

IPKO Foundation

**Independent Auditor's Report and
Financial Statements for the year
ended December 31, 2023**

Contents

	Page
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Surplus or Deficit and Other Comprehensive Income	4
Statement of Fund Balances	5
Statement of Cash Flow	6
Notes to the Financial Statement of the Organizations	7-15



Tel: +383 38 600 031
Fax: +383 38 600 032
www.bdokosovo.com

BDO Kosova L.L.C.
Str. Ukshin Hoti, C4/3, Hy.A, Kati II
10000 Prishtina, Kosovo

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 the statement of financial position as at December 31, 2023, the statement of surplus or deficit and other comprehensive income, statement of fund balances, and 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 report present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the basis of preparation as described in Note 2 and Law No. 04/L-57 on Freedom of Association in Non-Governmental Organization.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared for reporting to the NGO Regulator Office in Kosovo and to donors of the Organization. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely to the Organization, NGO Regulator Office in Kosovo and to donors of the Organization, and should not be distributed to parties other than the Organization, the NGO Regulator Office in Kosovo and donors of the Organization. Our opinion is not modified in respect to this matter.

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 basis of preparation as described in Note 2, 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.



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 scepticism 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 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.


BDO Kosova L.L.C.
Audit, accounting, tax and financial advisory
Burim Cena
Engagement Partner

BDO Kosova L.L.C.
Str. Ukshin Hoti, C4/3, E. A, Floor II
Pristina, Kosovo

March 26, 2024

IPKO Foundation
Statement of Financial Position
As at December 31, 2023
(Amounts expressed in EUR)

	Notes	As at December 31, 2023	As at December 31, 2022
ASSETS			
Non-current assets:			
Property, plant and equipment	4	2,062.61	5,467.45
Loans	5	1,450,000.00	-
Total non-current assets:		1,452,062.61	5,467.45
Current assets:			
Cash and cash equivalents	6	36,955.65	1,659,792.36
Prepayments and receivables	7	271.90	15,803.86
Total current assets:		37,227.55	1,675,596.22
TOTAL ASSETS		1,489,290.16	1,681,063.67
FUND BALANCE AND LIABILITIES			
Fund balance			
Accumulated surplus		1,674,635.22	1,813,421.99
Deficit for the year		(251,741.61)	(138,786.77)
Total fund balance		1,422,893.61	1,674,635.22
Current liabilities			
Accrued and other payables	8	6,578.18	6,428.45
Deferred Revenue	9	59,818.37	-
Total current liabilities		66,396.55	6,428.45
TOTAL FUND BALANCE AND LIABILITIES		1,489,290.16	1,681,063.67

Authorized for issue by management and signed on its behalf on March 26, 2024.



Arbresha Tuhina
Certified Accountant

The accompanying notes from 1 to 17 form an integral part of these financial statements

IPKO Foundation
Statement of Surplus or Deficit and Other Comprehensive Income
For the year ended December 31, 2023
(Amounts expressed in EUR)

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Funds from donations	10	152,478.07	389,052.74
Interest income	11	42,571.39	37,469.99
Total income		195,049.46	426,522.73
Other operating expenses	12	(246,128.05)	(322,749.24)
Personnel expenses	13	(197,258.18)	(235,841.21)
Depreciation expense	4	(3,404.84)	(6,719.05)
Uses of funds		(446,791.07)	(565,309.50)
Deficit for the year		(251,741.61)	(138,786.77)
Other comprehensive income		-	-
Total deficit for the year		(251,741.61)	(138,786.77)

The accompanying notes from 1 to 17 form an integral part of these financial statements

IPKO Foundation
Statement of Fund Balances
As at December 31, 2023
(Amounts expressed in EUR)

	Accumulated surplus	Total
Balance at January 1, 2022	<u>1,813,421.99</u>	<u>1,813,421.99</u>
Deficit for the year	(138,786.77)	(138,786.77)
Other comprehensive income	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>1,674,635.22</u>	<u>1,674,635.22</u>
Deficit for the year	(251,741.61)	(251,741.61)
Other comprehensive income	<u>-</u>	<u>-</u>
Balance at December 31, 2023	<u><u>1,422,893.61</u></u>	<u><u>1,422,893.61</u></u>

The accompanying notes from 1 to 17 form an integral part of these financial statements

