

DEMOCRACY FOR DEVELOPMENT (D4D)

PRISHTINE / KOSOVO

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDING DECEMBER 2016**

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INDEPENDENT AUDITORS REPORT

To: The management of Democracy for Development (D4D)

Opinion

We have audited financial statements of Democracy for Development (the Organization) which comprises the statement of financial position as at 31 December 2016, the income statement, statement of changes in net assets and cash flow statement for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Democracy for Development, for the year ended 31 December 2016 are prepared, in all material respects, in accordance with the financial reporting requirement of organization and relevant laws in Kosovo.

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 ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting requirements and for such controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Xhemail Syl
Xhemail Syl
Statutory Auditor

Audit Office
Prishtina Kosovo

05 June 2017



DEMOCRACY FOR DEVELOPMENT (D4D)

STATEMENT OF FINANCIAL POSITION

As of 31 December 2016

(all amounts are in Euro unless otherwise stated)

As at 31 December	Notes	2016	2015
Assets			
Cash	3	115,002	68,426
Total assets		115,002	68,426
Liabilities and Funds Balance			
Accounts Payable and other short-term liabilities	4	1,901	2,448
Deferred Income	5	113,101	65,978
Total liabilities		115,002	68,426
Fund Balance			
Fund Balance as of 1 January		-	-
Excess/(Deficit) (from Income statement)		-	-
Total Balance		-	-
Total liabilities and funds balance		115,002	68,426

These financial statements are approved and signed on 17 May 2017 on behalf of the management by:

Shpend Emini, Executive Director



Fjolla Veseli, Manager of
Finance and Administration



The accompanying notes from 1 to 7 form an integral part of these financial statements

DEMOCRACY FOR DEVELOPMENT (D4D)

INCOME STATEMENT

For the year ended 31 December 2016
(all amounts are in Euro unless otherwise stated)

For the year ended 31 December	Notes	2016	2015
Income			
Contribution and grants	6	257,782	244,006
Total Income		257,782	244,006
Expenses			
Project and administrative expenses	7	257,782	244,006
Total Expenses		257,782	244,006
Net excess (deficit)		-	-

The accompanying notes from 1 to 7 form an integral part of these financial statements

DEMOCRACY FOR DEVELOPMENT (D4D)

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the year ended 31 December 2016

(all amounts are in Euro unless otherwise stated)

Fund balance	2016	2015
Beginning balance as at 1 January	-	-
Net Surplus / (Deficit) for the year	-	-
Fund balance as at 31 December	-	-

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DEMOCRACY FOR DEVELOPMENT (D4D)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016
(all amounts are in Euro unless otherwise stated)

Cash flows from operating activities	2016	2015
(Deficit)/surplus for the year	-	-
Adjustment for:		
Change in accounts payable	(547)	2,448
Change in deferred income	47,123	(11,791)
Change in other payable	-	-
Net cash from operating activities	46,576	(9,343)
Cash flows from investing activities		
Acquisition of property and equipment	-	-
Net cash used in investing activities	-	-
Net increase in cash and cash equivalents	46,576	(9,343)
Cash and cash equivalents at 1 January	68,426	77,769
Cash and cash equivalents at period end	115,002	68,426

The accompanying notes from 1 to 7 form an integral part of these financial statements

DEMOCRACY FOR DEVELOPMENT (D4D)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016
(all amounts are in Euro unless otherwise stated)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

1. Introduction

Democracy for Development (D4D) is registered as a non-governmental and non-profit Organization under the Law no. 04/L - 57 on 14 April 2010 with registration number 5200219-2, fiscal number 600583464, with head office located at Zenel Salihu Nr 28 5/13, Prishtine, Kosovo.

