

Institute for Advanced Studies GAP

**Independent Auditors' Report and
Financial Statements as at and for the year ended December 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of "Institute for Advanced Studies GAP"

Opinion

We have audited the financial statements of "*Institute for Advanced Studies GAP*", which comprise the statement of assets and liabilities as at December 31, 2018, and the statement surplus or deficit and other comprehensive income and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with the basis of preparation as described in Note 2 and the requirements of Law No. 04/L-57 On Freedom of Association in Non-Governmental Organizations

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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Kosova, 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.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared for the purpose of reporting to the NGO Regulator Office in Kosova. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely to the Organization, and NGO Regulator Office in Kosova, and should not be distributed to parties other than the Organization and the NGO Regulator Office in Kosova. Our opinion is not modified in respect to this matter.

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 basis of preparation as described in Note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related 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 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 the 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 scepticism 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 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 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 Organization'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 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.

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March 28, 2019

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Institute for Advanced Studies GAP

Statement of assets and liabilities as at December 31, 2018 (amounts in Euro)

	Notes	As at December 31, 2018	As at December 31, 2017
Assets			
Cash on hand and at banks	5	161,278	96,924
Total current assets		161,278	96,924
Office equipment	4	12,132	14,416
Total non - current assets		12,132	14,416
Total assets		173,410	111,340
Liabilities and equity			
Opening Balance		-	-
Net surplus		-	-
Total equity		-	-
Accrued and other payables	6	5,747	5,567
Deferred Revenue	7	167,663	105,773
Total current liabilities		173,410	111,340
Total liabilities and shareholders' equity		173,410	111,340

These financial statements were authorised for issue by the Board of Directors on March 28, 2019 and signed on their behalf by:

Nora Latifi Jashari
Executive Director



Nita Tafarshiku
Finance Manager



Institute for Advanced Studies GAP

Statement of surplus or deficit and other comprehensive income for the year ended December 31, 2018

(amounts in Euro)

	Notes	For the year ended December 31, 2018	For the year ended December 31, 2017
Income from donations	8	<u>262,113</u> <u>262,113</u>	<u>262,915</u> <u>262,915</u>
Program and administrative expenses	9	<u>262,113</u> <u>262,113</u>	<u>262,915</u> <u>262,915</u>
Operating surplus		-	-
Profit before income tax expense		-	-
Income tax expense		-	-
Net surplus/(deficit) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>

Institute for Advanced Studies GAP

Statement of cash flows for the year ended December 31, 2018
(amounts in Euro)

	Notes	For the year ended December 31, 2018	For the year ended December 31, 2017
Net profit for the year before income tax		-	-
Adjustments for:			
Depreciation		5,010	5,295
Changes in working capital			
Increase in trade and other payables		180	546
Increase in deferred revenues		61,890	29,899
		<u>67,080</u>	<u>35,740</u>
Income tax paid		-	-
Net cash flow used in operating activities		<u>67,080</u>	<u>35,740</u>
INVESTING ACTIVITIES			
Additions in fixed assets		(2,726)	(14,384)
Net cash used in investing activities		<u>(2,726)</u>	<u>(14,384)</u>
FINANCING ACTIVITIES			
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents during the year		64,354	21,356
Cash and cash equivalents, beginning of the year	5	96,924	75,568
Cash and cash equivalents, end of the year	5	<u>161,278</u>	<u>96,924</u>

The accompanying notes on pages 7 to 13 form an integral part of these financial statements.

Institute for Advanced Studies GAP

Notes to the financial statements as at and for the year ended December 31, 2018 *(amounts in Euro, unless otherwise stated)*

1. Background information

Institute for Advanced Studies GAP is registered as a non-governmental and non-profit Organization under the Law No. 03/L-134 on Freedom of Associations in Non-Governmental Organizations, on 17 August 2007 with head office in Prishtina.

The Institute for Advanced Studies GAP is a Kosovo Think Tank whose main purpose is to attract professionals by creating a professional research and developmental environment commonly found in similar institutions in Western countries.

This will include providing Kosovars with an opportunity to research develop and implement projects that would strengthen Kosovo society. A priority of the Institute is to mobilize professionals to address the country's pressing economic, political and social challenges. GAP's main objectives are to bridge the gap between government and people, and to bridge the gap between problems and solutions.

2. Basis of preparation

The financial statements have been prepared in accordance with the requirements of Law no. 04/L-57 on Freedom of Association in Non-Governmental Organizations for the purpose of reporting to the NGO Regulatory Office.

Revenues from grants are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

In addition, deferred grant liability, accrued and other payables are recorded under the accrual basis of accounting. The significant accounting policies are described below.

Institute for Advanced Studies GAP

Notes to the financial statements as at and for the year ended December 31, 2018 *(amounts in Euro, unless otherwise stated)*

3. Summary of significant accounting policies

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and unrestricted cash held with banks or term deposits with maturity of less than three months.

3.2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents solely amount receivable from donors with regard to the payroll, operating, and other expenses incurred.

3.3 Foreign currency transactions

Transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on monetary items, are included in the profit and loss of the period in which they arise.

3.4 Employee benefits

The Organization makes no provision for and has no obligation for employee pensions over and above the contributions paid into the Kosovo Pension Savings Trust.

3.5 Contingencies and provisions

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

A provision is recognized if the Organization has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

3.6 Critical judgments and key sources of estimation uncertainty

In the process of applying the Organization's accounting policies, which are described above, management has made no judgments that have significant effects on the amounts recognized in the financial statements.