IPKO Foundation
Statement of Cash Flow
For the year ended December 31, 2023
(Amounts expressed in EUR)

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows from operating activities			
Deficit for the period		(251,741.61)	(138,786.77)
<i>Adjustment for:</i>			
Depreciation	4	3,404.84	6,719.05
Interest income	11	(42,571.39)	(37,469.99)
		<u>(290,908.16)</u>	<u>(169,537.71)</u>
Working capital changes:			
(Decrease) /Increase in prepayments and receivables	7	15,531.96	(12,150.00)
(Decrease) /Increase in Deferred Revenues	9	59,818.37	(74,287.02)
Increase /(Decrease) in liabilities	8	149.73	(572.02)
Interest received		42,571.39	37,469.99
Net cash generated from/(used in) operating activities		<u>(172,836.71)</u>	<u>(219,076.76)</u>
Cash flow from investing activities			
Purchase of assets	4	-	(3,354.51)
Net cash used in investing activities		<u>-</u>	<u>(3,354.51)</u>
Cash flows from financing activities			
Changes in term deposit	5	-	1,500,000.00
Changes in loan		(1,450,000.00)	-
Net cash from financing activities		<u>(1,450,000.00)</u>	<u>1,500,000.00</u>
Net increase in cash and cash equivalents		<u>(1,622,836.71)</u>	<u>1,277,568.73</u>
Cash and cash equivalents at beginning of the year	6	1,659,792.36	382,223.63
Cash and cash equivalents at the end of the year	6	<u>36,955.65</u>	<u>1,659,792.36</u>

The accompanying notes from 1 to 17 form an integral part of these financial statements

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 2023, the Organization has 11 regular employees (2022: 14 regular employees).

2. Statement of compliance

The financial statements have been prepared in accordance with the requirements of Law no.04/L-57 on Freedom of Association in Non-Governmental for reporting to the NGO Regulatory Office.

Revenues from grants are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Government 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.

In addition, deferred grant liability, prepayments and other liabilities are recorded under the accrual basis of accounting. The Significant accounting policies are described below.

3. Summary of significant accounting policies

3.1 Basis of preparation

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

3.2 Currency of presentation

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

3.3 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.

3.4 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 comprehensive income as incurred.

iii. Depreciation

Annual depreciation is recognized in profit or loss 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 2023	As at 31 December 2022
Equipment	20%	20%
Office investment	50%	50%
Vehicle	20%	20%

3. Summary of significant accounting policies (Continued)

3.5 Cash and cash equivalents

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

3.6 Trade and other receivables

Trade receivables are stated at their nominal cost less allowance for doubtful debts.

3.7 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.

3.8 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 profit or loss 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, government grants whose primary condition is that the Organization should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss 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 profit or loss in the period in which they become receivable.

3.9 Impairment

Non financial assets

The carrying amounts of the Organization's assets, with the exception of inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In respect of property, plant and equipment, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

3. Summary of significant accounting policies (Continued)

3.10 Interest

Interest income and expense are recognized of funds and used 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 profit or loss include interest on financial assets and liabilities at amortized cost on an effective interest rate basis.

3.11 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.

3.12 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.

3.13 Income tax

According to Law No.06/L-105 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.

3.14 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)

3.15 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 3.4).

4. Property, Plant and Equipment

	Vehicle	Equipment	Office investment	Total
Cost				
As at January 1, 2022	13,455.68	30,240.75	7,543.46	51,239.89
Additions	-	3,354.51	-	3,354.51
As at December 31, 2022	13,455.68	33,595.26	7,543.46	54,594.40
Additions	-	-	-	-
As at December 31, 2023	13,455.68	33,595.26	7,543.46	54,594.40
Accumulated Depreciation				
As at January 1, 2022	13,455.68	21,408.76	7,543.46	42,407.90
Charge of the year	-	6,719.05	-	6,719.05
As at December 31, 2022	13,455.68	28,127.81	7,543.46	49,126.95
Charge of the year	-	3,404.84	-	3,404.84
As at December 31, 2023	13,455.68	31,532.65	7,543.46	52,531.79
Net book value				
Balance as at December 31, 2023	-	2,062.61	-	2,062.61
Balance as at December 31, 2022	-	5,467.45	-	5,467.45

Vehicle was donated from a USAID project - BEP in July 2016. The deferred revenues are related to this donated vehicle.