The Democracy for Development (D4D) Institute was established in April 2010 by a group of analysts who increasingly worried that the state-building exercise had neglected democracy. D4D's vision is to promote an active and educated citizenry that participates fully in the public space and utilizes the public arena of representation and decision-making to deliberate and build consensus over resource allocation that is efficient, smart, long-term, and that brings about equitable development. D4D influences specific policy, promotes a cross-sectorial approach to problem solving, and tackles the institutional routine of decision-making by recommending incremental improvements. D4D counteracts the lack of data with a culture of rigorous research, thoughtful analysis, and healthy debate. To make headway, D4D first offers its research findings to interested stakeholders, which is followed by a paper with recommendations, wider national dialogue, advocacy with authorities, and pressure through the media. The main program pillars of D4D are:

- Elections and Political Parties
- Governance and Inter-Ethnic Relations
- Public Interest
- Data and Research Skills

Main projects implemented during 2016:

a) The Higher the Number of Women Engaged, the Better the Elections

The main goal of the project was to increase women's participation in electoral processes. From dialogues with political entities at central level, to workshops with party branches at local level, to review of electoral strategies and forms, to formal party pledges and development of outreach materials, the activities aimed to offer solutions to some of the key problems related to gender balance in electoral processes. The project was supported by IFES.

b) Conflict Transformation Program

Dialogue and cooperation are a confidence building measure that should ultimately lead to enhanced cooperation between various targeted groups such as students, women, entrepreneurs, etc., from both Kosovo Albanian and Kosovo Serb communities. The overall goal of the project is to promote greater interethnic cooperation between the Kosovo Albanian and Kosovo Serbs and strengthen interethnic trust through establishment of sustainable communication and interaction targeting youth, students, women, businesses and membership groups. The set of proposed activities aims to improve the interethnic relations by encouraging and intensifying opportunities for a constructive communication and cooperation. This project has been supported by National Democratic Institute / USAID.

DEMOCRACY FOR DEVELOPMENT (D4D)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016

(all amounts are in Euro unless otherwise stated)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

c) Volunteer 4 Development: Promoting Volunteering and Civic Activism in Kosovo!

The main purpose of the project is to establish a non-profit incubator for civic activism that seeks to create a network of grassroots and volunteer led organizations, businesses and institutions which provide support to organizations in the early stages of development, and to work together to address challenges in the area of volunteerism and civic activism. Through this incubator, grassroots organisations will obtain small grants, practical support through capacity building activities and assistance in the creation of linkages with volunteers. This project is supported by British Embassy in Pristina.

d) Women 4 Development: Activating women in the labor market

The overall goal of the proposed project is to use evidence and targeted advocacy to mitigate gender gaps in labor activity rate by engaging political leadership and private sector as well as building capacities of women, CSOs and grassroots working on economic empowerment of women. The project target groups are inactive, unemployed and job seeking women, aspiring women business and political leaders, NGOs focusing on gender issues and women empowerment, social welfare and economics experts, networks, and initiatives, as well as public institutions with the mandate and motivation to tackle gender issues. The project is supported by Engagement for Equity Program - E4E, financed by United States Agency for International Development - USAID, and supported by Advocacy Training and Resource Center - ATRC.

e) Incentives4Reform: Increasing Employability of Vet Students

The main objective of the project was to support the economy with a greater supply of skilled labour through a study and a targeted advocacy which identify and tackle key bottlenecks which hinder the creation of a demand-driven training framework and offer remedies how to nurture a system which is adaptable, responsive, and which makes use of the market forces. To achieve this, the project aimed to (a) evaluate current incentive structures, (b) seek buy-in from the authorities for a reform which introduces mechanisms that make employability a formal and verifiable objective of relevant institutions which is further encouraged through a reward-scheme dependent on the fulfilment of milestones. The project is supported by Heinrich Boll Stiftung (HBF).

f) Reforming UP: Incentives 4 Reform

This project aims to evaluate current incentive structures, explore ways how to encourage responsiveness of higher education institutions to market forces and seek buy-in from the Ministry to introduce key new features in the new Law on Higher Education and gradually introduce other mechanisms as decisions. The main outcome of the project is to produce a policy paper in two stages, first as a discussion paper without a bias towards particular outcomes, and second, a position paper which defends policy outcomes which were rated most superior given five objective criteria. The project is supported by EYE/Helvetas Swiss Intercooperation Kosovo.

