting system of non-profit organisations, which includes principles of financial management system, preparation and execution of financial plans, reporting on budget funds spending, accounting principles and activities, business records and accounting documents, list of assets and liabilities, principles of declaring asset, commitments and own resources and principles of recognizing revenues, expenditures, receipts and expenses, financial reporting, audit of annual financial statements, publication of annual financial statements, supervision of financial transactions and accounting, and other areas related to financial operations and accountancy of non-profit organisations

Entities subject to the Act

Article 2

(1) The provisions of this Act shall refer to domestic and foreign associations and their unions, funds, foundations, institutions, art organizations, chambers, trade unions, employers' associations and all other legal entities that do not regard the profit as the fundamental objective of their establishment and functioning and which are of non-profit nature according to special regulations (hereinafter referred to as: „non-profit organizations“).

(2) The provisions of this Act referring to the business records keeping and to the registration in the Register of Non-profit Organizations shall apply to political parties.

(3) The provisions of this Act referring to the delivery of reports on budget funds spending, on-the-spot checks on budget funds spending and financial supervision of funds from public resources, shall apply to religious communities.

(4) The provisions of this Act shall not refer to entrepreneurs subject to the provisions of the Accounting Act, to local and regional self-government units and budgetary users registered in the Register of Budgetary and Extra-Budgetary Users, that keep their financial management and accounting pursuant to the Budget Act.

(5) The provisions of this Act shall not refer to the institutions the founders of which are natural persons and other legal persons which, according to the regulations arranging taxes, are subject to determination and payment of corporate income tax for their total activity.

II. FINANCIAL MANAGEMENT SYSTEM

Principles of the financial management system

Article 3

(1) Business operations of non-profit organizations shall have to be based on the principle of sound financial management and control and on the principle of public disclosure and transparency.

(2) Financial management and control shall be the system of internal controls providing, by risk management, reasonable assurance that non-profit organizations, in realizing their goals, will use the funds in an earmarked, ethical, efficient and effective way.

(3) The principle of public disclosure and transparency shall mean the obligation of ensuring public disclosure in the areas of application of this Act referring to financial reporting.

Article 4

(1) Non-profit organization subject to double-entry bookkeeping shall carry out the self-assessment of efficient and effective functioning of the financial management and control system.

(2) The financial management and control systems shall be based on five mutually connected internal control components, which include:

- control environment
- risk management
- control activities
- information and communication
- system monitoring and assessment.

(3) Control environment shall imply personal and professional integrity, as well as ethical values of legal representatives and employees, leadership and management style, setting mission, vision and goals of a non-profit organization, organizational structure, including the assignment of powers and responsibilities and the establishment of an appropriate reporting line, human resources management practice and employees' competence.

(4) Risk management shall be a comprehensive process of risk identification, assessment and monitoring, taking into account the goals of a non-profit organization, and of taking necessary actions, especially through the application of the financial management and control system, for the purpose of risk reduction.

(5) Control activities shall be based on written rules and principles, procedures and other measures that are established due to the realization of the goals of a non-profit organization by

reducing risks to the acceptable level. Control activities shall have to be appropriate and timely, while the costs of the establishment thereof shall not exceed the acceptable level.

(6) Financial statements and other reports shall contain business information that enables the management and the control of business operations of a non-profit organization. Information shall have to be adequate, updated, accurate and available for the purpose of the efficient communication at all levels of a non-profit organization, setting-up an appropriate information management system, with exactly determined role of each employee involved in financial management and control, and documenting all processes and transactions.

(7) Monitoring the financial management and control system shall be carried out for the purpose of estimating its appropriate functioning and of ensuring its further improvement.

(8) Legal representative of a non-profit organization shall be responsible for carrying out financial management and control by applying the components referred to in paragraph 2 of this Article.

(9) Minister of Finance shall determine, in the ordinance on the financial management and control system, preparation and execution of financial plans of non-profit organizations, the way of carrying out the self-assessment of the functioning of the financial management and control system of non-profit organizations, taking into consideration the amount of revenues, the value of asset and legal form of a non-profit organization.

Preparation and execution of financial plans

Article 5

(1) Non-profit organization subject to double-entry bookkeeping shall also be obliged to prepare an annual work programme and the financial plan for the implementation thereof.

(2) The financial plan of a non-profit organization referred to in paragraph 1 of this Article shall consist of:

- revenues and expenses plan
- borrowing and debt repayment plan
- financial plan explanation.

(3) The financial plan shall be adopted by the highest-level body of a non-profit organization referred to in paragraph 1 of this Article, that is, by the body authorized for that pursuant to the statute of a non-profit organization referred to in paragraph 1 of this Article, not later than by December 31 of the current year for the following year.

(4) The amendments to the financial plan shall be carried out during the year following the procedure for the financial plan adoption.

(5) Legal representative shall be responsible for legal and proper execution of the financial plan.

(6) Minister of Finance shall prescribe, in the ordinance on the financial management and control system, preparation and execution of financial plans of non-profit organizations referred to in Article 4 paragraph 9 of this Act, the methodology of the preparation of the financial plan, of the amendments to the financial plan and the way and conditions of the financial plan execution.

Report on the budget funds spending

Article 6

(1) Non-profit organization realizing the funds from public resources, including the state budget funds and the funds from the budgets of local and regional self-government units, shall be obliged to submit to another competent public authority the report on the budget funds spending.

