

Community Building Mitrovica

Independent audit report of financial statements of year 2015

Contents:

Opinion.....	1,2
Income Statement	3
Balance sheet.....	4-5
Accompanying notes to statements	6-10
Explanatory notes to statements	11-18
Abbreviations.....	19

Independent audit report

Community Building Mitrovica

Asambles

Isa Boletini nr.11

Mitrovicë

Mitrovicë 28.03.2015.

We have conducted udit the Financial statements of NGO **Community Building Mitrovica (CBM)**, which include the Balance Sheet and Income Statement as of 31.12.2015.

Responsibility of the management for Financial Statements

Management is responsible for the preparation and fair presentation of Financial Statements. This responsibility includes: design, implementation and maintenance of internal control significant for the preparation and fair presentation of financial statements free of material misrepresentations due to fraud or error, selection and implementation of appropriate accounting policies while undertaking reasonable assessments in such circumstances.

Auditor's responsibility

Auditor's responsibility is to express an opinion for these financial reports based on the conducted audit. The audit has been carried out in accordance with International Audit Standards. These Standards require undertaking actions in compliance with relevant ethical requirements, planning and conducting the audit in order to obtain reasonable assurance that financial reports are free of material errors.

The audit includes implementation of procedures in order to obtain audit proof regarding the amounts and displays while reviewing evidences in form of tests that support the amount and confirmations in financial statements.

We consider entity's internal control important for the preparation and fair presentation of financial statements in order to draft suitable audit procedures in such circumstances, but not to express an opinion on effectiveness of entity's internal control.

An audit also includes compatability evaluation of accounting principles, assessments employed by the management as well as appraisal of overall presentation of financial statements.

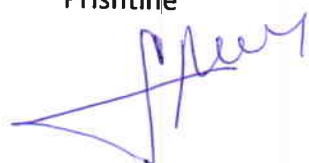
We believe audit proof we collected are sufficient, appropriate and provide reasonable basis to establish our opinion.

SHM

Opinion

Based on our opinion, Financial Statements enclosed herein present real and fair situation of received revenue and expenses as of 1 January until 31 December 2015 and are prepared in compliance with International Accounting Standards.

Audit Office Shpk
Shaban Muharremi
Statutory auditor
Ulpiana D1/7 Nr.8
Prishtinë



Income statement

3

For 01.01- 31.15.

In €.	Note	Notice	2015	2014
Income				
Deferred revenues at the beginning			283,946	168,958
Contributions	1	17	254,028	317,814
Other Income	2	17	11,319	16,770
Deferred revenues at the end			116,217	283,946
Total Income			433,076	219,596
Expenses				
Programme Expenses	3	17,18	223,856	120,256
Core staff costs and benefits (Payroll expenses)	4	16,17,18	209,221	96,180
Depreciation/Amortization		16,17,18	-	3,159
Total expenses			433,076	219,596
<i>Remedies-lack from sources usage</i>			-	-
Other Expenses			-	-
<i>Nett remedies-lack</i>			-	-

See attached notes about sources, usage of funds, assets and liabilities

Afërdita Syla , Ekzekutiv Director



Besnik Uka, Financial & Administrative Officer

Balance Sheet

4

31-Dec-2015

In €	Note	Page	2015	2014
I Assets				
A. Current				
Cash	5	15,16	146,933	306,289
Accounts Receivable	6	16	174	5,843
Loans to partners	7		81	1,050
Total current assets			147,188	313,182
B. Fixed				
Equipments, Furniture in net value		16	-	-
Total unfloating assets			-	-
Total Assets A+B				
			147,188	313,182
II Liabilities				
A. Short-Term				
Payable Accounts	8	16	1,457	872
Accruals	8	7	-	-
Deferred Revenues			116,217	283,946
Total Short-Term Liabilities			117,674	284,817
B. Long-Term				
Borrowings, Provision, others			-	-
Total Long-Term liabilities			-	-
Total Liabilities I (A+B)				
			117,674	284,817

III Capital

Initial Opening	17	28,365	28,365
Remedies-Lack of Sources		-	-
Correction of initial balance		1,149	-
Total Capital		29,514	28,365
Capital & Liabilities (II+III):		147,188	313,182