DEMOCRACY FOR DEVELOPMENT (D4D)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016

(all amounts are in Euro unless otherwise stated)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

(continued)

g) Regional Hidden Economy Monitoring: Promoting Good Governance

The purpose of the regional project is to strengthen the capacity of the civil society and the public institutions in developing and promoting public economic policies in the area of hidden economy and corruption in Macedonia, Albania and Kosovo aimed at upholding democracy, economic rights and rule of law and at reducing ethnic, religious and class divisions, poverty and inequality. The specific objectives for achieving this goal are: Enhance CSOs' role in monitoring the hidden economy, develop evidence-based solutions, and advocate for transparency and accountability reforms; Promote public-private partnership in finding business friendly, market-based solutions to hidden economy's negative impact on poverty and inequality; Stimulate transparency and accountability of the public administration and the business sector to reduce hidden economy's harmful impact on society. The project is supported by CRPM.

h) Shared Parental Leave (SPL) in Kosovo

Democracy for Development (D4D) expresses an interest to help promote Shared Parental Leave (SPL) in Kosovo as a policy principle to allow employed parents and adopters to share leave and pay with their partner to care for children from birth until their first birthday. SPL encompasses a number of parental leave entitlements including maternity (mother) and paternity leave (father). D4D as part of its Public Interest Program will help Olof Palme Center and its Partners, in joint efforts, script an advocacy campaign on the needs and benefits of SPL in the country.

i) Tuesday Salon

Tuesday Salon initiative aims to create a better understanding of the problems and accumulate creative ideas how to address them, as well as to make a public impact through the editorials and audio podcasts aired at one of the most listened Kosovo radio channel. D4D's Salon initiative brings together experts and analysts, politicians and publicists, businessmen and civil society, ministers and mayors, economists and journalists, intellectuals and academics, artists and activists, students and Members of Parliament, secularists and Islamists, internationals and professionals, former and current decision-makers, to reflect on important issues, exchange views and build consensus among them. Salon's were supported by: Giz-Yepik, Ministry of Culture, Youth and Sport, UNDP, Helvetas, Friedrich Ebert Stiftung (FES).

j) Peer to Peer Learning

Peer to Peer Learning and cooperation through internship and exchange was a project aimed at enhancing inter-ethnic cooperation and interaction, mainly between Kosovo's majority and minority communities. The main goal has been to increase cooperation and to enable the transfer of knowledge and best practices, thus creating opportunities for sustainable organizational cooperation. The project enabled capacity building and sustainable cooperation between civil society members through exchange of practice between CSOs. The project was implemented in partnership with the Center for the de-polititization of Kosovar society CDKD from Kamenica. The project was supported through CDF, the USAID AKS LS program.

DEMOCRACY FOR DEVELOPMENT (D4D)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016

(all amounts are in Euro unless otherwise stated)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

(continued)

k) Acculturation of policy process through facts, review and participation in decision-making

"Acculturation of policy process through facts, review and participation in decision-making" aims to contribute to public debate by influencing public policies through a) high quality analysis, b) quantitative evidence, c) introduction of new problems to the public discourse, d) focus on the main difficulties of society, e) Increasing political will among decision-makers for research and evidence, and f) public consultation on competitive policy options. The project is supported through the Democratic Society Promotion Program (DSP) funded by the Swiss Cooperation Office in Kosovo (SCO-K) and the Danish Ministry of Foreign Affairs (DANIDA, and implemented by the Kosovo Civil Society Foundation (KCSF).

l) Incentives for Improvement: Tourism 4 Development

The project aims to evaluate current legal framework, provide incentives for improvement of tourism development and seek buy-in from relevant Ministry to introduce key features in the new/amended law. The main outcome of the project is to produce a policy paper with policy options and recommendations as the first intervention and public advocacy activities as second project intervention.

m) Policy Analysis and Research

Organizational development grants aim to provide support for improvement in the three specific areas of think tank activity and operation: quality of research products; communications and advocacy capacities and internal development and governance. The grants aims to strengthen the capacities of the organization in the quality of outputs and research products; developing a communication and outreach strategy; training for staff and other civil society representatives; improve internal governance through regular board meetings and strategic planning. The project is supported by Open Society Institute through the activities of Think Tank Fund.