(2) Competent bodies and local and regional self-government units referred to in paragraph 1 of this Article shall have the right to perform on-the-spot checks of the spending of the funds from the state budget and budgets of local and regional self-government units.

(3) Minister of Finance shall determine, in the ordinance on the reporting within the non-profit accounting and on the Register of Non-Profit Organizations, the minimal contents and deadlines for the delivery of the reports on the budget funds spending.

III. ACCOUNTING

Accounting principles

Article 7

(1) The accounting prescribed by this Act shall be based on the accounting principles of accuracy, authenticity, reliability and individual declaration of positions.

(2) Information in the financial reporting shall be reliable when there is not any significant error or partiality, that is, when it faithfully reflects what it represents.

(3) The principle of individual declaration of positions shall mean ensuring the presentation of data individually by types of revenues, expenses, as well as on the condition of asset, liabilities and own resources.

Accounting activities

Article 8

(1) Accounting activities shall be the data collection and processing on the basis of bookkeeping documents, business records preparation and keeping, preparation and composition of financial statements and collection and processing of financial data for statistical, tax and other needs.

(2) Non-profit organization shall be obliged to collect data and prepare bookkeeping documents, keep business records and prepare financial statements in a way which enables the

verification of transactions, determination of financial position and business operations of a non-profit organization, following the principles of proper bookkeeping.

Article 9

(1) Non-profit organization shall keep the bookkeeping according to the double-entry bookkeeping principle, and following the order of accounts from the chart of accounts for non-profit organizations.

(2) As an exception, the legal representative of a non-profit organization may make a Decision on maintaining the simple-entry bookkeeping and on the application of the cash accounting principle, if:

– the value of the asset of a non-profit organization, at the end of each of the previous three years, was successively lower than HRK 230,000.00, and if

– the annual income of a non-profit organization in each of the previous three years is successively lower than HRK 230,000.00 per year.

(3) The Decision referred to in paragraph 2 of this Article shall be made within the deadline anticipated for the submission of annual financial statements for the previous business year, and shall be valid as long as a non-profit organization meets the conditions referred to in paragraph 2 of this Article, that is, until its repeal.

(4) Non-profit organization meeting the conditions referred to in paragraph 2 of this Article, which decides to maintain double-entry bookkeeping, shall be obliged to apply the provisions of this Act solely in the part regarding the preparation of financial statements referred to in Article 29 paragraph 1 of this Act and the delivery thereof to the Ministry of Finance, that is, to another institution which the Ministry of Finance authorizes to receive and process financial statements.

(5) During the first three years from its establishment, a non-profit organization shall be obliged to maintain double-entry bookkeeping.

(6) Minister of Finance shall prescribe, in the ordinance on non-profit accounting and the chart of accounts, the way of maintaining simple-entry bookkeeping and the application of the cash accounting principle.

Article 10

(1) Non-profit organization shall be obliged to provide, within its bookkeeping, the data individually by types of revenues and expenses and on the condition of asset, liabilities and own resources.

(2) The data shall be entered into business records upon the occurrence of a transaction, and not later than within the deadline appropriate for the preparation of financial statements.

(3) Business records, bookkeeping documents and financial statements shall be kept, that is, prepared, in Croatian language and they shall be expressed in the currency unit applied in the Republic of Croatia.

Article 11

- (1) Legal representative shall be responsible for the establishment, lawful business operations and management of accounting activities.
- (2) The management of accounting activities may be entrusted, by a contract, to another professional legal or natural person.

Business records

Article 12

- (1) Business records of double-entry bookkeeping that are kept by a non-profit organization shall be: journal entry, general ledger and subsidiary ledgers.
- (2) Journal entry shall be a business record in which bookkeeping changes are entered following the time of their occurrence.
- (3) General ledger shall be a systematic record of transactions occurred on asset, liabilities, own resources and revenues and expenses.
- (4) The entry of data in the general ledger shall be carried out according to the chart of accounts prepared in advance.
- (5) The chart of accounts for non-profit organizations shall determine numerical marks and names of individual accounts by which non-profit organizations are obliged to declare asset, liabilities and resources of ownership as well as revenues and expenses, in a bookkeeping way.
- (6) Accounts from the chart of accounts shall be categorized as: classes, groups, subgroups and sections.
- (7) Sections from the chart of accounts may be divided, if necessary, to analytical and sub-analytical accounts. The division of sections in the chart of accounts shall be carried out by decimal system.
- (8) Minister of Finance shall prescribe, in the ordinance on non-profit accounting and the chart of accounts referred to in Article 9 paragraph 6 of this Act, the order, contents and application of accounts in the chart of accounts.

Article 13

- (1) Business records, which a non-profit organization referred to in Article 9 paragraph 2 of this Act is obliged to keep, shall be:
 1. Main cash book
 2. Book of revenues and expenses
 3. Book of incoming invoices

4. Book of outgoing invoices, and

5. List of long-term non-financial assets.

(2) Minister of Finance shall prescribe, in the ordinance on non-profit accounting and the chart of accounts referred to in Article 9 paragraph 6 of this Act, the minimal contents of the book of revenues and expenses, book of incoming invoices, book of outgoing invoices and the list of long-term non-financial assets.

Article 14

(1) Subsidiary ledgers shall be analytical bookkeeping records of transactions which are synthetically declared in the general ledger and other subsidiary records on the condition and changes in asset and liabilities for the needs of supervision and monitoring of business operations.

