

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

YOUTH INITIATIVE FOR HUMAN RIGHTS-KOSOVO

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

	Page
Independent auditor's report	1
Statement of financial position	3
Statement of comprehensive income	4
Statement of changes in funds	5
Statement of cash flows	6
Notes to the financial statements	7

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INDEPENDENT AUDITOR'S REPORT

To the Board and 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 2019, 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 2019 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 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
7 July 2020

V Hamiti

Valbona Hamiti

Statutory Auditor

STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 (in EUR)	2018 (in EUR)
ASSETS			
Property plant and Equipment	3	-	-
Current Assets			
Cash and cash equivalents	4	65,604	20,633
TOTAL ASSETS		65,604	20,633
LIABILITIES			
Current Liabilities			
Deferred income – Grants	5	60,225	20,088
Trade and other liabilities	6	5,475	545
Total Liabilities		65,700	20,633
RESERVS			
Opening Balance		-	-
Net(deficit) for the year		(96)	-
Total Reserves		(96)	-
TOTAL LIABILITY AND RESERVS		65,604	20,633

These financial statements have been approved by the Management on 6 July 2020 and signed on its behalf by:



 Marigona Shabiu

Executive Director



 Enis Selimi

Finance and Administration Manager

STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 (in EUR)	2018 (in EUR)
Income from Grants	7	124,814	97,457
Other operating income	8	15,548	-
TOTAL INCOME		140,362	97,457
Staff expenses	9	37,887	36,252
Other operating expenses	10	102,571	61,205
TOTAL EXPENDITURE		(140,458)	97,457
(DEFICIT) FOR THE YEAR BEFOR TAX		(96)	-
Income tax expense	11	-	-
(DEFICIT) FOR THE YEAR		(96)	-

STATEMENT OF CHANGES IN FUNDS BALANCE
FOR THE YEAR ENDED 31 DECEMBER 2019

	Total reserves – retained surplus/(deficit) (in EUR)
Balance as at 1 January 2019	-
Net deficit for the year	(96)
Total deficit for the year	(96)
Balance as at 31 December 2019	(96)
Balance as at 1 January 2018	-
Net surplus for the year	-
Total surplus for the year	-
Balance as at 31 December 2018	-

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 (in EUR)	2018 (in EUR)
OPERATING ACTIVITIES			
(Deficit) for the year		(96)	-
Adjustments for:			
The Increase/Decrease in Accounts Payable		4,930	(75)
The Increase/Decrease in Deferred Income-Grants		40,137	3,391
Net Cash Flow (use in) Operating Activities		<u>44,971</u>	<u>3,316</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		44,971	3,316
Cash and cash equivalents at the beginning of the year		20,633	17,317
CASH AND CASH EQUIVALENTS AT YEAR END	4	<u><u>65,604</u></u>	<u><u>20,633</u></u>

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

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 with the legal name Youth Initiative for Human Rights- Kosovo 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 2019 and 2018. Current and comparative data stated in these financial statements are expressed in Euros, which is the Organization's functional and reporting currency in Republic of Kosovo, unless otherwise stated. Where necessary, comparative figures have been reclassified to conform with changes in presentation for the current year.

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 recognized when incurred.

2.4 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.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2.5 TAXATION

Taxation has been provided for in the financial statements in accordance with Kosovo tax Law No. 06/L-105 "On Corporate Income Tax" in force from 5 August 2019.

The income tax charge in the statement of comprehensive income for the year comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the expected taxable profit for the year using the tax rates in force at the date of the statement of financial position. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxes other than income taxes are recorded within operating expenses.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Organization intends to settle its current tax assets and liabilities on a net basis.

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.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

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 of 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 FINANCIAL ASSETS

All Organization financial assets are classified into the category of loans and receivables. Their initial recognition and subsequent measurement are disclosed further in this Note.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Organization intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Organization will not be able to collect all amounts due according to their original terms.

Subsequent measurement

Loans and receivables are carried at amortized cost using the effective interest method.

2.10 IMPAIRMENT LOSSES

Financial assets carried at amortized cost

The Organization assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Organizations about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Organization, including:
 - Adverse changes in the payment status of issuers or debtors in the group; or
 - National or local economic conditions that correlate with defaults on the assets in the group.

Organization first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss has been incurred on loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the profit or loss. If loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Organization may measure impairment on the basis of an instrument's fair value using an observable market price.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improved credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss.

2.11 CASH AND CASH EQUIVALENTS

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.

2.12 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.

2.13 LEASING

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Organization as a lessee

Finance leases, which transfers to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased vehicles and equipment or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

The Organization has not classified any assets under this category

Payments of the operating leasing are recognized as an expense on a straight-line basis over the lease term. Associated cost as maintenance and insurance, are expensed as incurred.

Organization as a lessor

Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are presented as deferred expenses in the Statement of financial position and recognized in profit or loss over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. Prepaid rents are recognized as deferred income. The Company has not classified any assets under this category.

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 COMMITMENTS AND CONTINGENCIES

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.

The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the statement of financial position date and a reasonable estimate of the amount of the resulting loss can be made.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2.16 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.

