

**KOSOVAR INSTITUTE FOR POLICY RESEARCH AND DEVELOPMENT
(‘KIPRED’)**

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS’ REPORT

For the year ended 31 December 2016



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INDEPENDENT'S AUDITOR REPORT

To: Management of "Kosovar Institute for Policy Research and Development – KIPRED"

Opinion

We have audited financial statements of 'KIPRED' (the Organization) which comprises the statement of financial position as at 31 December 2016, and the income statement, statement of changes in net assets for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Organization, for the year ended 31 December 2016 are prepared, in all material respects, in accordance with the financial reporting requirement of organization and relevant laws in Kosovo.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting requirements and for such controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Lulzim Zeka
Statutory Auditor



Baker Tilly Kosovo
10 April 2019

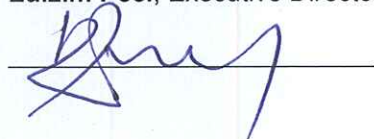
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Baker Tilly Kosovo L.L.C.
Prishtinë

Kosovar Institute for Policy Research and Development - KIPRED
Statement of Financial Position
As at 31 December 2016
(All amounts in Euro)

| As at 31 December | | 2016 | 2015 |
|-------------------------------------|--------------|---------------|----------------|
| Assets | <i>Notes</i> | | |
| Fixed Assets | | | |
| Property, Plant and Equipment | | - | - |
| Total Fixed Assets | | - | - |
| Current Assets | | | |
| Cash and Cash Equivalents | 3 | 31,116 | 85,564 |
| Receivables | 4 | 3,740 | 2,107 |
| Prepayments | 5 | - | 19,818 |
| Total Current Assets | | 34,856 | 107,488 |
| Total Assets | | 34,856 | 107,488 |
| Liabilities and Equity | | | |
| Short-term Liabilities | | | |
| Accounts Payable | 6 | 4,418 | 16,234 |
| Deferred Income | 7 | 30,438 | 91,255 |
| Total Short-term Liabilities | | 34,856 | 107,488 |
| Equity | | | |
| Balance carried forward | | - | - |
| Net Profit | | - | - |
| Total Equity | | - | - |
| Total Liabilities and Equity | | 34,856 | 107,488 |

Approved by:

Lulzim Peci, Executive Director



Kosovar Institute for Policy Research and Development - KIPRED
Income Statement
For the year ended 31 December 2016
(All amounts in Euro)

| For the year ended as at 31 December | | 2016 | 2015 |
|---|--------------|------------------|------------------|
| Incomes | <i>Notes</i> | | |
| Grants for projects | 7 | 239,952 | 171,392 |
| Total incomes | | 239,952 | 171,392 |
| Expenses | | | |
| Contract Services | 8 | (10,492) | (3,448) |
| Facilities and Equipment | 9 | (11,058) | (14,550) |
| Operations | 10 | (21,531) | (7,076) |
| Travel and Meetings | 11 | (8,959) | (7,047) |
| Payroll | 12 | (171,090) | (107,895) |
| Other | | (15,729) | (31,376) |
| Total expenses | | (238,858) | (171,392) |
| Extraordinary expenses | 13 | (1,094) | |
| Profit / (loss) Net | | - | - |

The notes and accompanying notes from 1 to 14 of the financial statements are an integral part of them

Kosovar Institute for Policy Research and Development - KIPRED
Notes to the Financial Statements
For the year ended 31 December 2016
(All amounts in Euro)

1. Introduction

Kosovar Institute for Policy Research and Development – KIPRED is registered as a nongovernmental and a not for profit organization based on UNMIK rule 1999/22 (then Law No. 04/L-57), date of 11 November 2003 with registration number 5200105-6, fiscal number 600256508 with registered Head Office in street Major Mehmet Bushi Hy 3/1, 10000 Prishtinë, Kosovë.

Mission

KIPRED's mission is the promotion and consolidation of democracy and democratic values in Kosovo and in the region through independent research, capacity development and institution building.

2. Summary of significant accounting policies

2.1 Basis for presentation

For the purposes of financial recording, Kosovar Institute for Policy Research and Development - KIPRED uses accrual method of accounting for reporting the receipt and disbursement of funds. Under this method of reporting of financial transactions, revenues and expenses are recognized when earned and occurred.

2.2 Functional currency

Kosovar Institute for Policy Research and Development incurs transactions in Euros. All amounts reported in the financial report have been translated to EURO using published exchange rates in effect at date of transfers received.

2.3 Receivables

The accounts receivable of the organization consists of receivables that organization collects from reimbursement of VAT paid for European Commission's project.

2.4 Accounts Payables

Organization's accounts payable consists of the wage payable for December including withholding taxes and pension contributions on wages, rent taxes and other payables.

2.5 Deferred Income

Deferred Income is the income/donation for which the cash has been collected by the organization, but have yet to be earned. Consequently, this liability occurs when Kosovar Institute for Policy Research and Development receives payment in advance for a project to be implemented in future.

