IPKO Foundation

Independent Auditor's Report and Financial Statements
As at and for the year ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Assembly of Members of IPKO Foundation

Opinion

We have audited the financial statements of IPKO Foundation (the "Organization"), which comprise of the statement of Financial Position as at December 31, 2016, Statement of Funds and Uses of Funds and Other Comprehensive Incomes, Statement of Surplus/Deficit of Funds and Statement of Cash Flows for the year than ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Kosova, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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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 and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- 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.

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Registration No: 80452632
March 30, 2017

IPKO Foundation
Statement of Financial Position as at December 31, 2016
(Amounts expressed in EUR)

	Notes	As at December 31, 2016	As at December 31, 2015
ASSETS			
Non-current assets			
Vehicle	4	12,312.87	-
Time Deposit	7	2,300,000.00	-
Total non-current assets		**2,312,312.87**	-
Current assets			
Cash and cash equivalents	5	225,109.61	2,587,266.00
Investments	6	-	144,561.00
Prepayments and other receivables		3,016.71	5,650.00
Total current assets		**228,126.32**	**2,737,477.00**
TOTAL ASSETS		**2,540,439.19**	**2,737,477.00**
FUND BALANCE AND LIABILITIES			
Fund balance			
Accumulated surplus		2,732,572.00	2,981,593.00
Deficit for the year		(200,671.69)	(249,021.00)
Total fund balance		**2,531,900.31**	**2,732,572.00**
Current liabilities			
Trade and other payables	8	8,538.51	4,905.00
Total current liabilities		**8,538.51**	**4,905.00**
TOTAL FUND BALANCE AND LIABILITIES		**2,540,438.82**	**2,737,477.00**

Authorized for issue by management and signed on its behalf on March 30, 2017:

Arbresha Tuhina
Head of Finance and Administration

The accompanying notes from 1 to 18 form an integral part of these financial statements.

IPKO Foundation
Statement of Surplus or Deficit and Other Comprehensive Incomes for the year ended December 31, 2016
(Amounts expressed in EUR)

	Notes	For the year ended December 31, 2016	For the year ended December 31, 2015
Funds from donations	9	46,111.12	58,610.00
Interest income	10	3,016.71	145.00
Income from investment account	11	-	17,176.00
Total Funds		**49,127.83**	**75,931.00**
Other operating expenses	12	(157,941.92)	(147,248.00)
Personnel expenses	13	(76,380.70)	(72,351.00)
Depreciation expense	4	(1,142.81)	-
Investment management fee	14	-	(22,384.00)
Loss from investment	6	(14,334.09)	(82,968.91)
Uses of Funds		**(249,799.52)**	**(324,951.91)**
Deficit for the year		**(200,671.69)**	**(249,020.91)**
Other comprehensive income		-	-
Total deficit for the year		**(200,671.69)**	**(249,020.91)**

The accompanying notes from 1 to 18 form an integral part of these financial statements.

IPKO Foundation
Statement of Fund Balances as at December 31, 2016
(Amounts expressed in EUR)

	Accumulated surplus	Total
Balance at 1 January 2015	**2,981,593.00**	**2,981,593.00**
Deficit for the year	(249,020.91)	(249,020.91)
Other comprehensive income	-	-
Total deficit for the year	**(249,020.91)**	**(249,020.91)**
Balance at 31 December 2015	**2,732,572.09**	**2,732,572.09**
Deficit for the year	(200,671.69)	(200,671.69)
Other comprehensive income	-	-
Total deficit for the year	**(200,671.69)**	**(200,671.69)**
Balance at 31 December 2016	**2,531,900.40**	**2,531,900.40**

The accompanying notes from 1 to 18 form an integral part of these financial statements.

IPKO Foundation
Statement of Cash Flows for the year ended December 31, 2016
(Amounts expressed in EUR)