(2) Non-profit organization, which is subject to maintaining double-entry bookkeeping, shall be obliged to maintain the following subsidiary ledgers:

1. book of long-term non-financial assets – by type, quantity and value (acquisition/purchase and written-off)

2. book of short-term non-financial assets (stocks of materials, products and goods) – by type, quantity and value

3. book of financial asset and liabilities: claims and liabilities (by entities, invoices, single amounts, maturity deadlines, interest on arrears, etc.), received and issued securities and other financial instruments (by type, entities, single amounts, maturity, conditions), claims and liabilities on the basis of received loans and credits and given loans (by type, entities, single values, maturity, conditions and accrued interests)

4. main cash book (journal entry) (in kuna, foreign currency, petty cash book, etc.), and

5. records on travel orders and use of official vehicles.

(3) Besides the subsidiary ledgers referred to in paragraph 2 of this Article, a non-profit organization shall also keep special subsidiary records:

1. records on given and received guarantees and warranties/securities

2. book of incoming invoices

3. book of outgoing invoices, and

4. other subsidiary records according to special regulations and its needs.

(4) Subsidiary ledgers and special subsidiary records referred to in paragraphs 2 and 3 of this Article do not have to be kept if required data are provided by direct division of items in the general ledger.

Article 15

- (1) Business records shall be kept in a way to ensure accuracy and control of entered data, safeguarding of data and possibility to use data, getting the insight into the turnover and the condition on the accounts of the general ledger and time sequence of the performed entry of a transaction.
- (2) Business records shall be kept for the business year which corresponds to the calendar year.
- (3) Business records shall be opened to be used at the beginning of a business year or as of the day of the establishment.
- (4) Initial conditions of the general ledger at the beginning of the business year shall have to be equal to the final conditions at the end of the previous business year.

Article 16

- (1) Business records shall be finalized and closed at the end of the business year.
- (2) If business records are kept as an electronic book-entry, the general ledger, that is, the book of receipts and expenditures shall have to be safeguarded after the conclusion of the end of a business year in a way that the changes in certain or all parts or pages of the general ledger is prevented, that it is possible to print the general ledger on paper in any time, and that it is signed by electronic signature according to the regulation arranging the electronic signature.
- (3) If it is not possible to safeguard the business records that are kept as an electronic book-entry in a way prescribed in paragraph 2 of this Article, they shall be printed on paper and bound within the deadline of 120 days from the expiry of a business year which they refer to.
- (4) Legal representative of a non-profit organization shall sign the printed and bound business records.
- (5) Business records shall be maintained for the following periods:
 - journal entry and general ledger – for at least eleven years
 - subsidiary ledgers – for at least seven years.
- (6) Business records referred to in Article 13 paragraph 1 of this Act shall be maintained for the following periods:
 - book of receipts and expenditures – for at least eleven years
 - main cash book, book of incoming invoices, book of outgoing invoices and list of long-term non-financial assets – for at least seven years.
- (7) The deadline for maintaining business records shall start as of the expiry of a business year which the business records refer to.

Bookkeeping documents

Article 17

- (1) Book-entry and registering of transactions in business records shall be based on authentic, accurate, orderly and previously controlled bookkeeping documents.
- (2) Bookkeeping document shall be a written document or electronic book-entry on an occurred transaction.
- (3) The authentic bookkeeping document shall be the one which fully and accurately reflects the occurred transaction.
- (4) Bookkeeping document shall be proper if the place and time of its preparation and its material contents can be unambiguously determined from it, which implies the character, value and time of the occurrence of a transaction due to which the document has been prepared.
- (5) Bookkeeping document shall be prepared in one or more copies.
- (6) Bookkeeping document prepared in one copy may be sent off if the data contained in it are always available.
- (7) Bookkeeping documents shall also be documents received by a telecommunication way, copy of an original document or document on an electronic book-entry if the document contains the information on the place of safeguarding the original document, that is, the reason of using the copy, and if it is signed by a legal representative of a non-profit organization or a person the power referred to in Article 11 paragraph 2 of this Act has been transferred to.

Article 18

- (1) Bookkeeping documents shall be kept in their original form, using an electronic book-entry carrier or a micrographic processing carrier.
- (2) Bookkeeping documents shall be safe kept for the following periods, if a longer deadline has not been determined by some other regulations:
 - permanently – pay-roll records, that is, salary compensations or analytical records of salaries in respect of which statutory contributions are paid
 - at least eleven years – documents on the basis of which the data have been entered in the journal, general ledger and the book of receipts and expenditures
 - at least seven years – documents on the basis of which the data have been entered in subsidiary ledgers, except the book of receipts and expenditures, main cash book, book of incoming invoices, book of outgoing invoices and list of long-term non-financial assets.

(3) The deadline for safeguarding bookkeeping documents referred to in paragraph 2 subparagraphs 2 and 3 of this Article shall start as of the expiry of the last day of a business year which the business records in which the documents have been entered refer to.

IV. LIST OF ASSETS AND LIABILITIES

The obligation of making a list

Article 19

(1) Non-profit organization shall be obliged, at the beginning of its business operations, to make a list of assets and liabilities and to state individual values thereof in quantities and monetary amounts.

(2) Non-profit organization shall be obliged, at least once at the end of each business year, to make a list of assets and liabilities with the condition on the date of the balance sheet, due to the compliance of the bookkeeping condition with the actual condition.