2.17 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 2019

3 PROPERTY, PLANT AND EQUIPMENT

	Furniture and IT Equipment (in EUR)	Total (in EUR)
COST		
AT 01 JANUARY 2018	8,201	8,201
Additions for the year	-	-
AT 31 DECEMBER 2018	8,201	8,201
AT 01 JANUARY 2019	8,201	8,201
Additions for the year	-	-
AT 31 DECEMBER 2019	8,201	8,201
ACCUMULATED DEPRECIATION		
AT 01 JANUARY 2018	(8,201)	(8,201)
Amortization charge for the year	-	-
AT 31 DECEMBER 2018	(8,201)	(8,201)
AT 01 JANUARY 2019	(8,201)	(8,201)
Amortization charge for the year	-	-
AT 31 DECEMBER 2019	(8,201)	(8,201)
NET CARRYING AMOUNT		
AT 31 DECEMBER 2018	-	-
AT 31 DECEMBER 2019	-	-

4 CASH AND BANK BALANCES

	2019 (in EUR)	2018 (in EUR)
Cash at bank	65,604	20,633
Cash on hand	-	-
	65,604	20,633

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

5 DEFERRED INCOME – GRANTS

Donor	Deferred Revenue 2018 (in EUR)	Received in 2019 (in EUR)	Expenses incurred during 2019 (in EUR)	Profit/Loss realized (in EUR)	Deferred revenues for the next period (in EUR)
INL	19,956	105,689	102,903	-	22,742
International Committee of Red Cross	10	-	-	-	10
Shared Narratives YIHR Croatia	1,164	-	-	-	1,164
Swiss Embassy	(1,387)	1,360	-	27	-
CIVIL RIGHTS DEFENDERS 15	(446)	-	-	446	-
YouthLink	40	-	-	-	40
YIHR-RS (EU Regional Project) 15	(4,159)	2,403	-	1,756	-
UNRESTRICTED FUNDS	4,088	17,919	13,413	(2,133)	6,461
ECMI (EU PROJECT)	(204)	15,594	12,075	-	3,315
ATRC (USAID)	(49)	-	-	-	(49)
DNV	84	-	-	-	84
NCSC	(37)	-	-	-	(37)
PYN – USD	1,029	-	-	-	1,029
TTE	(1)	-	-	-	(1)
Erasmus Plus	-	7,916	674	-	7,242
NED	-	11,409	813	-	10,596
USAID – Kosovo Youth Dialogue	-	8,751	3,087	-	5,664
Youth Artists for Change	-	7,228	5,263	-	1,965
TOTAL	20,088	178,269	138,228	(96)	60,225

6 ACCOUNTS PAYABLE

	2019 (in EUR)	2018 (in EUR)
Payable to vendors	4,690	-
Tax and payroll liabilities	207	82
Other liabilities	578	463
	5,475	545

NOTES (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

7 INCOME FROM GRANTS

Financed by	2019 (In EUR)		2018 (In EUR)	
	Funds received	Funds released through income	Funds received	Funds released through income
INL	105,689	102,903	21,975	2,019
International Committee of Red Cross	-	-	944	934
Shared Narratives YIHR Croatia	-	-	2,520	1,356
Swiss Embassy	1,360	-	5,300	6,687
KFOS	-	-	5,250	5,250
CIVIL RIGHTS DEFENDERS	-	-	9,829	9,739
YIHR-RS (EU Regional Project)	2,403	-	16,363	16,878
UNRESTRICTED FUNDS (see Note 8)	17,919	-	4,053	2,489
ECMI (EU PROJECT)	15,594	12,075	-	7,233
ATRC (USAID)	-	-	6,415	3,821
KCSF 2017	-	-	24,505	27,801
NCSC	-	-	9,624	9,624
COLUMBIA UNIVERSITY – USD	-	-	3,626	3,626
Erasmus Plus	7,916	674	-	-
NED	11,409	813	-	-
USAID - Kosovo Youth Dialogue	8,751	3,087	-	-
Youth Artists for Change	7,228	5,262	-	-
	178,269	124,814	110,404	97,457

8 OTHER OPERATING INCOME

	2019 (in EUR)	2018 (in EUR)
Income from other services	15,548	-
	15,548	-

9 SALARIES AND OTHER BENEFITS

	2019 (in EUR)	2018 (in EUR)
Salary expenses	37,887	36,252
	37,887	36,252

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

10 OTHER OPERATING EXPENSES

	2019 (in EUR)	2018 (in EUR)
Project Activities	74,323	27,494
Office and other operation expenses	19,449	19,152
Consultants	6,570	14,559
Other expenses	2,229	-
	<u>102,571</u>	<u>61,205</u>

11 INCOME TAX

According to the Corporate Income Law No 06/L-105 entered into force commencing on 5 August 2019, the Organization is required to pay income tax at a rate of 10% on the taxable profit, as calculated in the annual Income Tax Return Statement. The charge for the year can be reconciled to the deficit per statement of profit and loss as follows:

Reconciliation to the effective income tax is as follows:

	2019 (in EUR)	2018 (in EUR)
Deficit before tax	(96)	-
Adjusted for:		
Non-allowed expenses		-
Non-taxable income	-	-
Taxable Losses carried forward	<u>(96)</u>	<u>-</u>

According to the Corporate Income Law No 06/L-105 entered into force commencing on 5 August 2019 tax losses can be carried forward and utilized for four years.

12 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.

12.1 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.

12.2 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.

12.3 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.

NOTES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

12.4 Interest rate risk

The Organization currently is not exposed to interest rate risk.

12.5 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.

12.6 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.

13 COMMITMENTS AND CONTINGENCIES

Litigations

As of 31 December 2019, 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.

14 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.

15 SUBSEQUENT EVENTS

After 31 December 2019 – 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.

THE POWER OF BEING UNDERSTOOD
AUDIT|TAX|CONSULTING

RSM Kosovo Sh.p.k is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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