Kosovo Local Government Institute N.G.O

Financial Report as at and for the year ended 31 December, 2015 (with independent auditor's report thereon)

Kosovo Local Government Institute N.G.O

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AUDIT & CONSULTING ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Kosovo Local Government Institute - KLGI

Opinion

We have audited the accompanying financial statements of NGO Kosovo Local Government Institute - KLGI which comprise the statement of financial position as at December 31, 2015, and the statement of profit or loss, statement of changes in fund balances and statement of cash flow for the year then ended, and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of NGO Kosovo Local Government Institute - KLGI as of December 31, 2015, results of its operation and the cash flow for the year then ended in conformity with International Financial Reporting Standards

Basis for Opinion

We have 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 Project financial report section of our report. We are independent of the Business in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have 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 and fair presentation of these financial statements in accordance with the International Financial Reporting Standard and the internal controls that the management deems necessary to enable the preparation of financial statements without material misstatement due to fraud or error. For the financial statements preparation, management is responsible for assessing the company's ability to sustainability in the future, disclosing, as necessary, future sustainability issues and using the accounting continuity principle unless management intends to liquidate the Company or Interrupt the operation, or there is no other possible alternative than to do it. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 total, 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 the 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 Company'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 the 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 Company's ability to continue as a 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 our auditor's report. However, future events or conditions may cause the Company 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.

ACA Audit & Consulting Associates - sh.p.
Audit & Consulting Associates
Prishtinë

Armend Osaj – Statutory Auditor
ACA – Audit & Consulting Associates
Prishtine, Kosovo
July 2017

Kosovo Local Government Institute N.G.O

Statement of comprehensive income for the year ended 31 December

(in EUR)

	Notes	2015	2014
Grant income	4	73,289	48,221
Other income	5	21,961	4,736
Total Income		**95,250**	**52,957**
Project related cost			
Wages and salaries	6	(38,615)	(21,230)
Other cost	7	(49,304)	(25,575)
Total project cost		**(87,919)**	**(46,805)**
Other expenses			
Rent expenses	8	(4,615)	(2,967)
General administrative expenses	9	(3,685)	(2,269)
Total other expenses		**(8,300)**	**(5,236)**
(Deficit)/Surplus for the year		**(969)**	**916**
Other comprehensive income		-	-
Total comprehensive income		**(969)**	**916**

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 20 July 2017 and signed on its behalf by:

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Besnik Tahiri
Executive Director

Kosovo Local Government Institute N.G.O

Statement of financial position as at 31 December

(in EUR)

	Notes	2015	2014
Assets			
Cash and cash equivalent	10	17,390	28,253
Other prepayments	11		1,050
Total assets		**17,390**	**29,303**
Equity			
Accumulated surplus		1,016	101
Deficit/Surplus for the year		(969)	916
Total equity		**47**	**1,017**
Liabilities			
Deferred grants	12	12,629	21,961
Accrued liabilities	13	4,714	6,325
Total liabilities		**17,343**	**28,286**
Total equity and liabilities		**17,390**	**29,303**

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

Kosovo Local Government Institute N.G.O

Statement of changes in equity

(in EUR)

	Deficit/Surplus	Total
As at 1 January 2014	**101**	**101**
Deficit/Surplus for the year	916	916
As at 31 December 2014		**1,017**
As at 1 January 2015	**101**	**101**
Deficit/Surplus for the year	(969)	(969)
As at 31 December 2015	**47**	**47**

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)

	2015	2014
Deficit/Surplus for the year	**(969)**	**916**
Changes in:		
Grants receivables	-	-
Other prepayments	1,050	(1,050)
Deferred grants	(9,333)	17,225
Accrued liabilities	(1,611)	(2,733)
Net cash generated from operating activities	**(10,863)**	**14,318**
Cash and cash equivalent at the beginning of period	**28,253**	**13,935**
Cash and cash equivalent as at 31 December	**17,390**	**28,253**

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

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 KLGI 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.

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.

(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.

(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.

(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.

4. Income from Grants

	31 December 2015	31 December 2014
Friedrih Ebert Siftung	8,250	3,100
KFOS	2,000	-
MAPL	8,000	-
Royal Norwegian Embassy	55,039	45,121
Total	**73,289**	**48,221**

5. Other Grants

Balance of the other grants at the end of the year 2014 is EUR 21,961 (2012: EUR 4,736). The other grants are recognized in 2015, from deferred revenues from the year 2014.

6. Wages and salaries

	31 December 2015	31 December 2014
Gross wages and salaries	(36,777)	(20,219)
Pension contribution	(1,839)	(1,011)
Total	**(38,615)**	**(21,230)**

At 31 December 2015 the Organisation has 8 employees (2014:6). The personnel expenses consist of salaries and wages.

7. Other cost

	31 December 2015	31 December 2014
Travel and accommodation	(19,827)	(10,546)
Food and drink	(15,448)	(7,922)
Logistics	(7,592)	(2,615)
Transport	(5,094)	(2,426)
Translation	(648)	(270)
Audit	(696)	(696)
Other expenses	-	-
Total	**(49,304)**	**(25,575)**

8. Rent expenses

	31 December 2015	31 December 2014
Rent expenses	(4,200)	(2,700)
Tax on rent	(415)	(267)
Total	**4,615**	**(2,967)**

9. General administrative expenses

	31 December 2015	31 December 2014
Bank Charges	(735)	(459)
Office supply	(450)	(250)
Unforeseen	(2,500)	(1,560)
Total	**(3,685)**	**(2,269)**

10. Cash and cash equivalent

	31 December 2015	31 December 2014
Cash at bank	17,190	27,903
Cash on hand	200	350
Total	**17,390**	**28,253**

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 2015 is EUR 0, (2014: EUR 1,050). The prepayments pertain to rent paid in advance for the office premises.

12. Deferred grants

Donator	Project 2015	Project 2014	31 December 2015	31 December 2014
Norwegian Embassy	LGA V	LGA IV	2,520	21,961
Norwegian Embassy	EYSTE-LG		10,109	-
Total			**12,629**	**21,961**

The balance of deferred grants at the end of year 2015 is EUR 12,629 (2014: EUR 21,961). Deferred grants represent amounts of grants received but not expensed up to the reporting date. Deferred grant not expensed is for the project name: Local Government Academy 4-5 “LGA IV-V” and Eight years struggle towards effective LG in Kosovo.

13. Accrued liabilities

	31 December 2015	31 December 2014
Pension contribution	2,686	3,208
Withholding tax	2,028	2,617
Total	**4,714**	**6,325**

Accrued liabilities as at 31 December 2015 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 2015 and 31 December 2014, the Organisation did not have any commitments.

Contingencies

At 31 December 2015 and 31 December 2014, 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.