

**Kosovo Local Government Institute N.G.O**

**Financial Report as at and for the year ended  
31 December, 2017  
(with independent auditor's report thereon)**

**Kosovo Local Government Institute N.G.O**

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[To be inserted by auditor's reports]

Kosovo Local Government Institute N.G.O

Statement of comprehensive income for the year ended 31 December

(in EUR)

	Notes	2017	2016
Grant income	4	162,100	103,105
Other income	5		12,629
Deferred grant income	4	(54,827)	(21,628)
<b>Total Income</b>		<b>107,273</b>	<b>94,106</b>
<i>Project related cost</i>			
Wages and salaries	6	(62,664)	(51,152)
Other cost	7	(30,526)	(30,703)
<b>Total project cost</b>		<b>(93,190)</b>	<b>(81,855)</b>
<i>Other expenses</i>			
Rent expenses	8	(10,833)	(7,912)
General administrative expenses	9	(3,250)	(4,066)
<b>Total other expenses</b>		<b>14,083</b>	<b>(11,978)</b>
<b>(Deficit)/Surplus for the year</b>		<b>-</b>	<b>273</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>273</b>

The notes on pages 5 to 12 are an integral part of these financial statements.

The financial statements set out on pages 1 to 12 have been approved by management of Kosovo Local Government Institute N.G.O on 21 March 2018 and signed on its behalf by:

  
  
 Besnik Mucaj  
 Executive Director

Kosovo Local Government Institute N.G.O

Statement of financial position as at 31 December

(in EUR)

	Notes	2017	2016
<b>Assets</b>			
Cash and cash equivalent	10	88,345	34,257
Other prepayments	11	-	1,437
<b>Total assets</b>		<b>88,345</b>	<b>35,694</b>
<b>Equity</b>			
Accumulated surplus		320	47
Deficit/Surplus for the year		-	273
<b>Total equity</b>		<b>320</b>	<b>320</b>
<b>Liabilities</b>			
Deferred grants	12	87,088	34,257
Accrued liabilities	13	937	1,117
<b>Total liabilities</b>		<b>88,025</b>	<b>35,374</b>
<b>Total equity and liabilities</b>		<b>88,345</b>	<b>35,694</b>

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**Kosovo Local Government Institute N.G.O**  
**Statement of changes in equity**

*(in EUR)*

	<b>Deficit/Surplus</b>	<b>Total</b>
<b>As at 1 January 2016</b>	<b>101</b>	<b>101</b>
Deficit/Surplus for the year	273	273
<b>As at 31 December 2016</b>	<b>47</b>	<b>47</b>
<b>As at 1 January 2017</b>	<b>320</b>	<b>320</b>
Deficit/Surplus for the year	-	-
<b>As at 31 December 2017</b>	<b>320</b>	<b>320</b>

*The notes on pages 5 to 12 are an integral part of these financial statements.*

**Kosovo Local Government Institute N.G.O**

**Statement of cash flows for the year ended 31 December**

*(in EUR)*

	<b>2017</b>	<b>2016</b>
<b>Deficit/Surplus for the year</b>	<b>320</b>	<b>273</b>
<b>Changes in:</b>		
Grants receivables		
Other prepayments	-	(1,437)
Deferred grants	52,831	21,628
Accrued liabilities	937	(3,597)
<b>Net cash generated from operating activities</b>	<b>54,088</b>	<b>16,867</b>
<b>Cash and cash equivalent at the beginning of period</b>	<b>34,257</b>	<b>17,390</b>
<b>Cash and cash equivalent as at 31 December</b>	<b>88,345</b>	<b>34,257</b>

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# Kosovo Local Government Institute N.G.O

## Notes to the financial statements for the year ended at 31 December 2017

*(Amounts in EUR, unless otherwise stated)*

### 1. Reporting entity

The N.G.O.- Kosovo Local Government Institute "KGLI" with registration no: 5111781-6 is an independent humanitarian, non-profit and non-governmental organization based in Prishtina, Kosovo. It is registered under the Republic of Kosovo regulations as a non-governmental public benefit organization and was registered on 19 March 2008. It started its activity during 2008 in Prishtina, it extended its sphere of operations to various other areas of Kosovo.