(3) As an exception to paragraph 2 of this Article, a non-profit organization which performs a library activity may carry out the listing of books and library material within the deadline not longer than three years.

(4) Besides the list referred to in paragraph 2 of this Article, a non-profit organization shall have to make a list of its assets and liabilities in cases of any changes in status, opening of a bankruptcy procedure or initiating a liquidation procedure..

Implementation of regulations

Article 20

(1) The list of assets and liabilities shall be carried out by the committee for making a list, founded pursuant to the statute or some other highest-level general act of a non-profit organization.

(2) Legal representative shall establish the date of making the list, deadlines for performing the making of the list and for delivering the reports with the lists attached.

(3) Data on the list shall be entered individually in natural, that is, money expressions in the lists. The lists shall be bookkeeping documents the authenticity of which shall be confirmed with the signatures signed by the members of the committee for making a list.

(4) After the list has been completed, the committee shall be obliged to prepare the report on the basis of the lists and its observations, and to submit it to the legal representative.

Article 21

Legal representative, on the basis of the reports and the attached lists and according to the powers derived from the statute or some other highest-level general acts of a non-profit organization, shall decide on:

1. compensation of the determined shortfalls
2. recognition and registering of the determined surpluses
3. write-off of uncollectable and stale claims and liabilities
4. removing the assets from the inventory
5. measures against persons responsible for shortfalls, damages, incompliance between the bookkeeping and actual conditions, statute of limitation and un-collectability of claims, etc.

V. THE WAY OF DECLARING ASSETS, LIABILITIES AND OWN RESOURCES AND OF RECOGNIZING REVENUES, EXPENSES, RECEIPTS AND EXPENDITURES

Declaring assets and liabilities

Article 22

- (1) Assets, liabilities and own sources shall determine the financial position of a non-profit organization.
- (2) Assets shall be the resources that a non-profit organization controls as a result of previous events and of which future benefits are expected within the activity performance.
- (3) Liabilities shall be unsettled debts derived from previous events, for the settlement of which the outflow of resources is expected.
- (4) Assets shall be classified by type, durability and function thereof within the activity performance.
- (5) Liabilities shall be classified according to the purpose and maturity thereof.
- (6) Assets and liabilities shall be declared by the accounting principle of the occurrence of an event.
- (7) Own resources shall be the remaining part of the value of the asset after the deduction of all liabilities.
- (8) Assets which are not own shall be monitored in the off-balance sheet records.

Article 23

- (1) Assets shall be initially declared by the cost of acquisition (acquisition/purchase value), that is, by estimated value.

(2) Long-term assets shall be financial and non-financial assets which length of use is longer than a year and which retains the same appearance form for more than a year.

(3) Long-term non-financial material assets which individual cost of acquisition (acquisition/purchase value) is lower than HRK 3500.00, may be written-off on a one-time basis, by putting them in use, with an obligation of individual or group monitoring within the useful length of use.

(4) Short-term non-financial assets shall be the assets intended for the performance of an activity or for further selling within the period shorter than a year.

(5) The cost of acquisition (acquisition/purchase value) of non-financial assets shall be the purchase price increased by customs, irretrievable taxes, costs of transfer and all other costs which may be directly added to the costs of acquisition and training for the beginning of use.

Article 24

(1) Value of a certain object of long-term non-financial assets shall be amortized, that is, shall be corrected by the linear method within the useful length of use, starting from the first day of the month following the month when the asset was put in use.

(2) As an exception to paragraph 1 of this Article, the value of the land, renewable natural resources, books, works of art and other exhibition values and precious metals and other stored values shall not be amortized, that is, shall not be corrected.

(3) The basis for the correction of the value of long-term assets shall be its initial or revalorized cost of acquisition (acquisition value), that is, its estimated value.

(4) Minister of Finance shall prescribe, in the ordinance on non-profit accounting and the chart of accounts referred to in Article 9 paragraph 6 of this Act, the amortization rates according to the groups of long-term assets and estimated useful length of use of long-term assets.

Article 25

(1) Non-profit organization shall revalorize long-term assets by applying the coefficient of the increase in prices of the manufacturers of industrial products if the inflation measured by this coefficient in the previous three years is cumulatively higher than 30%.

(2) The effect of the revalorization of long-term assets shall be attributed to own resources.

Recognition of revenues and expenses

Article 26

(1) Revenues and expenses shall be recognized along with the application of the accounting principle of the occurrence of the event.

(2) The accounting principle of the occurrence of an event shall mean that:

- reciprocal revenues (revenues based on the delivered goods and services) are recognized in the reporting period to which they refer under the condition that they may be measured irrespectively of the collection
- un-reciprocal revenues (revenues by special regulations, membership fees, grants, contributions and other similar revenues) are recognized in the reporting period to which they refer under the condition that they are available (collected) in the reporting period, and they may be recognized in the reporting period if they are collected not later than by the moment of presenting financial statements for the same period
- donations related to the execution of the contracted programmes (projects and activities) are recognized in the balance sheet as postponed revenue along with being recognized as revenues of the reporting period proportionally to the costs of the implementation of contracted programmes (projects and activities)
- donations connected to non-financial assets that is amortized are recognized in the balance sheet as postponed revenue along with being recognized as revenues of the reporting period on the systematic basis proportionally to the costs of the use of non-financial assets within the period of use
- expenses are recognized in the reporting period to which they refer irrespectively of the payment thereof
- expenses for spending short-term non-financial assets are recognized in the moment of actual spending, that is of selling, and
- costs of the acquisition of long-term assets are capitalized, and recognized as revenues during the length of use.