	Notes	For the year ended December 31, 2016	For the year ended December 31, 2015
Cash flows from operating activities			
Deficit for the year		(200,671.69)	(249,021.00)
Adjustments for:			
Depreciation	4	1,142.81	-
Income from grant		(780.62)	-
Interest income	10	-	(145.00)
		(200,309.50)	**(249,166.00)**
Movements in working capital:			
Increase /(Decrease) in prepayments		2,633.29	(5,650.00)
Increase in liabilities	8	(3,392.10)	4,091.00
Interest received	10	-	145.00
Net cash used in operating activities		**(201,068.31)**	**(250,580.00)**
Cash flow from investing activities			
Purchase of a vehicle	4	(5,649.08)	-
Net cash used in investing activities		(5,649.08)	-
Cash flows from financing activities			
Changes in time deposit	7	(2,300,000.00)	-
Cash outflow for RBC ARC investment	6	144,561.00	(144,561.00)
Net cash used in financing activities		**(2,155,439.00)**	**(144,561.00)**
Net increase in cash and cash equivalents		**(2,362,156.39)**	**(395,141.00)**
Cash and cash equivalents at beginning of the year	5	2,587,266.00	2,982,407.00
Cash and cash equivalents at the end of the year	5	**225,109.61**	**2,587,266.00**

The accompanying notes from 1 to 18 form an integral part of these financial statements.

Notes to the financial statements for the year ended December 31, 2016
(amounts in Euro)

1. GENERAL INFORMATION

IPKO Foundation (the "Organization" or "Foundation") is a successor of IPKO Institute and is a not-for-profit organization established on 15 February 2000 in accordance with the United Nations Interim Administration in Kosova (UNMIK) Regulation No. 1999/22.

The Organization was founded to help provide the tools, knowledge and environment required for Kosovo to participate in the global information society. The Organization provided internet services ("ISP") through its associate IPKO Net ("the Associate") to a number of non-government organizations free of charge.

On 3 April 2008, the General Assembly of IPKO Institute amended the Organization's mission and purpose from a free internet service provider to an institution to provide scholarships to qualifying students in Kosovo.

On 20 June 2008 the General Assembly of IPKO Institute unanimously decided to amend the name of the Institute to IPKO Foundation. This change in name was made to better reflect the change in mission of the Foundation and it did not encompass a change in the legal structure, as the Foundation remains a not-for-profit membership Foundation.

At 31 December 2016 the Organization has 8 regular employees (2015: 5 regular employees).

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretations effective in the current period

The following new standard and amendments to the existing standards issued by the International Accounting Standards Board (IASB) are effective for the current reporting year:

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** -Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),

Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Organization's financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following new standards, amendments to existing standards and new interpretations were in issue, but not yet effective:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

The Organization has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Organization anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Organization in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

3.3 Currency of presentation

The reporting currency of the Organization is the Euro, which is the legal currency in the territory of Kosova since January 1, 2002.

3.4 Foreign currencies

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.5 Property, plant and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as items (major components) of property, plant and equipment. Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining the operating result for the period.

ii. Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Organization and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in the statement of funds and uses of funds and other comprehensive income as incurred.

iii. Depreciation

Annual depreciation is recognized in the statement of funds and uses of funds and other comprehensive incomes on a straight-line basis over the estimated useful lives of each part of an item of equipment.

For additions, depreciation is charged subsequent to the month of purchase while for disposals up to the month of disposal.

Depreciation rates, based on estimated useful lives for the current and comparative periods are as follows:

	As at 31 December 2016	*As at 31 December 2015*
Vehicle	20%	20%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and short-term highly liquid investments with maturities of three months or less when and are subject to an insignificant risk of changes in value.

3.7 Trade and other receivables

Trade and other receivables are measured at amortized cost using the effective interest method, less any impairment.

3.8 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Organization or not.

3.9 Grants

Grants are not recognized until there is reasonable assurance that the Organization will comply with the conditions attaching to them and that the grants will be received.

Grants are recognized in the statement of funds and uses of funds and other comprehensive incomes on a systematic basis over the periods in which the Organization recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, grants whose primary condition is that the Organization should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to the statement of funds and uses of funds and other comprehensive incomes on a systematic and rational basis over the useful lives of the related assets.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Organization with no future related costs are recognized in the statement of funds and uses of funds and other comprehensive incomes in the period in which they become receivable.

3.10 Impairment

Financial assets

A financial asset not carried at fair value through the statement of funds and uses and other comprehensive incomes is assessed at each reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of funds and uses of funds and other comprehensive incomes and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of funds and uses of funds and other comprehensive incomes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Interest

Interest income and expense are recognized in the statement of funds and uses of funds and other comprehensive incomes using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of funds and uses of funds and other comprehensive incomes include interest on financial assets and liabilities at amortized cost on an effective interest rate basis.

3.12 Employee benefits

The Organization makes no provision for and has no obligation for employee pensions in excess of the contributions paid into the Kosova Pension Savings Trust.

