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ACCOUNTING AND AUDITING SERVICES

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KOSOVA DEMOKRATIC INSTITUTE - Prishtina

**Independent Auditor's Report
and
Financial statements for the year ended December 31, 2011**

June, 2012

Contents

	Page
Independent Auditor's Report	2
Financial Statement's	4
1. Balance sheet	4
2. Income Statement	5
3. Statement of cash flow	5
Notes to the Financial Statement	6
1. General	6
2. Basis for preparation of the financial statements	6
3. Cash	7
4. Income	7
5. Expenditures	8
6. Transferred funds from 2011 to 2012	9
7. Total Funds and Outcome on 2011 by Programs and Projects	10

Independent Auditor's Report

To the Management of Kosova Democratic Institute

We have audited the accompanying Balance sheet of the KDI - Kosova Democratic Institute Prishtina as of December 31, 2011 and related statements of Income and Cash flow for the year then ended.

Management's responsibility for financial statements

The management of the KDI is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management of the KDI, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the KDI (Kosova Democratic Institute) as of December 31, 2011 and the results of its operations and its cash flow for the year then ended in accordance with accounting standards described in Note 2 to the financial statements.

June 06, 2012

Kadrush Çollaku,
Licensed Auditor



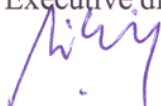
Kosova Democratic Institute
Financial Statements, December 31, 2011

Balance sheet 31.12.2011

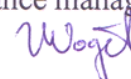
ASSETS	Eur	LIABILITIES	Eur
Cash	59 779,45	Accounts Payable	-
Accounts Receivable	-	Grants Payable	-
Notes Receivable	-	Deferred Revenue	-
Inventory	-	Mortgages and other Notes payable	-
Prepaid expenses	-	Other Liabilities	17 462,49
Investments:		Total Liabilities	17 462,49
Securities	-	Fund Balance	
Land, Buildings and equipment	-	Fund balance as of January 1, 2011	86 530,12
Other (Loans to costumer)	-	Excess (from income statement)	(44 213,16)
Other assets	-	Total Balance:	42 316,96
Total assets	59 779,45	Total Liabilities and Fund Balance	59 779,45

This Financial Statement has been issued by the management of the KDI on June 06, 2012 and signed on its behalf by:

Ismet Kryeziu
Executive director




Vjollca Vogel,
Finance manager



Income Statement 01.01.-31.12.2011

Revenue	Eur	Expenses	Eur
Contributions, gifts or grants	303 264,53	Program services	234 381,85
Fees and revenues from economic activities		Management and Administration	78 821,34
Dues		Other Expenses	34 274,50
Dividends and interest		Total Expenses:	347 477,69
Rents		Net Income from Operations:	(44 213,16)
Other investment income			
Sale of assets			
(less cost of sales)		Tax expenses	0,00
Special event revenue			
Gross sales of inventory			
(less cost of goods sold)			
Other revenue			
Total Revenue:	303 264,53	Net Income:	(44 213,16)

Statement of cash flows for the year 2011

CASH FLOW	EUR
Balance in the beginning of period	86 530,12
Received funds from donators during period 2011	314 134,22
Outcomes of funds during 2011	(330 015,20)
Funds returned to donors during 2011	(10 869,69)
Annual balance for period 2011	59 779,45

Notes to the Financial Project Statement

1. General

NGO "Kosova Democratic Institute" (KDI) is a non-profit organization, financed by government and non government agencies. KDI was established on April 14, 2005, under UNMIK Regulation No.1999/22 and the registration number 5110225-8 as a non-profit, non-governmental organization (NGO).

KDI's mission is to support democratic development in Kosovo by empowering nongovernmental organizations and citizens to enhance the transparency, accountability and responsiveness of governing institutions and improve the efficiency of these institutions through citizen participation in decision-making.