The objectives of the KGLI are as follows:

- Enhance participation and impact of young Kosovo professionals related to public administration, policymaker and decentralization process.
- Support Municipalities in building local governance capacities to provide services, and understanding of new legislation as well gained competences from new and reformed status local governance.
- Recommendations in developing programmers related to local governance
- Rising capacity for the local governance.
- Rising a participation and influence of the Kosovo professional young peoples with respect of public administration, policymaking and decentralization process.
- Supporting the municipalities for the developing the capacity for making services, main time understanding the new legislation together competences acquired and new status and reforming of local governance.
- Consultancy in developing the programs with respect of local governance.

Full filling own objectives the organization will underwriting activities as follow:

- Developing capacity in municipalities.
- Public education with respect of decentralization and local governance.
- Seminars for the organization and institution with respect for local governance.
- Trainings for organization and relevant subjects.

### 2. Basis of preparation

#### (a) Statement of compliance

The financial statements have been prepared in cash bases modified for receivables, accruals and deferred revenue.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.



## Kosovo Local Government Institute N.G.O

### Notes to the financial statements for the year ended at 31 December 2017

*(Amounts in EUR, unless otherwise stated)*

#### 3. Significant accounting policy

##### (a) Functional and presentation currency

The financial statements are presented in Euro ("EUR"), the functional currency within Kosovo. All financial information presented in EUR has been rounded to the nearest thousand, unless otherwise stated.

##### (b) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

##### (c) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (if any) or a financial liability designated as a hedge of the net investment in a foreign operation.

##### (d) Financial instruments

###### *(i) Non derivative financial instruments*

Non-derivative financial instruments comprise cash and cash equivalents, trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.



## Kosovo Local Government Institute N.G.O

### Notes to the financial statements for the year ended at 31 December 2017

*(Amounts in EUR, unless otherwise stated)*

#### **(d) Financial instruments (continued)**

##### *(i) Non derivative financial instruments (continued)*

A financial instrument is recognized if the Organisation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Organisation's contractual rights to the cash flows from the financial assets expire or if the Organisation transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Normal purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Organisation commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Organisation's obligations specified in the contract expire or are discharged or cancelled.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and current bank accounts. Bank overdrafts that are repayable on demand and form an integral part of the Organisation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### *Accrued liabilities*

Accrued liabilities are stated at their fair value and subsequently at their amortized cost.

##### *(i) Other non-derivative financial instruments*

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

#### **(e) Impairment**

##### *(i) Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest-rate.

## Kosovo Local Government Institute N.G.O

### Notes to the financial statements for the year ended at 31 December 2017

*(Amounts in EUR, unless otherwise stated)*

#### (e) Impairment (continued)

##### (i) *Financial assets (continued)*

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

##### (ii) *Non-financial assets*

The carrying amounts of the Organisation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.



## Kosovo Local Government Institute N.G.O

### Notes to the financial statements for the year ended at 31 December 2017

*(Amounts in EUR, unless otherwise stated)*

#### **(f) Revenue recognition**

Grants, if any, are recognized in the statement of financial position initially as deferred revenue when there is reasonable assurance that they will be received and that the Organisation will comply with the conditions attached to them. Grants that compensate the Organisation for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Organisation for the cost of an asset are recognized in the profit or loss as revenue on a systematic basis over the useful life of the asset.

#### **(g) Expenses**

##### *(i) Operating lease payments*

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

##### *(ii) Net financing income*

Net financing income comprises interest receivable on borrowings calculated using the effective interest rate method, interest receivable on Organisations invested and foreign exchange gains and losses. Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

#### **(h) Employee benefits**

##### *(i) Compulsory social security contributions*

The Organisation makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The Assembly of Kosovo is responsible for providing the legally set minimum threshold for pensions in Kosovo under a defined contribution pension plan. The Organisation's contributions to the benefit pension plan are charged to profit or loss as incurred.

##### *(ii) Paid annual leave*

The Organisation recognizes as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange of the employee's service for the period completed.

#### **(i) Income tax**

The organization was established as a non-profit organization and obtained its public benefit status on 19 March 2008. Based on the laws in force in Kosova, it is exempted from tax on profits.