3.13 Contingencies and provisions

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

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

3.14 Income tax

According to Law No. 05/L-029 on Corporate Income Tax, as a not-for-profit Foundation with public benefit status, IPKO Foundation is exempt from income taxes. A non-governmental organisation registered in Kosovo may apply for public benefit status and exemption from income tax. The Fund received such status in December 2001.

3.15 Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The key estimate used by the Foundation is the depreciation charge for equipment (note 4 and note 3.5).

4. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Total
Cost		
As at January 1, 2015	-	-
Additions	-	-
As at December 31, 2015	-	-
Additions	13,455.68	13,455.68
Cost as at December 31, 2016	**13,455.68**	**13,455.68**
Accumulated depreciation		
As at January 1, 2015	-	-
Depreciation charge for the year	-	-
As at December 31, 2015	-	-
Depreciation charge for the year	1,142.81	1,142.81
Accumulated depreciation as at December 31, 2016	**1,142.81**	**1,142.81**
Net book value		
Balance as at December 31, 2016	**12,312.87**	**12,312.87**
Balance as at December 31, 2015	-	-

The vehicle was donated from FHI 306 USAID project – BEP in July 2016. The deferred revenues are related to this donated vehicle. The total cost of the vehicle includes also custom duties and related VAT paid by the Organization.

5. CASH ON HAND AND AT BANKS

	As at December 31, 2016	As at December 31, 2015
Cash at banks	225,085.88	2,587,193.00
Cash on hand	22.73	73.00
Total	**225,109.61**	**2,587,266.00**

As of December 31, 2015, the entity had 2,571,273 EUR in a foreign bank that were transferred to a local bank in July 2016. In December, 1.3 million EUR were put in three term deposits with maturities from 1 to 3 years with a local bank.

6. INVESTMENTS ACCOUNT IN RBC BANK

	As at December 31, 2016	As at December 31, 2015
Purchase of financial assets through Investment account in RBC	-	(2,769,221.00)
Less: Sale of financial assets through Investment account in RBC	(144,561.09)	2,541,691.00
Less: RBC offshore fund managers limited ARC fund LTD (market value)	130,227.00	144,561.09
Profit/(Loss) from investment	**(14,334.09)**	**(82,968.91)**

With a resolution dated June 4, 2014, the Foundation's Board of Directors approved the opening of an investment account and entering into an Investment Management Services Agreement with Royal Bank of Canada Investment Management (U.K.) Limited ("RBC"). RBC was appointed as investment manager for the Foundation.

On February 23, 2015, EUR 2,900,000 were transferred from a deposit account in a local bank to a current account at RBC. Meanwhile, on February 26, 2015, EUR 2,800,000 funds were transferred from the current account to an investment account at RBC. This amount was invested in different asset classes such as: cash, fixed incomes, equity and alternative investments.

During May 2015, the Foundation was informed that RBC has changed their strategic focus and will be no longer serve clients in Kosovo, so the Foundation started procedures to move funds to a new investment manager. In the coming months the Foundation and RBC worked together to liquidate the investments.

As at December 31, 2015, all financial instruments were liquidated except for Investment at RBC ARC Fund Limited.

The loss amount as of December 31, 2015, is a result of difference between purchase and sale amount of asset classes upon liquidation.

As at December 31, 2016, all financial assets held at RBC Bank were liquidated. The loss amount as at this date is as a result of premature closure of investments and closing of account with the bank.

7. TERM DEPOSITS

IPKO Foundations has three separate term deposits at a local bank. The term deposits are one year term deposit in amount EUR 200,000.00 with the rate of 1.75%, two year term deposit in amount EUR 200,000.00 with interest rate of 1.90%, and three year time deposit in amount EUR 1,900,000.00 with interest rate of 2.25%.

8. TRADE AND OTHER PAYABLES

	As at December 31, 2016	As at December 31, 2015
Investment management fee	-	3,866.00
Deferred revenues	7,025.61	-
Trade and other payables	1,512.90	1,039.00
Total	**8,538.51**	**4,905.00**

9. FUNDS FROM DONATIONS

	For the year ended December 31, 2016	For the year ended December 31, 2015
Funds from Local and International NGO's	26,700.00	15,500.00
Funds from UNDP	10,675.00	-
Funds from US Office	5,376.00	14,304.00
Other	2,579.50	799.00
Vehicle donation	780.62	-
Funds from Norwegian Foreign Ministry	-	25,932.00
Funds from Municipalityies	-	2,075.00
Total	**46,111.12**	**58,610.00**

Income from vehicle donation relates to the portion of deferred income that is recognized as income. Income from vehicle donation for the year is equal to the depreciation charge related to the donated portion of the vehicle cost.