See attached notes about sources, usage of funds, assets and liabilities



Aferdita Syla, Ekzekutiv Director

Besnik Uka, Financial & Administrative Officer

Explaining Notes about sources, usage of funds, assets and liabilities

Total Sources in €	2015	2014
1.Contributions:		
BFPI Beograd	5,564	-
European Commission	96,278	158,207
Eulex Kosovo	32,881	6,069
MOTT Foundation - Programatic and institutional support	30,441	27,002
Royal Netherlands Embassy	479	9,097
US State Deptment – US Embassy	40,221	40,905
Mitrovica South Municipality	1,600	4,745
Civikos Platform	773	-
SOROS – KFOS	3,720	-
CSSP Berlin Center	11,227	11,818
D&G Solutions NGO	12,625	-
PAX for Peace	13,346	20,259
The Royal Norwegian Embassy	-	19,704
Mitrovica Rock School	547	-
OFAJ	3,726	-
International business Colleg Mitrovica	600	-
Austrian Development Agency	-	9,350
Norwegian Helsinki Commity	-	10,538
SPARK	-	25
Athene Wominnovation Kosovo	-	94
Total Donations:	254,028	317,814

2. Other Incomes			
Reimbursement (Expenses, VAT)	11,319	16,770	
Total of other incomes	11,319	16,770	
3. Programme Expenses:			
Terre des hommes Summe	-	1,445	
Debate Project "Aktivizohu edhe ti"	-	1,650	
Science and Culture Fair 2014	-	2,589	
CBM	-	1,113	
CSSP	-	517	
Transitional Justice UP	-	2,385	
The role of University in Peacebuilding "Build Bridges not Walls" 2	-	6,488	
The role of University in Peacebuilding "Build Bridges not Walls" 1	-	7,801	
CSF 2013/333-947 EC	-	19,355	
Internews Kosova	-	653	
Rent for project activities	3,600	-	
Peticioni Veopro	-	1,977	
500.53 / Access Program	47,658	-	
500.42-1 (Eulex media campaign 2012)	28,057	6,063	
FOL	-	99	
Pax for Peace	-	23,429	
Mitrovica Rock School	-	3,966	
500.55 Build Bridges Not Walls	2,768	-	
Activities (projects) - Other	400	-	
500.01-2 / 4 (Conferences, seminars)	6,869	-	
US Access Program	-	40,727	
Staff involved in pr.activities	134,503	-	

		8
	223,856	120,256
Total Programme Expenses		
4. Core staff costs and benefits (Payroll expenses)	209,221	96,180
4/1 Personnel	15,594	21,748
Salary costs	15,594	21,258
Pensions paid by employer	-	490
4/2 Running Costs	37,840	32,578
Bank fee	339	739
Maintenance	260	2,431
Non-consumables (non depretri.equipment,furniture)	6,961	1,800
Rent	15,231	16,971
Office supplies	5,232	4,917
Telecommunication	282	354
Utilities	8,203	5,366
Vehicle costs (Insurance, Registrantion, Maintenance etc.)	1,333	-
4/3 Travel Costs	19,868	11,401
International travel cost	11,589	6,192
Local travel cost	8,279	5,209
4/4 Other Costs	132,649	30,453
Unexpected costs	990	123
Translation, Interpreters	9,118	2,736
CBM monitoring team mentors	5,000	-
Study visit to EU country	6,327	-
Auditing	4,100	1,740

	9
Different training	29,605
Building Institutional Capacity of Applicants	-
Promotion & representation	8,229
Transport and Accomodation	7,759
Monitoring work of local institutions (Grants)	1,150
	9,866
	37,198
	-
4/5 Indirect costs	3,269
Total direct eligible costs of the Action	3,269
	-

5. Money and its equivalents

	31-Dec-2015	31-Dec-2014
PCB 02	-	-
PCB 111	69,703.80	108,348.00
PCB 163	367.09	13,501.17
PCB 190	76,421.46	157,890.66
PCB 192	440.58	26,549.61
	Total cash: 146,932.93	306,289.44

6. Accounts Receivable, prepayments

Youth Academy for Dialog and Cooperation OFAJ	174	5,843
Pax for Peace	-	5,235
Pension contribution	-	512
Different (Employee Advances)	174	96
	-	-

7. Loans to partners

CRYM Coalition	81	1,050
	81	1,050

8. Accounts Payable, accruals			
Vala	1,457	10	872
ETC Elkos	64		-
VIPRINT-Printing House	0		-
NGO CWD	600		-
Tuana Translation	90		-
Uniteti SH.A.	400		-
Hib Petroll	15		-
D.P.H Vivianit	117		272
Taxi Albani	144		-
Income tax withholdings	27		-
Pension contribution Employee/Employer	-		209
Rent tax liability	-		-
Different (Payable Employee)	-		373
			18

9. Initial Oppening on 01.01.

10/1 Money:

Banka	313,183
Cash/Safe	306,289
<u>10/2 Assets and equipments</u>	-
	-

10/3 Receivable accounts:

5,843

10/4 Payable accounts:

1,050

Overall information and governance structure

In accordance with engagement agreement signed with CBM, we have audited financial statements for the period ending 31 December 2015.

