FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

YOUTH INITIATIVE FOR HUMAN RIGHTS-KOSOVO

FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Management of Youth Initiative for Human Rights-Kosovo

Opinion

We have audited the accompanying financial statements of the Youth Initiative for Human Rights (the "Organization"), which comprise the statement of financial position as of 31 December 2018, the statement of comprehensive income, changes in fund balance and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Organization as of 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies and procedures as described in note 2 to the financial statements.

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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* that are relevant to our audit of the financial statements in the Republic of Kosovo. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of the Organization as at and for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 18 October 2018.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the basis of accounting as described in note 2 to the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that is free of 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 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used.
- 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's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

RSM Kosovo Sh.p.k
RSM Kosovo Sh.p.k.
Prishtina, Kosovo
21 November 2019

STATEMENT OF FINANCIAL POSITION

	Notes	2018 (in EUR)	2017 (in EUR)
ASSETS			
Property plant and Equipment	3	-	-
		-	-
Current Assets			
Cash and cash equivalents	4	20,633	17,317
		20,633	17,317
TOTAL ASSETS		20,633	17,317
LIABILITIES			
Current Liabilities			
Deferred income – Grants	5	20,088	16,697
Other liabilities		545	620
Total Liabilities		20,633	17,317
RESERVS			
Opening Balance		-	-
Net(deficit)/Surplus for the year		-	-
Total Reserves		-	-
TOTAL LIABILITY AND RESERVS		20,633	17,317

These financial statements have been approved by the Management on 21 November 2019 and signed on its behalf by:

Marigona Shabiu

Executive Director
Manager

YIHR KS
INITIATIVE FOR HUMAN RIGHTS
KOSOVO

Enis Selimi

Finance and Administration

Accompanying notes from 1 to 12 form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 (in EUR)	2017 (in EUR)
Income from Grants	6	97,457	172,454
Other operating income		-	-
TOTAL FUNDS		97,457	172,454
Staff expenses	7	36,252	58,924
Depreciation expenses		-	197
Other operating expenses	8	61,205	113,333
Total Project Expenses		97,457	172,454
Surplus/(Deficit) for the year		-	-

STATEMENT OF CHANGES IN FUNDS BALANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Total reserves – retained surplus (in EUR)
Balance as at 1 January 2018	–
Net surplus for the year	–
Total surplus for the year	–
Balance as at 31 December 2018	–
Balance as at 1 January 2017	–
Net surplus for the year	–
Total surplus for the year	–
Balance as at 31 December 2017	–

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 (in EUR)	2017 (in EUR)
OPERATING ACTIVITIES			
Surplus for the year		-	-
Adjustments for:			
Depreciation			197
The Increase/Decrease in Accounts Receivable and other		-	-
The Increase/Decrease in Accounts Payable		(75)	265
The Increase/Decrease in Deferred Income-Grants		3,391	(6,878)
Net Cash Flow (use in) Operating Activities		3,316	(6,416)
NET CHANGE IN CASH AND CASH EQUIVALENTS		3,316	(6,416)
Cash and cash equivalents at the beginning of the year		17,317	23,733
CASH AND CASH EQUIVALENTS AT YEAR END	4	20,633	17,317

NOTES TO THE FINANCIAL STATEMENTS

1 BACKGROUND INFORMATION

The organization was founded under the name Youth Initiative by 11 founders in Belgrade on 1 November 2003. The Youth Initiative was registered in the legal form of an association at the Serbian Ministry for Human and Ethnic Minorities' Rights on 13 November 2003. On October 2004 the NGO was re-registered in Belgrade under the new name Youth Initiative for Human Rights (YIHR).

Youth Initiative for Human Rights Country Office in Prishtina is registered as non-governmental organization with the Ministry of Public Administration of the Republic of Kosovo under the number 5300445-8 dated 13 November 2004. In 2011 it has been registered as local NGO and was issued new NGO number 5113352-8.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The financial statements are prepared in accordance with the concept of historical cost convention. Measurement basis of each type of asset, liability, revenue and expense are described in detail within this Note.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are based on the information available as at the date of the financial statements and actual results could differ from those estimates.

These financial statements are prepared as at and for the years ended 31 December 2018 and 2017. Current and comparative data stated in these financial statements are expressed in Euros, which is the Organizations functional and reporting currency in Republic of Kosova, unless otherwise stated. Where necessary, comparative figures have been reclassified to conform with changes in presentation for the current year.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 REVENUE RECOGNITION

Rendering from grants

Grants that compensate the Organization for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

2.3 OPERATING EXPENSES

Operating expenses are recognised when incurred.