10. INTEREST INCOME

	For the year ended December 31, 2016	For the year ended December 31, 2015
Interest income from RBC	-	145.00
Interest income from term deposits	3,016.71	
Total	**3,016.71**	**145.00**

During 2016, IPKO Foundation accrued interest income from three term deposits placed in a local bank with maturities ranging from one to three years.
In December 2015 interest income was generated in amount 145 Euro from RBC account.

11. INCOME FROM INVESTMENT ACCOUNT

	For the year ended December 31, 2016	For the year ended December 31, 2015
Income from investment account	-	17,176.00
Total	**-**	**17,176.00**

The incomes in 2015 are related to investment account in RBC. In July 2016, all funds in the investment and current account within the bank were transferred to a local bank and the accounts were closed. In the closing process, a loss of 14,334.09 was incurred (refer to note 6).

12. OTHER OPERATING EXPENSES

	For the year ended December 31, 2016	For the year ended December 31, 2015
Sponsorship	36,965.23	7,222.00
Advisory, legal and audit fees	33,053.17	33,925.00
Travel and entertainment	28,450.70	30,249.00
Marketing and advertising	13,077.19	17,242.00
Rent expenses	10,980.31	11,720.00
Printing materials	9,958.98	4,961.00
Representation	7,288.53	7,929.00
Other	6,556.72	6,040.00
Purchase of small equipment	4,542.92	4,333.00
Office supply	2,608.03	3,411.00
Telecommunication Expenses	1,282.17	1,398.00
Scholarships	1,000.00	17,185.00
Car expenses	805.77	-
Utilities	533.70	1,339.00
Maintenance	420.00	294.00
Staff Costs	418.50	-
Total	**157,941.92**	**147,248.00**

13. PERSONNEL EXPENSES

	For the year ended December 31, 2016	For the year ended December 31, 2015
Gross salaries	72,743.52	68,905.00
Pension contribution	3,637.18	3,446.00
Total	**76,380.70**	**72,351.00**

14. INVESTMENT MANAGEMENT FEE

	For the year ended December 31, 2016	For the year ended December 31, 2015
Income management fee	-	22,384.00
Total	**-**	**22,384.00**

In 2015, investment account fee relate to expenses in relation to RBC investment account that was closed in 2016.

15. FINANCIAL RIKS MANAGEMENT

Credit risk
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At the reporting date, the exposure to credit risk is represented by cash and time deposits. No impairment is provided for these exposures, as management does not believe that it will incur any losses. Cash and term deposits are kept in banks within Kosovo.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Interest rate risk
In managing interest rate risk the Organization aims to reduce the impact of short-term fluctuations on the Organization's earnings over the longer-term. The Organization places the majority of its financial assets in long term deposits with fixed interest rates, to minimize the impact of interest rate changes.

Management of liquidity risk
Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The Organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable deficit or risking damage to the Foundation's reputation.

Typically, the Organization ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Sensitivity analysis
In managing interest rate and currency risks the Foundation aims to reduce the impact of short-term fluctuations on the Foundation's funds. Over the longer-term, however, permanent changes in foreign exchange and interest rates might have an impact on surplus /deficit. At 31 December 2016 and 31 December 2015, a change in the value of the Euro against other foreign currencies would not impact the Organization's balance due to no foreign currency amounts being held. It is also estimated that a change in interest rates would not affect surplus /deficit due to a lack of variable rate instruments being discounted at fair value.

16. RELATED PARTY TRANSACTIONS

A party is related to an entity if, directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with the entity, the party has an interest in the entity that gives it significant influence over the entity, the party has joint control over the entity, the party is an associate or the party is a member of the key management personnel of the entity or its parent.

The total compensation paid to the Organization's board members are:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Consulting Fee	29,348	31,809
Traveling expenses	4,267	6,729
Accommodation	649	850
Total	**34,264**	**39,388**

17. COMMITMENT AND CONTIGENCIES

Commitment

At 31 December 2016 and 31 December 2015, the Organization did not have any commitments.

Contingencies

As at December 31, 2016 there are no legal cases against the Organization by third parties or that the organization has initiated against third parties.

18. SUBSEQUENT EVENTS

There are no subsequent events that would require either adjustments or additional disclosures in the financial statements.