KDI aims to be a regional organization with an impact in political processes by offering assistance in the process of democratization. KDI has followings programs:

- Democratization and Parliamentary Practices (DPP),
- Local Governance and Civic Participation (LGCP),
- Transparency and Anti-Corruption (TAC),
- Free and Fair Elections (FFE)

The main types of KDI activities are:

- Monitoring the work of municipal and central governments;
- Organizing and implementing Advocacy campaigns at national and municipal levels;
- Bringing about systematic improvements (legal, administrative and institutional) in the fight against corruption as well as enhancing capacity of victims and witnesses of corruption;
- Building NGO capacities, offering trainings and assistance to NGOs particularly in government-monitoring, election monitoring and advocacy;
- Facilitating dialogue between government officials and citizens to ensure citizen participation in decision-making

2. Basis for preparation of the financial statements

The Financial Statements are prepared in accordance with the basis of accounting as set out in the agreements with donors. Accordingly, revenue is recognized on a cash basis when received and expenses are recognized on accrual basis when incurred. The amount of revenue received represents the contribution approved by Donors to cover expenses of the projects in accordance with agreements.

The surplus amount, representing the excess of revenue received over expenses incurred, is due to the Donors at the end of the period.

The Financial Statements are expressed in European Currency Unit (EUR). Revenue is received in Euro and for some funds in USD. For funds received in USD, exchange rate is calculated in the moment of the funds instalment. Expenses are incurred in Euro.

3. Cash

Eur

Raiffeisen bank	59 779,45
Total	59 779,45

4. Income

The incomes for the year 2011 are recognized in accordance with the cash basis of accounting and are composed as below:

Donors Name	Transferred funds from 2010	Funds returned to donors - 2011	Incomes during 2011	Total funds during 2011
NED	7 506,92 €	899,99 €	32 388,72 €	38 995,65 €
BTD	8 209,64 €		- €	8 209,64 €
OLOF PALME	303,40 €	303,40 €	40 150,18 €	40 150,18 €
UNDEF	238,82 €		- €	238,82 €
UNDP	17 473,02 €	1 052,63 €	- €	16 420,39 €
KFOS	21,16 €		- €	21,16 €
Norwegian Embassy	4 559,44 €		5 000,00 €	9 559,44 €
ISC	865,81 €	376,98 €	9 670,78 €	10 159,61 €
NDI	(3 800,67) €		27 558,40 €	23 757,73 €
German Embassy	5 329,25 €	5 329,25 €	- €	- €
Swiss Embassy	20 911,40 €		- €	20 911,40 €
Rockfeller Brother Fund	758,90 €		- €	758,90 €
Dawn Brancati	251,46 €		- €	251,46 €
KCSF	(0,33) €		0,33 €	- €
CIMAP	(4 048,53) €	2 734,44 €	15 818,10 €	9 035,13 €
CRINIS	11 856,94 €		56 642,00 €	68 498,94 €
British Embassy	1 618,05 €		78 972,00 €	80 590,05 €
Ministry of Culture Youth and Sport	9,27 €		- €	9,27 €
DFID	16 834,88 €		21 393,00 €	38 227,88 €
Finland Embassy	(2 541,71) €		2 541,71 €	- €
US Embassy	173,00 €	173,00 €	- €	- €
OSCE			13 800,00 €	13 800,00 €
KDI			10 199,00 €	10 199,00 €
Total	86 530,12 €	10 869,69 €	314 134,22 €	389 794,65 €

5. Expenditures

The expenses for the year 2011 are composed as below:

Budget Line - all projects	Actual Expenditures in Eur
Salaries	78 821,34 €
Space Utilities and Supplies	27 206,18 €
Communications and Travel	7 068,32 €
Project Activities	68 753,32 €
Contractual Services	34 766,93 €
Other direct costs & Publication	43 501,97 €
Monitoring of the Election Process	80 135,31 €
Civic Education/GOTV	7 224,32 €
Total Expenses	347 477,69 €