(3) Revenue shall be an increase in economic benefits or service potential during the reporting period in the form of asset inflow without an increase in liabilities at the same time or the reduction in liabilities without the asset outflow at the same time.

(4) Expense shall be the decrease in economic benefits or service potential in the form of the decrease in assets or increase in liabilities without the increase in financial assets at the same time.

Recognition of receipts and expenditures

Article 27

(1) Receipts and expenditures shall be recognized along with the application of the cash accounting principle.

(2) Receipts and expenditures shall be inflows and outflows of money and money equivalents.

VI. FINANCIAL REPORTING

Article 28

- (1) Non-profit organization shall be obliged to prepare financial statements.
- (2) Financial statements shall be submitted to the Ministry of Finance, that is, to another institution authorized by the Ministry of Finance for receiving and processing financial statements.
- (3) Financial statements shall have to provide objective and real overview of the financial position and business operations of a non-profit organization.
- (4) Non-profit organization shall prepare and submit financial statements at the level of a legal person with included data on the business operations of its organizational parts.
- (5) Non-profit organization which during the business year did not have any transactions, nor are there any data on assets and liabilities in its business records, shall be obliged to submit, within the deadline prescribed for the submission of annual financial statements to the Ministry of Finance, the statement on inactivity for the previous business year.

Article 29

- (1) Financial statements of a non-profit organization, except of the non-profit organization referred to in Article 9 paragraph 2 of this Act, shall be reports on the condition and structure, and on changes in the values and the volume of the asset, liabilities, own resources, revenues and expenses.
- (2) Financial statement of a non-profit organization referred to in Article 9 paragraph 2 of this Act shall be an annual financial statement on receipts and expenditures.

Article 30

- (1) Financial statements referred to in Article 29 paragraph 1 of this Act shall be prepared for the periods during the business year and for the business year itself.
- (2) Financial statements for the periods during the business year shall be kept until the submission of financial statements for the same period of the following year, and annual financial statements shall be kept permanently and in their original forms.
- (3) Minister of Finance shall prescribe, in the ordinance on the reporting within the non-profit accounting and the Register of Non-Profit Organizations referred to in Article 6 paragraph 3 of this Act, the form and contents of financial statements and the statement on inactivity, periods for which the statements are prepared, and the obligation and deadlines for the submission thereof.

Article 31

- (1) Changes in status of non-profit organizations shall be:

1. merging two or more non-profit organizations into a new unit
2. joining one or more non-profit organizations to the existing unit, and
3. dividing non-profit organizations in two or more new units.

(2) Non-profit organizations that have undergone changes in status shall have to prepare, within 60 days, as on the date preceding the date of the occurrence of a change in status, financial statements prepared for a business year.

(3) Financial statements referred to in paragraph 2 of this Article shall be submitted, within ten days from the day of the preparation thereof, to the Ministry of Finance or another institution authorized by the Ministry of Finance for receiving and processing financial statements.

(4) When there is a change in status in the form of merging, each of the non-profit organizations that are being merged shall prepare financial statements for the business year as on the date preceding the date of the merger. Financial statements shall be consolidated and according to them the accounting records of the unit created by the merger shall be opened to be used.

(5) When there is a change in status in the form of joining, non-profit organizations that are being joined to the existing unit shall prepare financial statements for the business year as on the date preceding the date of joining. The existing unit shall consolidate the statements of the joined units and shall register the changes in its accounting records.

(6) When there is a change in status in the form of division, a non-profit organization that is being divided shall prepare financial statements for the business year on the day of the division, and newly created units shall open new records with the conditions depending on the mutually executed division of assets and liabilities.

(7) Financial statements that have been prepared for the period before changes in status shall be signed by the person that was responsible for business operations of a non-profit organization in the period which the statements refer to.

Audit of annual financial statements

Article 32

(1) Financial statements of a non-profit organization which in the previous year had a profit of HRK three to ten (included) million, shall be subject to an audit insight which is to be carried out according to audit regulations.

(2) Financial statements of a non-profit organization which in the previous year had total revenue higher than HRK ten million shall be subject to the audit that is carried out according to the audit regulations.

(3) Non-profit organizations referred to in paragraphs 1 and 2 of this Article shall be obliged to publish, by June 30 of the current year, on their web pages, the audit report on the

performed audit of financial statements, that is, on the insight into financial statements for the previous year.

(4) The publication of audit reports on the performed audit of annual financial statements, that is, on the insight into financial statements for the previous year referred to in paragraph 3 of this Article, shall not refer to labour unions nor to employers' associations.

(5) Labour unions and employers' associations shall be obliged, by June 30 of the current year, to deliver to the Ministry of Finance the audit report on the performed audit of annual financial statements, that is, on the insight into financial statements for the previous year.

(6) Labour unions and employers' associations may submit the audit report on performed audit of annual financial statements, that is, on the insight into financial statements for the previous year to interested parties if this does not deter their free and independent actions.

VII. REGISTER OF NON-PROFIT ORGANIZATIONS

Keeping the Register of Non-Profit Organizations

Article 33

(1) Register of Non-Profit Organizations shall be a central source of data on non-profit organizations necessary for the determination and monitoring of the obligation of preparing and submitting financial statements, determining their financial position and business operations and earmarked use of budget funds.