DEMOCRACY FOR DEVELOPMENT (D4D)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016
(all amounts are in Euro unless otherwise stated)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (continued)

1. Statement of Significant Accounting Policies

a) General Accounting Principle

For the purposes of financial recording, Democracy for Development(D4D) uses the combined accrual and cash method of accounting for reporting the receipt and disbursement of funds. Under this method of reporting of financial transactions, Democracy for Development(D4D) records most of its transactions on a cash basis of accounting.

b) Basis of measurement

The Financial Statements have been prepared on the historical cost basis.

c) Functional and presentation currency

The Financial Statements are presented in EUR, which is the Organization's functional currency.

d) Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign currency differences arising on retranslation are recognized in profit or loss.

e) Revenues

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the organization and the revenue can be reliably measured. Revenue is not recognized until the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Organization's revenues are mainly income from donors with other revenues generated from renting premises.

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand and balance with banks

DEMOCRACY FOR DEVELOPMENT (D4D)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016

(all amounts are in Euro unless otherwise stated)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (continued)

g) Accounts Payables

Withholding tax and pension contribution of employees, have been disposed on the financial statements as accounts payable.

h) Deferred Income

Deferred income is an income/donation for which the cash has been collected by the organization, but have yet to be expensed. Consequently this liability occurs when Democracy for Development (D4D) receives payment in advance for a project to be implemented in future.

i) Expenses

All expenses are recognized when incurred.

j) Employee benefits

The Organization makes contributions for the benefit of employees to the Kosovo Pension Saving Trust (KPST). The contributions are expensed as incurred.

k) Taxation

The organization is a non-governmental organization (NGO) whose received donations in the reporting year have been implemented for humanitarian purposes. According to law Nr.05/L-29 on Corporate Income Tax, NGO's whose total income was used for their public benefit purposes are tax exempted.

l) Property plant and equipment

It is organization policy to expense property, plant and equipment acquired for the purpose of the project in accordance with donor requirements.

DEMOCRACY FOR DEVELOPMENT (D4D)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016
(all amounts are in Euro unless otherwise stated)

2. Bank and Cash

As at 31 December	2016	2015
ProCredit Bank Acc: 1185001246010123	74	6
ProCredit Bank Acc: 1185001246000132	3,705	1,027
ProCredit Bank Acc: 1117001246010128	19,019	1,113
ProCredit Bank Acc: 1117001246060180	16,443	-
ProCredit Bank Acc: 1117001246040198	3,416	12,339
ProCredit Bank Acc: 1117001246070171	2,393	17
ProCredit Bank Acc: 1117001246020119	1,985	46
ProCredit Bank Acc: 1185001246020114	36,101	23,331
ProCredit Bank Acc: 1117001246030110	22,815	12,980
ProCredit Bank Acc: 1117001246050189	1,329	6,864
ProCredit Bank Acc: 1117001246080162	7,645	9,999
Cash on hand	79	705
Total of the Cash Accounts	115,002	68,426

3. Accounts Payable and other short-term liabilities:

As at 31 December	2016	2015
Salary Income tax, pension contribution	1,901	2,448
Total Accounts Payable	1,901	2,448

DEMOCRACY FOR DEVELOPMENT (D4D)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016
(all amounts are in Euro unless otherwise stated)

5. Deferred Income

For the period ended 31 December	2016	2015
Deferred income at the beginning of period	65,978	77,769
Payments received from donors during the reporting period	304,905	232,215
Total income received in the reporting period	370,883	309,985
Income recognized in the reporting period	<u>(257,782)</u>	<u>(244,007)</u>
Deferred income at the end of period	<u>113,102</u>	<u>65,978</u>

DEMOCRACY FOR DEVELOPMENT (D4D)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016
(all amounts are in Euro unless otherwise stated)