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Notes to the financial statements as at and for the year ended December 31, 2018 (amounts in Euro, unless otherwise stated)

4. Office equipment

	Office equipment	Total
<i>Cost</i>		
Balance as of January 1, 2016	17,104	17,104
Additions	-	-
Write offs	-	-
Balance as of December 31, 2016	17,104	17,104
Additions	14,384	14,384
Write offs	-	-
Balance as of December 31, 2017	31,488	31,488
Additions	2,726	2,726
Write offs	-	-
Balance as of December 31, 2018	34,214	34,214
<i>Accumulated depreciation</i>		
Balance as of January 1, 2016	8,424	8,424
Charge for the period	3,353	3,353
Write off	-	-
Balance as of December 31, 2016	11,777	11,777
Charge for the period	5,295	5,295
Write off	-	-
Balance as of December 31, 2017	17,072	17,072
Charge for the period	5,010	5,010
Write offs	-	-
Balance as of December 31, 2018	22,082	22,082
Net book value as of December 31, 2016	5,327	5,327
Net book value as of December 31, 2017	14,416	14,416
Net book value as of December 31, 2018	12,132	12,132

5. Cash on hand and at banks

	As at December 31, 2018	As at December 31, 2017
TEB Euro	160,728	96,663
TEB USD	77	77
PROCREDIT Bank	-	1
Cash on hand	474	183
Total	161,278	96,924

Institute for Advanced Studies GAP

Notes to the financial statements as at and for the year ended December 31, 2018
(amounts in Euro, unless otherwise stated)

6. Accrued and other payables

	As at December 31, 2018	As at December 31, 2017
Accrued expenses	2,975	2,583
Withholding tax payable	2,663	2,875
Tax on rent	109	109
Total	5,747	5,567

7. Deferred revenues

	As at December 31, 2018	As at December 31, 2017
Deferred revenues	167,663	105,773
Total	167,663	105,773

8. Income from donations

	For the year ended December 31, 2018	For the year ended December 31, 2017
SIDA	92,649	76,875
Rockefeller Brothers Fund	28,940	22,043
National Endowment for Democracy	36,965	29,526
British Embassy	-	-
UNDP	25,407	24,910
Open Society Foundations	-	3,927
KCSF	39,046	39,229
ATRC	-	35,913
OSIFE	16,171	-
The International Research and Exchange Board (IREX)	-	-
MATRA	11,850	842
US Embassy	-	15,570
WEBER	2,414	6,296
Main/Other	8,673	7,784
Total	262,113	262,915

Institute for Advanced Studies GAP**Notes to the financial statements as at and for the year ended December 31, 2018**
(amounts in Euro, unless otherwise stated)**9. Program and administrative expenses**

	For the year ended December 31, 2018	For the year ended December 31, 2017
Salaries and benefits	140,495	142,732
Income Taxes & Contributions	29,475	15,743
Rent & Rent Tax	14,505	14,505
Design costs	3,997	4,933
Professional fees	4,585	940
Advertising	3,179	6,904
Office & Website Maintenance	5,985	6,540
Roundtables	9,923	6,916
Research services	5,125	-
Auditing expense	1,900	1,900
Travel expenses	12,505	10,206
Depreciation	5,010	5,295
Translation services	2,612	11,105
Printing costs	4,676	4,678
Utilities	1,201	1,728
Communication expenses	1,518	1,416
Office Supplies	1,166	1,310
Perdiems	-	-
Subscriptions	412	375
Bank charges	525	628
Project meeting services	1,171	930
Evaluation expenses	-	6,825
Survey	-	9,530
Other	12,147	7,776
Total	262,113	262,915

Notes to the financial statements as at and for the year ended December 31, 2018
(amounts in Euro, unless otherwise stated)

10. Related party transactions

Parties are related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely to the legal form.

Related party's transactions are carried out on normal commercial terms and conditions and at market prices. Following table's summarizes the related party's transactions and balances as of and for the years ended December 31, 2018 and 2017:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Key management compensation		
Salaries	87,470	81,960

11. Fair values and risk management

a. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the financial statements.

b. Categories of financial instruments

As at the year end the Organization has following financial instruments.

	As at December 31, 2018	As at December 31, 2017
<u>Financial assets:</u>		
Cash on hand and at banks	161,278	96,924

c. Financial risk management objectives

The Organization's activities expose it to a variety of financial risks, including the credit risk and risks associated with the effects of changes in foreign currency exchange rates and interest rates. The Organization's risk management focuses on unpredictability of markets and seeks to minimize potential adverse effects over the Organization's business performance.

Risk management is carried out by Management based on certain pre-approved written policies and procedures that cover overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of appropriate securities and investing excess liquidity.

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Notes to the financial statements as at and for the year ended December 31, 2018
(amounts in Euro, unless otherwise stated)

11. Fair values and risk management (continued)

d. Market risk

Foreign currency risk

The Organization operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollars. The Organization does not use any instrument to hedge the foreign exchange risk. The Organization's Management is responsible to maintain adequate net position in each currency and in total and its operations are daily monitored by the Organization's management.

The Organization undertakes transactions in both Euro and foreign currencies. The Organization has not entered into any forward exchange or embedded derivative transactions during the year ended December 31, 2018.

e. Liquidity risk

Liquidity risk arises in the general funding of the Organization's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

f. Fair value of financial instruments

Management of the Organization considers that the carrying amounts of financial assets and financial liabilities recorded at cost or amortised cost in the financial statements approximate their fair values due to their short maturity.

12. Events after the reporting date

There are no events subsequent to the reporting date that require disclosure in the financial statements of the Organization.