2.6 Income taxes

The organization is a non-governmental organization (NGO) whose received donations in the reporting year have been implemented for non-profit purposes. According to law Nr. Nr.03 / L'162 on Corporate Income Tax, NGOs' whose total income was used for their nonprofit purposes are tax exempted.

Kosovar Institute for Policy Research and Development - KIPRED
Notes to the Financial Statements
For the year ended 31 December 2016
(All amounts in Euro)

3. Cash and cash equivalents

| At 31 December | 2016 | 2015 |
|---------------------------------------|---------------|---------------|
| Cash in the bank | 30,925 | 85,366 |
| Cash on hand | 191 | 197 |
| Total Cash and cash equivalent | 31,116 | 85,564 |

4. Receivables

The accounts receivable of the organization consists of receivables that organization collects from reimbursement of VAT paid for European Commission's project. As at 31 December 2016 receivable VAT is 3,740 euro.

5. Prepayments

Prepayments at the end of the year to 31 December 2015 are Euro 19,817.70. Prepayments consist of advances given to Syri Vizionit, partner organization which the organization is the leader of the consortium on the project funded by European Commission. As at 31 December 2016 prepayment balance is 0.00 euro

6. Accounts payable

| At 31 December | 2016 | 2015 |
|-------------------------------|--------------|---------------|
| Salary payable | 932 | 15,514 |
| Tax payable for rent | - | 459 |
| Other payables | 3,486 | 260 |
| Total Accounts Payable | 4,418 | 16,234 |

Kosovar Institute for Policy Research and Development - KIPRED
Notes to the Financial Statements
For the year ended 31 December 2016
(All amounts in Euro)

7. Incomes / Deferred Income

| For the year ended 31 December | 2016 | 2015 |
|--|----------------|----------------|
| Opening balance deferred income | 91,255 | 22,368 |
| Received during the year: | - | - |
| European Commission | 47,964 | 88,917 |
| Royal Norwegian Embassy | - | 20,033 |
| Olof Palme International Center | - | 36,649 |
| GIZ | - | 2,436 |
| KCSF | 81,964 | 80,000 |
| RRPP | 27,791 | 12,244 |
| AF | 3,000 | - |
| OVH | 13,835 | - |
| Other (fee reimbursement and employee contributions) | 4,582 | - |
| Total | 270,390 | 262,646 |
| Expensed during the year | 239,952 | 171,392 |
| Closing balance | 30,438 | 91,255 |

Deferred Income is the income/donation for which the cash has been collected by the organization, but have not yet been earned. Consequently, this liability occurs when Kosovar Institute for Policy Research and Development receives payment in advance for a project to be implemented in future. For the year ended 31 December the deferred revenues were 30,438 Euro.

8. Contract Services

| For the year ended 31 December | 2016 | 2015 |
|---------------------------------------|---------------|--------------|
| Contract Services | 10,492 | 3,448 |
| Total Contract Services | 40,492 | 3,448 |

Contract services are expenses on the basis of contracts that the organization has with UBO Consulting and Artmotion.

Kosovar Institute for Policy Research and Development - KIPRED
Notes to the Financial Statements
For the year ended 31 December 2016
(All amounts in Euro)

9. Facilities and Equipment

| For the year ended 31 December | 2016 | 2015 |
|---------------------------------------|---------------|---------------|
| Equipment Rental and Maintenance | 122 | 796 |
| Utilities | - | 2,315 |
| Office rent | 10,800 | 5,880 |
| Other Expenses | - | 5,520 |
| Property Insurance | 136 | 40 |
| Total Facilities and Equipment | 11,058 | 14,550 |

10. Operations

| For the year ended as at 31 December | 2016 | 2015 |
|--------------------------------------|---------------|--------------|
| Printing and copy | 3,773 | 3,543 |
| Postal expenses and books | 4,346 | - |
| Supplies | 5,819 | 1,945 |
| Phone | 3,169 | 1,588 |
| Other operative expenses | 4,242 | - |
| Training /(seminars) | - | - |
| Bank fee | 181 | - |
| Total Operations Expenses | 21,531 | 7,076 |

11. Travel and Meetings

| For the year ended 31 December | 2016 | 2015 |
|----------------------------------|--------------|--------------|
| Conference, Convention, Meeting | 3,919 | 5,256 |
| Travel | 5,040 | 1,791 |
| Total Travel and Meetings | 8,959 | 7,047 |

12. Salary

| For the year ended 31 December | 2016 | 2015 |
|--------------------------------|----------------|----------------|
| Gross Payroll | 110,747 | 102,793 |
| Employer Pension Contribution | 5,142 | 5,102 |
| Other payroll expenses | 55,200 | - |
| Total salary expenses | 171,090 | 107,895 |

13. Extraordinary expenses

Extraordinary expenses represent the remaining funds at the end of the project that have been returned to donors.

| For the year ended as at 31 December | 2016 | 2015 |
|--------------------------------------|--------------|----------|
| Return of unspent funds - OPIC | 1,094 | - |
| Total returned funds | 1,094 | - |

Kosovar Institute for Policy Research and Development - KIPRED
Notes to the Financial Statements
For the year ended 31 December 2016
(All amounts in Euro)

14. Subsequent events

None.