CBM is registered as a non-governmental organisation in accordance with the Law Nr.04/L-57 Freedom of Association in NGO, with No. 5101872-9 as of 13.02.2003, and Fiscal number 600239992 Its full name is Community Building Mitrovica, abbreviation C.B.M.

Organisation's bylaw stipulates two management entities:

1. The highest body is the **Assembly government**, which performs the duties and responsibilities based on the status and other acts of CBM, consists of members with integrity, reputation and realm as well as interested citizens and activists from civil society and is responsible for the approval and amendment of the Statute for the work policies and finances of the organization, reviews and approves the annual report also select and dismiss members of the Executive Board.

Members Assembly gathered in November 2015 (Article 14 of the Statute)

2. The organisation has its **Executive Board** which is responsible for the control and governing the work and organisation's assets.

Board of Directors held a meeting for which there are written minutes.

The person authorized by the Executive Board is the Executive Director who represents the organisation and receives all official notices on its behalf and notifies the authorities for any eventual structural change in the organization.

The audit objective and qualitative characteristics of financial statements

The objective of the audit is to assess in-depth the system of the financial management and internal controls established by management, in order to determine whether they are cost-effective in achieving the objectives and are able to identify gaps and take corrective actions. This audit represents the most effective audit work because, if controls are operating as planned, the auditor and the management of the organization can gain assurance and benefit from the security controls in place.

The audit also represents the examination of the subject's activities in the process of achieving the objectives, in view of their compliance with laws and regulations. The Compliance Audits aim to test whether the organization complies with relevant legislation in the field where it conducts its activities.

The audit is the process of evaluating the objectives, programs and degree of achievement, about saving, usefulness and benefits.

The audit performed to assess the accuracy and completeness of records and account balances, using essential tests, analytical reviews and other assessment procedures which may include or not include functional tests or reviews of transactions.

Audit stipulates whether financial information, provided by management, presents reliable and honest financial position and results of operations audited in accordance with International Accounting Standards.

The audit focuses only on the controls in place in the organization. This type of audit can contain audit of all IT controls system or just a field, for example, that of account.

The financial statements present the financial effects of transactions and other events by grouping them into broad classes according to their economic characteristics.

The objective of FS is completed after providing sufficient information about the financial position, financial results and changes in financial position, they are useful to users in making economic decisions, meet the needs of most users and reflect the care shown by management for the resources entrusted.

They are understandable by users with a reasonable knowledge of business, and accounting activity.

No changes in presenting amounts in the financial statements, so there was no need reclassification of comparative amounts and disclosures and presentation of explanatory information.

Specific activities and examination fields

Main goal of the organisation is initiation, restoration and normalisation of relations between the communities in the region of Mitrovica, with aim of promoting cooperation, coexistence and democratic values and assistance for the civil society through the following:

- Incentive and support for the dialogue process and cooperation between the communities in Mitrovica region;
- Development and support for local initiative, NGO's and local institutions;
- Development and support for the democratisation process between international connections of municipalities;
- Support for the education between international connections for schools and summer schools;
- Financing the infrastructure, road lighting, sport, painting facades etc.

Accomplishment of these goals is done through the following activities;

1. Promotion, organisation and development of contacts, dialogues and cooperation between communities in Mitrovica region;
2. Development of civil society in Mitrovica by supporting activities and trainings together with local NGO's, citizens' initiative and local administration in the field of media, minorities, culture, women and youth.
3. Development of international cooperation of municipalities in Mitrovica region through creation of connections with municipalities around the world;
4. Development of international cooperation of schools from Mitrovica region with surrounding regions.
- 5.

Reporting period, the principle of comparability and accounting criteria

The reporting period covers the period of 12 months ending on December 31 of each year.

The report meets the principle of comparability (comparative figures), because in the previous year 2014, the report was compiled by these requirements and standards as well as the audit was performed by an independent auditor.

Recognition - inclusion in the balance sheet or statement of income and expenses of a transaction was made when it was realistic that any economic benefit in the future related to this transaction will flow to or from the entity and the transaction had cost or value that can be measured reliably.