(2) Register of Non-Profit Organizations shall be kept by the Ministry of Finance.

(3) Register of Non-Profit Organizations shall be kept in electronic form and shall be available on web pages of the Ministry of Finance.

Registering in the Register of Non-Profit Organizations

Article 34

(1) Non-profit organization shall be obliged to register in the Register of Non-Profit Organizations.

(2) Non-profit organization shall be registered in the Register of Non-Profit Organizations on the basis of the application submitted to the Ministry of Finance not later than 60 days after the registration thereof in the principal register.

(3) The principal register, in terms of this Act, shall be an appropriate register in the Republic of Croatia in which a non-profit organization was registered when founded.

(4) Non-profit organization shall complete and submit the application referred to in paragraph 2 of this Article only once when registering in the Register of Non-Profit Organizations.

(5) Registration in the Register of Non-Profit Organizations shall be a condition for obtaining the funds from the state budget, budgets of local and regional self-government units and other public resources.

(6) The provision of paragraph 5 of this Act shall not be applied on political parties and religious communities.

(7) Minister of Finance shall determine, in the ordinance on the reporting within non-profit accounting and the Register of Non-Profit Organizations referred to in Article 6 paragraph 3 of this Act, the way of keeping the Register of Non-Profit Organizations and shall prescribe the appearance and the contents of the application for the registration in the Register of Non-Profit Organizations.

Changing data in the Register of Non-Profit Organizations

Article 35

(1) Non-profit organization shall be obliged to deliver to the Ministry of Finance any change in data from the Register of Non-Profit Organizations.

(2) Non-profit organization shall report on any change in data referred to in paragraph 1 of this Article by submitting the application for change entry within seven working days from the day of entry of the change in the principal register, and if the change is not to be entered in the principal register, within 30 working days from the occurrence thereof.

(3) Minister of Finance shall prescribe, in the ordinance on the reporting within non-profit accounting and the Register of Non-Profit Organizations referred to in Article 6 paragraph 3 of this Act, the appearance and contents of the application for change entry referred to in paragraph 2 of this Article.

Removal from the Register of Non-Profit Organizations

Article 36

(1) Non-profit organization shall be removed from the Register of Non-profit Organizations by removing thereof from the principal register.

(2) The notification on the removal from the principal register shall be delivered to the Ministry of Finance by the person in charge of keeping the respective register ex officio, not later than 30 days after the day of the occurrence of the change.

(3) Minister of Finance shall prescribe, in the ordinance on the reporting within non-profit accounting and the Register of Non-profit Organizations referred to in Article 6 paragraph 3 of this Act, the conditions and the way of removing a non-profit organization from the Register of Non-Profit Organizations.

VIII. PUBLICATION OF ANNUAL FINANCIAL STATEMENTS

Article 37

(1) Annual financial statements of a non-profit organization shall be published via the Register of Non-Profit Organizations.

(2) Non-profit organization, the annual financial statements of which have been published via the Register of Non-Profit Organizations, shall not be obliged to submit them upon request.

(3) The publication of annual financial statements referred to in paragraph 1 of this Article shall not refer to labour unions or employers' associations.

(4) Labour unions and employers' associations referred to in paragraph 3 of this Article may deliver their annual financial statements to interested parties if this does not deter their free and independent actions.

IX. SUPERVISION

Financial supervision

Article 38

(1) The Ministry of Finance shall carry out the supervision of the financial management, accounting activities and the submission of financial statements (hereinafter referred to as: financial supervision) of a non-profit organization in line with the provisions of this Act and other special regulations.

(2) Financial supervision referred to in paragraph 1 of this Article shall also comprise the supervision of lawful collection of funds from public and other resources, management of funds and determination if the funds are used for the realization of goals due to which a non-profit organization has been founded.

Supervision performance method

Article 39

(1) Financial supervision of a non-profit organization (hereinafter referred to as: supervision subject) referred to in Article 38 of this Act, shall be carried out in the following way:

- by direct supervision at the supervision subject
- by the analysis of business documentation, regulations and general acts in line with which the subject operates
- by examining business premises, buildings, objects, goods and other stuff in line with the financial supervision purpose
- by monitoring, collecting and verifying bookkeeping documents, business records and financial statements (the analysis of financial statements)
- by verifying the system the supervision subject uses for data processing regarding the accounting activities.

(2) The provisions of the General Administrative Procedure Act shall apply to the adoption of administrative acts in line with the provisions of this Act.

Persons authorized for supervision performance

Article 40

(1) Financial supervision referred to in Article 38 of this Act shall be carried out by the Ministry of Finance.

(2) Persons authorized for the performance of the financial supervision referred to in paragraph 1 of this Article shall be financial supervision inspectors.

(3) Financial supervision inspectors shall have official identification cards and official badges issued by the Minister of Finance.

(4) Minister of Finance shall prescribe, in the ordinance on the budget and financial supervision inspector's official identification card and official badge, the appearance of the financial supervision inspector's official identification card, the way of keeping the register on official identification cards and the way of the issuance, use and replacement thereof.

Supervision performance

Article 41

(1) Supervision subject shall be obliged to enable the financial supervision inspector to carry out:

– supervision of business documentation, regulations and general acts in line with which the supervision subject operates

– examination of business premises, buildings, objects, goods and other stuff in line with the purpose of the inspection supervision

– supervision of all bookkeeping documents, business records and financial statements, and systems the supervision subject uses for data processing.