2.4 TAXATION

The Organization was established as a non-profit organization. Based on the laws in force in Kosovo, it is liable to pay the taxes in accordance to law.

2.5 EMPLOYEE BENEFITS

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Organization makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Kosovo under a defined contribution pension plan. The Organization does not pay any insurance for its employees and has no legal or constructive obligation to make pension or similar benefit payments beyond these contributions.

2.6 GRANTS RELATED TO EXPENSES AND RECEIVABLE DONATIONS

Grants that compensate the Organization for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized.

A grant or donation that is compensation for expenses or losses already incurred, or for which there are no future related costs, is recognised in profit or loss in the period in which it becomes receivable. Therefore, if a party provides with annual grants or donations that do not relate to future costs, then the grant or donation in respect of each period is recognised as it becomes receivable.

2.7 FOREIGN CURRENCY TRANSACTIONS

Foreign currency monetary assets and liabilities are translated into the functional currency of the concerned entity of the Organization using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss (except when deferred in other comprehensive income as qualifying cash flow hedges). Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency (eg available-for-sale equity instruments) are translated using the exchange rates at the date when the fair value is determined.

2.8 PROPERTY, PLANT AND EQUIPMENT

YHIR Policy is to expense all the furniture and equipment purchased for the purpose of the projects in Kosovo.

The furniture and equipment purchased in the level of the Organization consist mainly of computers, office furniture and equipment and vehicles and are carried at cost, or fair value for purchased or donated assets, less accumulated depreciation and provision for impairment where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the statement of profit and loss. The estimated recoverable amount is the higher of an assets' net selling price and its value-in-use.

The cost or fair value of purchased or donated property and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to their present location and condition necessary for their intended use.

Depreciation is charged on a straight – line basis calculated to write off the recorded cost or fair value or property and equipment over their 4-10 year estimated useful lives. Leasehold improvements are depreciated with shorter period from the rent period and estimated useful life of the assets, unless it is probable that ownership rights will be transferred to Organization at the end of the rent period.

2.9 TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2.10 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents are considered to be cash on hand and at bank and in operating accounts at bank with an original maturity of three months or less.

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss. The organization doesn't have the financial assets at fair value through profit or loss for the reporting periods.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition. The organization doesn't have the Financial assets at fair value through other comprehensive income for the reporting periods.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

2.12 CONTRACT LIABILITIES

Deferred income for tuition fees represent the Organization's obligation to transfer services to a costumer and are recognized when a customer pays consideration, or when the company recognizes a receivable to reflect its unconditional right to consideration (whichever is earlier) before the company has transferred the services to the customer.

2.13 RESERVES

Funds are initially created by founders' contributions made in monetary and/or in-kind assets carried at their fair values. Subsequently, funds are increased/decreased through additional founders' contributions, and results {surplus/deficit) from operations during the periods.

2.14 TRADE AND OTHER LIABILITIES

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

2.15 TRANSACTIONS WITH RELATED PARTIES

Related parties consist of founders and directors of the Organization, together with entities which they control, who can exert significant influence over the operations and management of the Organization. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.16 EVENTS AFTER REPORTING DATE

Post-year-end events that provide additional information about Organization position at the statement of financial position (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

3 PROPERTY, PLANT AND EQUIPMENT

	Furniture and IT Equipment EUR	Total EUR
COST		
AT 01 JANUARY 2017	8,201	8,201
Additions for the year	-	-
AT 31 DECEMBER 2017	8,201	8,201
AT 01 JANUARY 2018	8,201	8,201
Additions for the year	-	-
AT 31 DECEMBER 2018	8,201	8,201
ACCUMULATED DEPRECIATION		
AT 01 JANUARY 2017	(8,004)	(8,004)
Amortization charge for the year	(197)	(197)
AT 31 DECEMBER 2017	(8,201)	(8,201)
AT 01 JANUARY 2018	(8,201)	(8,201)
Amortization charge for the year	-	-
AT 31 DECEMBER 2018	(8,201)	(8,201)
NET CARRYING AMOUNT		
AT 31 DECEMBER 2017	-	-
AT 31 DECEMBER 2018	-	-

4 CASH AND BANK BALANCES

	2018 (in EUR)	2017 (in EUR)
Cash at bank	20,633	17,177
Cash on hand	-	140
	20,633	17,317

5 DEFERRED INCOME – GRANTS

	2018 (in EUR)	2017 (in EUR)
As at January 01	16,697	23,576
Grant received during the year	106,778	167,750
Released during the year	(97,457)	(172,454)
Refunds to Grantees	(65,930)	(2,175)
	20,088	16,697