#### **(j) Non-derivative financial instruments**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## Kosovo Local Government Institute N.G.O

### Notes to the financial statements for the year ended at 31 December 2017

(Amounts in EUR, unless otherwise stated)

#### 4. Income from Grants

	31 December 2017	31 December 2016
Friedrih Ebert Stiftung	-	3,500
Royal Norwegian Embassy	81,370	59,305
Kosovar Civil Society Foundation	80,730	40,300
Deferred grant income	(54,827)	(8,999)
<b>Total</b>	<b>107,273</b>	<b>94,106</b>

#### 5. Other Grants

Balance of the other grants at the end of the year 2017 is EUR 0 (2016: EUR 12,629).

#### 6. Wages and salaries

	31 December 2017	31 December 2016
Gross wages and salaries	(59,680)	(48,716)
Pension contribution	(2,984)	(2,436)
<b>Total</b>	<b>(62,664)</b>	<b>(51,152)</b>

At 31 December 2017 the Organisation has 10 employees (2016:9).

#### 7. Other cost

	31 December 2017	31 December 2016
Travel and accommodation	(1,824)	(10,897)
Food and drink	-	(5,425)
Logistics	(1,046)	(3,977)
Transport	-	(500)
Translation	-	(850)
Audit	-	(700)
Programe developing, management and organisation	-	(6,539)
Other	(6,049)	(1,815)
Direct program costs	(21,607)	-
<b>Total</b>	<b>(30,526)</b>	<b>(30,703)</b>

#### 8. Rent expenses

	31 December 2017	31 December 2016
Rent expenses	(9,939)	(7,200)
Tax on rent	(894)	(712)
<b>Total</b>	<b>(10,833)</b>	<b>(7,912)</b>

## Kosovo Local Government Institute N.G.O

### Notes to the financial statements for the year ended at 31 December 2017

(Amounts in EUR, unless otherwise stated)

#### 9. General administrative expenses

	31 December 2017	31 December 2016
Bank Charges	(832)	(712)
Office supply	(6870)	(1,117)
Unforeseen	(1,731)	(2,237)
<b>Total</b>	<b>(3,250)</b>	<b>(4,066)</b>

#### 10. Cash and cash equivalent

	31 December 2017	31 December 2016
Cash at bank	88,110	34,257
Cash on hand	235	-
<b>Total</b>	<b>88,345</b>	<b>34,257</b>

The Organisation keeps cash and cash equivalent at local bank: Raiffeisen Bank Kosovo. Also, the Organisation keeps petty cash up to EUR 500 for small expenses.

#### 11. Prepayments

The balance of other prepayments at the end of year 2017 is EUR 0, (2016: EUR 1,437). The prepayments pertain to rent paid in advance for the office premises.

#### 12. Deferred grants

Donator	Project 2017	Project 2016	31 December 2017	31 December 2016
Norwegian Embassy		LGA V-VI	-	6,539
Norwegian Embassy	Support-for-Stronger-and-Sustainable-Municipalities.		44,908	-
Kosovar Civil Society Foundation	DSP	-	42,180	27,717
<b>Total</b>			<b>87,088</b>	<b>34,257</b>

The balance of deferred grants at the end of year 2017 is EUR 87,088 (2016: EUR 34,257). Deferred grants represent amounts of grants received but not expensed up to the reporting date. Deferred grant not expensed is for the project name: Support-for-Stronger-and-Sustainable-Municipalities, Local Governance in Kosovo and "DSP".



## Kosovo Local Government Institute N.G.O

### Notes to the financial statements for the year ended at 31 December 2017

(Amounts in EUR, unless otherwise stated)

#### 13. Accrued liabilities

	31 December 2017	31 December 2016
Pension contribution	550	600
Withholding tax	387	518
<b>Total</b>	<b>937</b>	<b>1,117</b>

Accrued liabilities as at 31 December 2017 consist of tax on rent, pension contribution and withholding tax on salaries. The aging of these liabilities is one to one and half year.

#### 14. Commitments and contingencies

##### *Commitments*

At 31 December 2017 and 31 December 2016, the Organisation did not have any commitments.

##### *Contingencies*

At 31 December 2017 and 31 December 2016, the Organisation did not have any contingencies.

#### 15. Accounting estimates and judgments

Management discusses in their regular meetings the development, selection and disclosure of the Organisation's critical accounting policies and estimates and the application of these policies and estimates.

The Organisation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 16. Subsequent events

There are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.