(2) Supervision subject shall be obliged to deliver to the financial supervision inspector the copy of the documents or financial statements referred to in paragraph 1 sub-paragraph 3 of this Article.

(3) Legal representative of a non-profit organization shall be obliged to participate in the supervision procedure and to enable undisturbed performance of the supervision along with providing the adequate working conditions.

Article 42

(1) The supervision procedure referred to in Article 39 of this Act shall start by delivering the notification to the legal representative of a non-profit organization or to the person registered

in the Register of Non-Profit Organizations as authorized for representing the non-profit organization.

(2) The notification referred to in paragraph 1 of this Article shall contain:

1. name of the body that issued it, number and the date of the act
2. name and surname, that is, name of the supervision subject referred to in paragraph 1 of this Article
3. object of supervision
4. period to be covered by the supervision
5. date of the beginning of the supervision
6. name and surname of officials authorized for supervision performance
7. authorized person's signature.

(3) The objection cannot be filed against the notification referred to in paragraph 2 of this Article.

(4) As an exception to paragraph 1 of this Article, the supervision procedure may also begin without the delivery of the notification if the legal representative of a non-profit organization referred to in paragraph 1 of this Article obviously avoids the notification to be delivered to them and if there is a reasonable fear that some evidence may not be provided or that the provision thereof may be difficult.

Protocol on the performed supervision

Article 43

(1) The protocol shall be prepared on the performed supervision containing: name of the body that issued it, number and date of the act, name and surname, that is, name of the supervision subject, legal and factual grounds, place of supervision performance and time of the duration of the supervision, name of authorized persons who have carried out the supervision, period covered by the supervision, description of actions and evidence carried out within the procedure according to which irregularities have been identified.

(2) Legal representative of a non-profit organization referred to in Article 41 of this Act shall have the right to file an objection against the protocol on the supervision within fifteen days after the day of receiving the protocol.

(3) The inspector who has carried out the supervision shall be obliged, within fifteen days after the day of receiving the objection, to deliver written answer to the legal representative of a non-profit organization referred to in Article 41 of this Act.

(4) The objection against the protocol and the answer to the objection shall be integral parts of the protocol on the performed supervision.

Supervision measures

Article 44

(1) The financial supervision inspector who has performed the supervision shall be authorized to carry out the following:

1. adopt the decision ordering the removal of irregularities and set the deadline for the removal of irregularities
2. adopt the decision on the return of funds to the state budget, that is, to the budgets of local and regional self-government units if they determine an unlawful use of funds allocated from the state budget, budgets of local and regional self-government units and other public resources
3. if they identify actions for which there is reasonable doubt as to a criminal deed being committed, they shall file criminal charges to the competent state attorney's office
4. if they identify actions by which a misdemeanour has been committed, they shall prepare an information which a responsible person of the Ministry of Finance shall submit to the competent Tax Administration regional office
5. if they identify reasons for the suspicion of money laundering or financing of terrorism in relation to the work and activities of the supervision subjects or persons related to them, that is, within the financial management of the supervision subject, they shall inform on that, in written form, to the Anti-Money Laundering Office in accordance with the provisions of the Anti-Money Laundering and Terrorism Financing Act

(2) The appeal shall not be allowed against the decision referred to in paragraph 1 item 2 of this Article, but an administrative proceeding may be instituted.

(3) The supervision subject, which the decision referred to in paragraph 1 item 1 of this Article has been issued to, shall be obliged, within the deadline established by the decision, to remove the identified irregularities and, within eight days after the expiry of the deadline established by the decision, to inform on that, in written form, to the Ministry of Finance, providing the evidence on the removed irregularities.

X. MISDEMEANOUR PROVISIONS

Article 45

(1) The fine in the amount from HRK 5000.00 to HRK 200,000.00 shall be imposed for a misdemeanour on a non-profit organization keeping double-entry bookkeeping, and the fine in the amount from HRK 1000.00 to HRK 50,000.00 shall be imposed for a misdemeanour on a non-profit organization keeping simple-entry bookkeeping if:

1. it does not carry out the self-assessment of the functioning of the financial management and control system in line with the provisions of this Act (Article 4 paragraph 1)
2. it does not prepare and/nor adopt financial plans in line with the provisions of this Act (Article 5, paragraphs 1 and 3)
3. it does not submit the report on the budget funds spending to the competent state administration body, that is, to the local and regional self-government unit (Article 6, paragraph 1)
4. it does not keep business records nor prepare bookkeeping documents and financial statements in Croatian language and in the currency unit being applied in the Republic of Croatia (Article 10, paragraph 3)
5. it does not keep business records of double-entry bookkeeping in accordance with the provisions of this Act (Article 12, paragraph 1)
6. it does not enter data in the general ledger according to the chart of accounts prepared in advance (Article 12, paragraph 4)
7. it does not keep business records in a way to provide the accuracy and control of entered data, and/or safeguarding and possibility to use the data, and/or getting an insight into the turnover and the condition on the accounts of the general ledger and the time sequence of the performed entry of transactions (Article 15, paragraph 1)
8. it keeps business records for the year which does not correspond to one calendar year (Article 15, paragraph 2)
9. it does not open its business records to be used, in accordance with the provisions of this Act (Article 15, paragraph 3)
10. it does not finalize and close its business records in accordance with the provisions of this Act (Article 16, paragraph 1)
11. it does not protect its business records that are stored on electronic media in accordance with the provisions of this Act (Article 16, paragraph 2)
12. it does not maintain the journal, general ledger and subsidiary ledgers within deadlines and in the way according to the provisions of this Act (Article 16, paragraph 5)
13. it does not keep book of receipts and expenditures, main cash book, book of incoming invoices, book of outgoing invoices and the list of long-term non-financial assets within deadlines and in a way according to the provisions of this Act (Article 16, paragraph 6)
14. it does not keep bookkeeping documents within deadlines and in a way according to the provisions of this Act (Article 18)
15. it does not list the assets and liabilities in accordance with the provisions of this Act (Article 20)