6. Transferred funds from 2011 to 2012

Donors Name	Total funds during 2011	Total outcome	Transferred funds from 2011 to 2012
NED	38 995,65 €	31 335,71 €	7 659,94 €
BTD	8 209,64 €	6 592,61 €	1 617,03 €
OLOF PALME	40 150,18 €	39 569,20 €	580,98 €
UNDEF	238,82 €	238,82 €	- €
UNDP	16 420,39 €	16 420,39 €	- €
KFOS	21,16 €	21,16 €	- €
Norwegian Embassy	9 559,44 €	8 942,68 €	616,76 €
ISC	10 159,61 €	10 159,61 €	- €
NDI	23 757,73 €	40 465,78 €	(16 708,05) €
German Embassy	- €	- €	- €
Swiss Embassy	20 911,40 €	38 588,10 €	(17 676,70) €
Rockfeller Brother Fund	758,90 €	758,90 €	- €
Dawn Brancati	251,46 €	251,46 €	- €
KCSF	- €	- €	- €
CIMAP	9 035,13 €	9 035,13 €	- €
CRINIS	68 498,94 €	39 419,12 €	29 079,82 €
British Embassy	80 590,05 €	52 043,07 €	28 546,98 €
Ministry of Culture Youth and Sport	9,27 €	9,27 €	- €
DFID	38 227,88 €	38 227,88 €	- €
Finlandez	- €	- €	- €
US Embassy	- €	- €	- €
OSCE	13 800,00 €	13 800,00 €	- €
KDI	10 199,00 €	1 598,80 €	8 600,20 €
Total	389 794,65 €	347 477,69 €	42 316,96 €

7. Total Funds and Outcome on 2011 by Program and Projects

Program	Project	Total funds during 2011	Total outcome on 2011	Transferred funds from 2011 to 2012
<i>Democratization and parliamentary practices</i>				
NED	Promoting transparency and accountability of Parliament	38 995,65	31 335,71	7 659,94
BTD	Promoting transparency and accountability of Parliament	8 209,64	6 592,61	1 617,03
ISC	Strengthens of good governance throught citizens participation in the decision making	10 159,61	10 159,61	0,00
OSCE	Political parties in Kosovo	13 800,00	13 800,00	0,00
UNDEF	Promoting transparency and accountability of Parliament	238,82	238,82	0,00
KFOS	Promoting transparency and accountability of Parliament	21,16	21,16	0,00
<i>Total: Democratization and parliamentary practices</i>		71 424,88	62 147,91	9 276,97
<i>Local governance and Civil participation</i>				
OLOF PALME	Participation of Citizens in the Democratic Processes	40 150,18	39 569,20	580,98
Ministry of C.Y. and Sport	Participation of Citizens in the Democratic Processes	9,27	9,27	0,00
<i>Total: Local governance and Civil participation</i>		40 159,45	39 578,47	580,98
<i>Transparency and Anti-Corruption</i>				
UNDP	Democratic Governance / Kosovo Partnership for Anti-Corruption	16 420,39	16 420,39	0,00
CIMAP	Establishing Comparative Indicator based Monitoring of Anti-Corruption	9 035,13	9 035,13	0,00
CRINIS	Shining a light on money in politics	68 498,94	39 419,12	29 079,82
Norwegian Embassy	Establishing Comparative Indicator based Monitoring of Anti-Corruption	9 559,44	8 942,68	616,76
British Embassy	Advocacy for the completion of Anti-corruption Legal Package in Kosovo	80 590,05	52 043,07	28 546,98
<i>Total: Transparency and Anti-Corruption</i>		184 103,95	125 860,39	58 243,56
<i>Free and fair Elections</i>				
NDI	Advocacy for changing a Law of General Election	23 757,73	40 465,78	(16 708,05)
Swiss Embassy	Election 2010 - 2011	20 911,40	38 588,10	(17 676,70)
DFID	Election 2010 - 2011	38 227,88	38 227,88	0,00
RBF	Election	758,90	758,90	0,00
Dawn Brancati	Election	251,46	251,46	0,00
KDI	Election	10 199,00	1 598,80	8 600,20
<i>Total: Free and fair Elections</i>		94 106,37	119 890,92	(25 784,55)
Total		389 794,65	347 477,69	42 316,96