6 INCOME FROM GRANTS

	2017 (In EUR)				2018 (In EUR)			
Financed by	Deferred revenue 2016	Funds received 2017	Funds released through income	Deferred revenue 2017	Funds received 2018	Funds released through income	Returned to Donors	Deferred revenue 2018
INL	-	-	-	-	21,975	2,019	-	19,956
International Committee of Red Cross	-	-	-	-	944	934	-	10
Shared Narratives YIHR Croatia	-	-	-	-	2,520	1,356	-	1,164
Swiss Embassy	-	-	-	-	5,300	6,687	-	(1,387)
KFOS	-	-	-	-	5,250	5,250	-	-
CIVIL RIGHTS DEFENDERS 15	7	10,175	10,598	(416)	9,829	9,738	121	(446)
COLUMBIA UNIVERSITY - USD	3664	-	38	3,626	-	3,626	-	-
BALKAN TRUST FOR DEMOCRACY	190	730	833	87	-	-	-	87
Youth Link	40	-	-	40	-	-	-	40
YIHR-RS (EU Regional Project) 15	(1,760)	18,920	20,804	(3,644)	16,363	16,878	-	(4,159)
UNRESTRICTED FUNDS	3,564	-	1,041	2,523	4,053	2,489	-	4,087
ECMI (EU PROJECT)	6,063	8,160	7,004	7,029	-	7,233	-	(204)
ATRC (USAID)	-	33,040	47,579	(2,729)	6,415	3,822	-	(136)
DNV	-	1,125	1,041	84	-	-	-	84
KCSF 2017	-	24,505	17,661	6,843	24,505	27,801	3,547	0
PLUS EAST	-	1,563	1,563	-	-	9,624	1,451	(37)
NCSC	-	48,199	44,800	1,414	9,624	-	-	1,030
PYN - USD	-	1,178	148	1,030	-	-	811	(1)
RECOM	-	5,854	5,854	-	-	-	-	19,956
TTE	-	14,300	13,490	810	-	-	-	10
	23,576	167,749	172,454	16,697	106,778	97,457	5,930	20,088

7 SALARIES AND OTHER BENEFITS

	2018 (in EUR)	2017 (in EUR)
Salary expenses	36,252	58,924
	36,252	58,924

The Organization for the year ended 31 December 2018 had in average 7 employees per month including regular, part time and project employees (for the year ended 31 December 2017: in average 7 employees)

8 OTHER OPERATING EXPENSES

	2018 (in EUR)	2017 (in EUR)
Consultants	14,559	16,521
Project Activities	27,494	57,186
Operations	19,152	39,626
	61,205	113,333

9 FINANCIAL RISK MANAGEMENT

The Organization activities can be exposed to a variety of financial risks, including 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 its business performance.

Risk management is carried out by the Organization 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.

9.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization is exposed to credit risk in respect of the cash at banks.

9.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect Organization's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

9.3 Foreign exchange risk

The Organization is not significantly exposed to foreign exchange risk since most of the transactions are undertaken in local currency. The Organization does not speculate in or engage in the trading with derivative instruments.

9.4 Interest rate risk

The Organization currently is not exposed to interest rate risk.

9.5 Liquidity risk

Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Organization is committed to monitor its liquidity on a periodic basis in order to manage its obligations and when they shall become due.

9.6 Fair value of financial instruments

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

10 COMMITMENTS AND CONTINGENCIES

Litigations

As of 31 December 2018, the estimated Euro equivalent of the legal proceedings raised against the Organization amounts to EUR 285 thousand. The Organization has been sued on June 24th 2010 by plaintiff (TV Chanel) for defamation and requested a material compensation on lost revenue from marketing contracts, in the amount of EUR 235,000, and for reputation damage in amount of EUR 50,000 .The Basic Court in Prishtina has ruled in favor of YIHR on April 26th 2018 and has rejected the lawsuit by the plaintiff based on lack of evidence that the damage has been made. The plaintiff has appealed the case to the Court of Appeals.

No liabilities have been anticipated from these proceedings, as professional advice indicates that it is unlikely that any significant loss will arise.

11 RELATED PARTIES

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related party's transactions are carried out on normal commercial terms and conditions and at market prices. The Organization compensates the key management and BoD members as per its policies and procedures and these are considered as the only related party transactions.

12 SUBSEQUENT EVENTS

After 31 December 2018 – the reporting date until the approval of these financial statements, there are no adjusting events reflected in the financial statements or events that are materially significant for disclosure in these financial statements.