16. it does not declare the assets and liabilities according to the accounting principle of the occurrence of an event (Article 22, paragraph 6)

17. it does not recognize revenues and expenses along with the application of the accounting principle of the occurrence of an event (Article 26, paragraph 1)

18. it does not prepare nor submit financial statements according to the provisions of this Act (Article 28, paragraph 4)

19. it does not publish on its web pages the audit report on the performed audit of annual financial statements, that is, on the insight into financial statements for the previous year (Article 32, paragraph 3)

20. it does not register itself in the Register of Non-Profit Organizations (Article 34, paragraph 1)

21. it does not inform on the change in data entered into the Register of Non-Profit Organizations (Article 35, paragraph 1)

22. it does not enable the authorized person to perform the supervision according to the provisions of this Act (Article 42)

23. it does not remove the identified irregularities and does not inform to the Ministry of Finance on the undertaken actions in a way anticipated by the provisions of this Act (Article 44, paragraph 3).

(2) The fine in the amount from HRK 5000.00 to HRK 20,000.00 shall be imposed for the misdemeanour referred to in paragraph 1 of this Article on the person who is a legal representative of a non-profit organization keeping the double-entry bookkeeping, while the fine in the amount from HRK 1000.00 to HRK 10,000.00 shall be imposed for the misdemeanour referred to in paragraph 1 of this Article on the person who is a legal representative of a non-profit organization keeping the simple-entry bookkeeping.

(3) The fine in the amount from HRK 10,000.00 to HRK 50,000.00 shall be imposed for the misdemeanour on the head of a state administration body, that is, of a local and regional self-government unit if they approve a payment to the non-profit organization which has not been registered in the Register of Non-profit Organizations.

XI. TRANSITIONAL AND FINAL PROVISIONS

Article 46

(1) The first annual financial statements of a non-profit organization which are published via the Register of Non-profit Organizations shall refer to the year 2013.

(2) The 2014 annual financial statements shall be prepared in line with the Regulation on the Accountancy of Non-Profit Organizations, and the first financial statements, prescribed by this Act, shall be prepared for the reporting periods as of January 1, 2015.

(3) Non-profit organization registered in the Register of Non-Profit Organizations before the entry into force of this Act shall not submit the application for re-registration in the Register of Non-Profit Organizations.

(4) Non-profit organization founded before the entry into force of this Act, which is not registered in the Register of Non-Profit Organizations, shall be obliged, within 90 days after the entry into force of this Act, to deliver to the Ministry of Finance the application for the registration in the Register of Non-Profit Organizations.

(5) Non-profit organization registered in the Register of Non-Profit Organizations before the entry into force of this Act, which is not subject to this Act, shall be obliged, within 90 days after the entry into force of this Act, to submit the application for the removal from the Register of Non-Profit Organizations.

(6) Non-profit organization referred to in paragraph 4 of this Article, which does not submit the application for the removal from the Register of Non-Profit Organizations within the deadline anticipated by paragraph 5 of this Article, shall be removed by virtue of law by the Ministry of Finance.

(7) The first annual financial statements that are given for an insight, that is, that are audited by an authorized auditor shall refer to the year 2015.

(8) The first financial plans on the basis of the provisions of this Act shall be prepared for the period from January 1 to December 31, 2016.

Article 47

(1) The ordinance on the financial management and control system, preparation and execution of financial plans of non-profit organizations referred to in Article 4 paragraph 9 of this Act shall be adopted by the Minister of Finance within 90 days after the entry into force of this Act.

(2) The ordinance on the reporting within the non-profit accounting and the Register of Non-Profit Organizations referred to in Article 6 paragraph 3 of this Act and the ordinance on the non-profit accounting and the chart of accounts referred to in Article 9 paragraph 6 of this Act shall be adopted by the Minister of Finance within 60 days after the entry into force of this Act.

(3) The ordinance on the budget and financial supervision inspector's official identification card and official badge ("Official Gazette, no. 125/13) referred to in Article 40 paragraph 4 of this Act shall be aligned by the Minister of Finance with the provisions of this Act within 30 days after the entry into force of this Act.

Article 48

(1) As of the day of entry into force of this Act, Article 2 paragraph 5 of the Accounting Act ("Official Gazette", no. 109/07 and 54/13) shall cease to have effect.

(2) As of the day of entry into force of this Act, the Regulation on the Accountancy of Non-Profit Organizations (“Official Gazette”, no. 10/08, 7/09, 158/13, 1/14 and 44/14) shall cease to have effect.

Article 49

This Act shall be published in the “Official Gazette”, and it shall enter into force on January 1, 2015.