Office investment is the office rented with the contract of two years. The depreciation is calculated based on duration of the contract.

IPKO Foundation
Notes to the financial statements
For the year ended December 31, 2023
(Amounts expressed in EUR)

5. Loans

IPKO Foundations has granted a loan to Fundway LLC, in the amount of 1,450,000 Euros, the contract was signed on March 6, 2023. The interest rate for the loan is 3.5% principal, which will be calculated and paid on an annual basis. The contract will expire on January 1, 2028.

6. Cash and cash equivalents

	As at December 31, 2023	As at December 31, 2022
Cash at banks	36,599.82	1,659,792.36
Cash on hand	355.83	-
Total	36,955.65	1,659,792.36

7. Prepayments and receivables

	As at December 31, 2023	As at December 31, 2022
Advances to employees	271.90	110.02
Donation receivable	-	15,000.00
Prepaid expenses	-	693.84
Total	271.90	15,803.86

8. Accrued and other payables

	As at December 31, 2023	As at December 31, 2022
Trade and other payables	6,578.18	6,428.45
Total	6,578.18	6,428.45

9. Deferred revenues

Deferred revenues are from Matra and ADA donors. The deferred income from Matra is 49,732.55 and from ADA is 10,085.79

	As at December 31, 2023	As at December 31, 2022
Deferred from Local and International NGO's	59,818.37	-
Total	59,818.37	-

IPKO Foundation
Notes to the financial statements
For the year ended December 31, 2023
(Amounts expressed in EUR)

10. Funds from donations

	Year ended December 31, 2023	Year ended December 31, 2022
Income from International Organizations	81,578.07	232,558.39
Income from Government	21,500.00	27,520.00
Income from UNDP	9,400	55,000.00
Income from Local and International NGO's	-	9,490.35
Others	40,000.00	64,484.00
Total	152,478.07	389,052.74

11. Interest Income

	Year ended December 31, 2023	Year ended December 31, 2022
Income from interest on the loan	42,571.39	-
Interest income from term deposits	-	37,469.99
Total	42,571.39	37,469.99

12. Other operating expenses

	Year ended December 31, 2023	Year ended December 31, 2022
Marketing and advertising expenses	75,742.95	52,208.56
Advisory, legal and audit fees	60,787.80	77,972.40
Travel and entertainment expenses	37,881.08	48,507.31
Rent expenses	19,780.20	17,472.51
Representation expenses	15,222.74	18,102.60
Project costs	15,147.43	43,108.68
Sponsorships	4,631.14	25,666.27
Expenses for printing material	2,804.76	11,340.61
Municipal services	2,516.12	3,793.48
Office supplies	1,980.93	6,484.11
Telecommunication expenses	1,858.74	3,400.71
Maintenance expenses	1,416.00	2,492.57
Staff expenses	590.00	4,622.26
Other expenses	5,768.16	7,577.17
Total	246,128.05	322,749.24

IPKO Foundation
Notes to the financial statements
For the year ended December 31, 2023
(Amounts expressed in EUR)

13. Personnel expenses

	Year ended December 31, 2023	Year ended December 31, 2022
Gross salaries	183,448.44	224,723.99
Pension contribution	13,809.74	11,117.22
Total	197,258.18	235,841.21

14. Financial instruments and concentration of risk

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 Organizations 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 losses 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 earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates might have an impact on profit. At 31 December 2023 and 31 December 2022, a change in the value of the Euro against other foreign currencies would not impact the Organization's Organization balance due to no foreign currency amounts being held. It is also estimated that a change in interest rates would not affect profit or loss due to a lack of variable rate instruments being discounted at fair value.

15. 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 member are:

	Year ended 31 December 2023	Year ended 31 December 2022
Consulting Fee	17,235.62	30,138.61
Traveling expenses	5,942.72	6,308.28
Per diem	805.57	1,410.25
Accommodation	1,947.29	1,095.80
Other	922.86	-
Total	26,854.06	38,952.94

16. Commitment and contingencies

Commitment

At 31 December 2023 and 31 December 2022, the Organization did not have any commitments.

Contingencies

The Organization is involved in routine legal proceedings in the ordinary course of business. It is management's opinion that the final outcome of these lawsuits will not have a material effect on the Organization's results. There were no changes in policies from previous year and management considers there to be no critical areas of judgment.

17. Subsequent events

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