6. Contribution and Grants:

For the period ended 31 December	2016	2015
National Democratic Institute (NDI)	84,469	40,616
Think Tank Fund / Open Society Institute (TTF)	42,298	36,693
Helvetas (Tuesday Salons)	6,000	2,400
Kosovo Civil Society Foundation (KCSF)	20,000	-
Helvetas Swiss Intercooperation Kosovo (Education)	10,000	10,000
Heinrich Boll Stiftung (HBF)	13,985	9,905
UNDP-SALON	1,600	-
Community Development Fund (CDF) - AKT	43,290	-
Olof Palme International Center (OPIC)	5,955	31,365
Advocacy Training and Resource Center (ATRC)	2,348	-
International Foundation for Electoral Systems (IFES)	3,722	2,563
Center for Research and Policy Making (CRPM)	6,537	-
GIZ-YEPiK	897	-
Kosovo Democratic Institute (KDI)	3,000	-
Foundation for Political, Economic and Social Research (SETA)	4,900	-
Catalyst Balkans	487	-
Promoting Private Sector Employment (PPSE)	4,630	-
Balkans Policy Research Group (BPRG)	5,670	-
Office of the Language Commissioner (ZKGJ)	840	-
Ministry of culture, youth and Sport (MKRS)	1,968	-
Swiss Federal Department for Foreign Affairs (FDFA)	20,382	33,846
United Kingdom Embassy (UK)	16,187	11,758
Foundation for Open Society Institute (FOSI)	-	11,609
Friedrich Ebert Stiftung (FES)	5,740	-
Strategy and Development Consulting (SDC)	-	11,156
International Foundation for Electoral Systems (IFES)	-	8,685
United Kingdom Embassy (UK Embassy)	-	6,526
Balkans Trust for Democracy (BTD)	-	3,052
Institute for Foreign Affairs and Trade (IFAT)	-	2,528
Council for a Communities of Democracies (CCD)	-	2,155
Swiss Cooperation Office - Kosovo (SCO-K)	-	4,476
Program Grants – (Budapest Institute)	-	2,883
Difference of deferred income at the end of the period	(47,123)	11,791
Total Contribution and Grants	257,782	244,007

DEMOCRACY FOR DEVELOPMENT (D4D)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016
(all amounts are in Euro unless otherwise stated)

7. Expenses

The following project costs have been audited for the period 01 January – 31 December 2016:

For the period ended 31 December	2016	2015
National Democratic Institute (NDI)	83,939	50,419
Community Development Fund (CDF) - AKT	35,756	-
Think Tank Fund / Open Society Institute (TTF)	33,043	23,352
United Kingdom Embassy (UK) – Cross-border	16,534	7,321
Heinrich Boll Stiftung (HBF)/ VET	15,008	-
Helvetas Swiss Intercooperation Kosovo (Education)	13,840	-
Foundation for Open Society Institute (FOSI)	11,259	-
Center for Research and Policy Making (CRPM)	5,815	-
Advocacy Training and Resource Center (ATRC)	2,275	-
Olof Palme International Center (OPIC)	5,955	36,014
United Kingdom Embassy (UK)/Volunteerism	4,576	-
Kosovo Civil Society Foundation (KCSF)	3,681	-
Promoting Private Sector Employment (PPSE)	2,278	-
Swiss Federal Department for Foreign Affairs (FDFA)	2,000	51,735
Balkans Trust for Democracy (BTD)	500	6,676
Salon (GIZ,ZKGJ,MKRS,UNDP,FES,Helvetas)	13,751	2,457
Foundation for Open Society Institute (FOSI)	-	11,118
Swiss Cooperation Office – Kosovo (SCO-K)	-	12,692
Heinrich Boll Stiftung (HBF)	-	9,936
Strategy and Development Consulting (SDC)	-	7,029
International Foundation for Electoral Systems (IFES)	-	9,980
Embassy of Netherlands	-	7,363
United Kingdom Embassy	-	6,712
Balkans Trust for Democracy (BTD)	-	412
Other project costs	7,572	791
Total Expenses	257,782	244,007