Measurement is the process of determining the monetary amounts by which shall be recognized and carried in the balance sheet and statement of income and expenditure, elements of financial statements.

This includes selecting a specific assessment basis.

Assets and liabilities, income and expenses are reported separately.

Procurement

Procurement of goods and services that are significant and surpass certain amounts must be made following open notices whereby collecting three bids and selecting the optimum by the management or bid opening committee. The organisation has written procedures - procurement MANUAL but it is also based on procedures imposed by the donors. This practice was followed in 2015.

Activity continuance principle

Financial Reports are prepared under the assumption that the subject has the capability and intention to maintain and continue functioning in a predictable future and it does not intend or need to liquidate or materially reduce the degree of its operations.

The possibility to continue the subject's activity for another twelve months based on available funds and plans of the Director is not disputed.

Accrual principle (the moment of submission of the transaction)

Financial reports are prepared under the accrual basis, this means that funds are recognized at the time of admission, and expenses are recognized at the time of the occurrence, in most cases moment of occurrence is identical to the moment of payment.

Accrual principle makes it possible for the effects of changes, either increase or a decrease of assets are recognized at the time of their occurrence, regardless of the entry or exit time than money.

Personnel

Personnel have various professions. Evidences on the personnel such as employment contracts, CV and other personal documentation are archived in a special register in proper form.

Responsibilities, rights and duties of the personnel are set out in the job description attached to Employment contracts.

Contracts and personnel records are separated from other records.

Net salaries are paid through bank transfer.

Audit methodology and criteria

Methodology and auditing techniques we use are in line with those set by the International Standards on Auditing and supported by substantive tests such as: verification of the authenticity of the supporting documentation, verification of physical existence and deregistration of property and appropriate research of the operation of the computer system.

We evaluate the adequacy of the system of records to prepare financial reports for the purpose of reporting vulnerabilities eventual observed in the work of the office or in the field, assessing the appropriate risk, visit the sites of development projects or familiarity with the material (first report of written, photographs or recordings, lists of signatures etc.) from the moment of development for projects completed as well as the accuracy and completeness.

During the work we are guided by the criteria of credibility, professionalism, independence and quality service.

Summary of Accounting Policies

Accounting policies are principles, basis, agreements, regulations and specific practices that are implemented in preparation and presentation of financial statements.

The organisation has written procedures (manuals) on accounting principles that stipulate accountability principles, documenting and internal control.

The organisation engaged professionals to utilize accounting application (QuickBooks) for accounting advice and maintenance of evidences in a professional manner through software application with double entry wherefrom information derives on drafting financial reports. It also has two employees with adequate training in accounting and finances.

Application access is limited with levels depending on the competencies. Eventual corrections are made with special requests that are retained and the application itself stores the background of amendments and the person undertaking such action.

Money

CBM has basic bank accounts and project account in PCB.

Payments and collections take place from these bank accounts and the cashbox.

There are three members of the organisation authorized for PCB account. Paralel signature is mandatory for accomplishment of transactions from the account.

Closing balance of funds in the bank account in PCB and cashbox (page 9 in the report) are confirmed by the bank statement and bank confirmation.

Liquidity

Level of liquidity is satisfactory. Circulating assets are sufficient to cover short-term liabilities.

Currency risk is the risk that fair value or future cash flow of a financial instrument may change due to differences in exchange currency.

Every exchange difference stemming from the identification of a monetary item with a different currency from the one initially identified during the period, or identified in previous financial statements, is identified as profit or loss.

In the event of presentation of expenses or income from the different currencies in Euro, the rate used was Currency Converter "OANDA" or "EU Converter" for their conversion in Euro.

Foreign currency transactions are exchanged in Euro (€) using the exchange rate on that day, foreign currency exchange difference, whether profit or loss, are automatically presented in the income statement. In the period end, monetary positions are reported using the valid exchange rate on the last day of exchange. Organisation's resources are presented in Euro (€). All financial reports issued by the organisation are presented in Euro.

Receivable and payable accounts

RA and PA and other payable liabilities are presented in their real value.

In its reports, the organisation presented as receivable accounts - other assets the unpaid portion of the donor for the development of planned activities and borrowing of a local NGO. Accrual expenses that are obligations to suppliers are presented as liability - PA.

Assets

Assets are presented with the historical cost, the value remaining from the previous year plus annual purchases minus the annual depreciation as well as accumulated depreciation.

Depreciation was calculated as per linear method in 20% degree for all the groups.

Depreciation expenses are included in the annual fund utilisation expenses.

All the repairs and maintenance of assets are charged to profit or loss during the financial period when they occurred.

Fixed assets in 2015, have run out of book value are therefore fully depreciated, but still have value. That is the reason why there are no values presented for assets and depreciation for the report of 2015.

Investments

In 2015 the organization has purchased equipment (€ 6.961).

Assets purchased from resources of projects-donations, provided by the budget lines for the implementation of projects are treated as costs of the project or action has been taken depending the rules provided by contract with the donor.

Assets purchased to be used as the basis of acquisition cost.

Historical cost includes acquisition-costs directly attributable to the acquisition of wealth.

For other purchases with its own price of less than € 1,000 are charged to expense the cost of buying equipment.

For purchases, accounting evidence exists from which the date of purchase, the name of the property purchase price can be seen.

Assets of the organization are registered in QB-application where you can see the name, year of purchase and historic price of assets and accumulated depreciation.

The revaluation of assets is not done, so there is no reflection in the reports of the revaluation.

All assets are owned and available undisputed subject.

Capital

CBM's capital is € 29.514% constitutes 20.05% of the total assets.

Resources

During 2015, the organisation identified funds from all the resources based on bank accounts displayed in explanatory notes on page 6,6, item 1 and 2.

Income is presented in the revenue and expense statements in the real value on the admission date in the bank or cashbox. These funds were available for use and are 100% in cash.

Resources were not entirely utilized during this year since they were not spent; therefore, they are treated as deferred income pending utilisation in the next period.

Expenses

Expenses are supported with original documentation such as receipts, invoices, contracts, payment lists and bank statements. Expenses are at the market price level.

Expenses are identified with their real cost, they are expressed in real amount upon occurrence or payment.

Project direct expenses cover 51.69% of all expenses during this period.

Operational and administration expenses cover 48.31% of all expenses during this period.

Personnel

Personnel cost was paid to employees and those engaged with service contracts upon completion of assigned duties. Payments are done through bank transfer upon signing the receipt and presenting evidences on engagement period.

Pension contribution

Pensions are calculated in accordance with applicable law on pensions. 5% is paid by the employee and 5% by the organisation. Payment and reporting deadlines where honoured.

The organization does not own pension fund neither a payment option in the form of shares to employees; therefore no obligations were identified on 31.12.

Salary tax

Salary tax is withheld and paid in certain deadlines as per monthly scales accordingly with the law.

Program expenses

Program cost is supported with supplier invoices. Payment is supported with invoices and bank statements or the cashbox document on cash payments.

Programs developed during the year are presentd on page 7 of the report and present the continuance of organisation's main acvity: development and community building in the Mitrovica region.

Administrative expenses

Administrative expenses include expenses of CBM management, executive services, finances and administration; office work process for realisation of organisation's basic goals (study visits, training, representation, institution building, fuel, rent, travel, accommodation and other office Spending, expendable materials, vehicle maintenance, telephone / fax / internet, external audit, maintenance of vehicle).

Bank provision is calculated based on bank statements.

With regard to utilisation of the vehicle and fuel expenses, the organisation applies the mileage log therefore; it is possible to separate the travels for private needs and organisation's needs.

Rent costs

These expenses include compensation that is made on behalf of the rent for the premises where the headquarters of CBM, where the activities are held and project management in place of the project.

Tax obligation

The subject as a non-governmental organisation, non profit, registered in accordance with the Law (NR.04/L-57) "Freedom of association in non-governmental organisation" is subjected to tax on personal income in Kosovo (Law nr 05/L-028) and (Law 03/L-084) "on pensions in Kosovo", the subject has honoured these laws (L-03/L-084), through calculation and payment of personal income tax to workers.

"CBM" is not obliged by Corporate Income Tax in accordance with the law (L-05/L-029) "Corporate Income Tax" since it did not realise any commercial revenues during the fiscal period.

The subject has honoured and satisfied the obligation set out in the Law no. 05/L-028, on withholding 9% from the lease upon payment of lease and it transferred that amount to a certain account.

CBM is recorded as declaring the VAT under L-146 "Value Added Tax" TAK. Declaration 12/2015 month shows credit of € 9,846.68, while in reality this amount is calculated as an expense in 2015 of CBM and not the project, whereas in case of reimbursement is treated as an income. This credit is not presented as receivables on the balance sheet and is not treated at all.

Related parties

There are no identified transactions with related parties.

Reserves

The organisation does not have any financial reserves during this period.

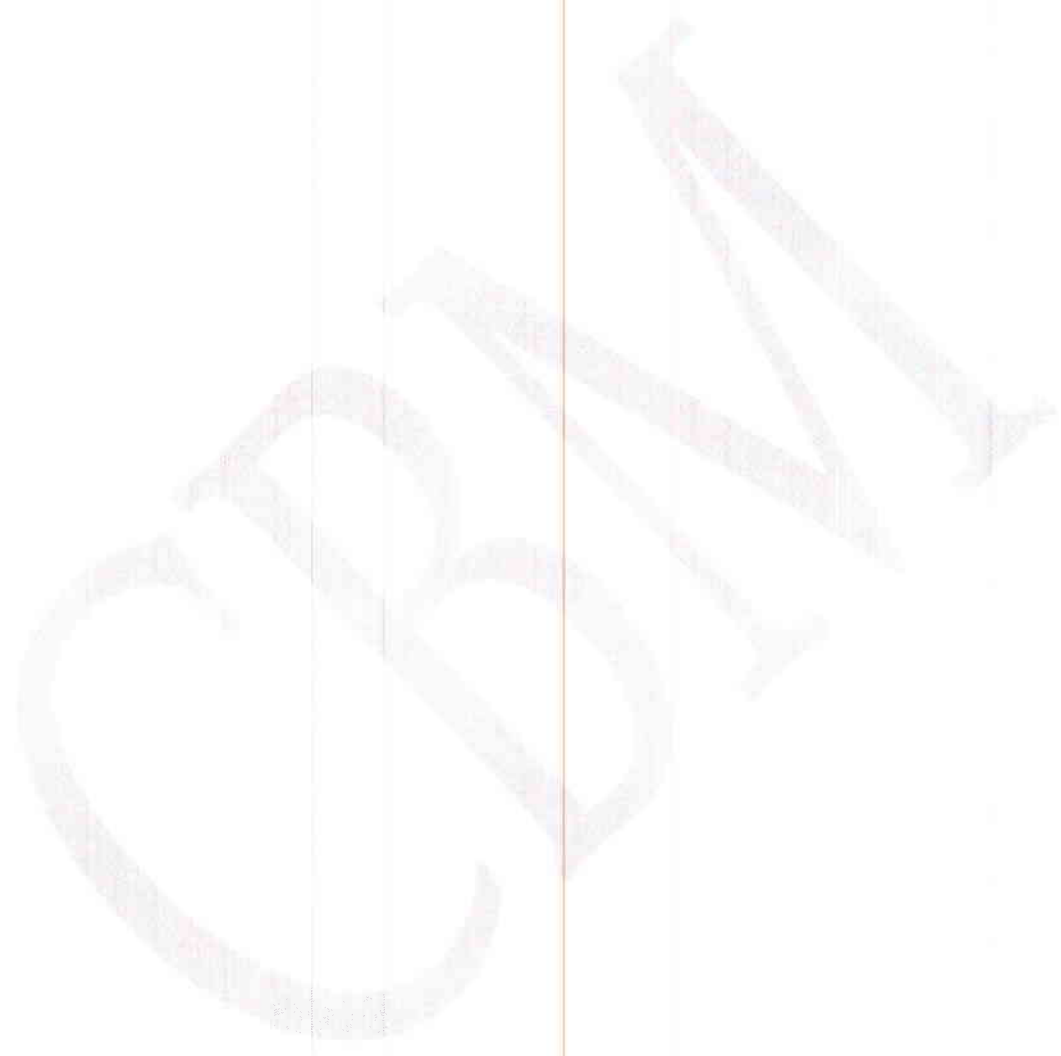
Assets and contingent liabilities

There are no recorded cases of the court or deposit associated with the organization, directors or employees that may result in future liabilities of the organization.

Events after the balance sheet date

Events after the balance sheet date include all events up to the date of authorization of publication of financial statements.

No important events that have a significant impact on the balance sheet.



ABBREVIATIONS

CBM	Community Building Mitrovica
NGO	Non-governmental organisation
FS	Financial Statements
EUR	Euro
PCB	ProCredit Bank
TAK	Tax Administration of Kosovo
FN	Fiscal number
IAS	International Accounting Standards
IAS	International Audit Standards
HQ	Headquarters
QB	QuickBooks-Software
RA	Receivable Accounts
PA	Payable Accounts