



Kosovar Centre for Security Studies (KCSS)
Independent Auditor's Report and financial statements
for the year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Management of the Kosovar Centre for Security Studies (KCSS)

Opinion

We have audited the accompanying financial statements of the Kosovar Centre for Security Studies (KCSS) which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, statement of changes in fund balances and statement of cash flow for the year then ended, and other explanatory notes.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kosovar Centre for Security Studies (KCSS) as of December 31, 2019, results of its operation and the cash flow for the years then ended in conformity with International Financial Reporting Standards.

Responsibilities of Management and those charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard and the internal controls that the management deems necessary to enable the preparation of financial statements without material misstatement due to fraud or error. For the financial statements preparation, management is responsible for assessing the company's ability to sustainability in the future, disclosing, as necessary, future sustainability issues and using the accounting continuity principle unless management intends to liquidate the Company or Interrupt the operation, or there is no other possible alternative than to do it. 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 total, 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.

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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October, 2020

Kosovar Centre for Security Studies (KCSS)

For the year ended December 31, 2019

Statement of financial position

	Notes	On December 31, 2019 (in EUR)	On December 31 2018 (in EUR)
Assets			
Current assets			
Money in the bank	4	132,073	62,714
Cash on hand		16	-
prepayments		3,600	
Total current assets		135,689	62,714
Non-current assets			
Property, equipment and plants		0	0
Total non-current assets		0	0
TOTAL ASSETS		135,689	62,714
LIABILITIES AND EQUITY			
Current liabilities			
Acc. payable and accrual expenses	5	4,108	2,198
Deferred revenue	6	128,638	58,268
Liabilities for taxes and contributions	5	2,884	2,248
Rental tax liabilities	5	59	
Total current liabilities		135,689	62,714
equity			
Retained earnings			
Net Profit / Loss of the year			
Total equity		0	0
TOTAL LIABILITIES AND EQUITY		135,689	62,714

Kosovar Centre for Security Studies (KCSS)
Statement of Revenue and expenditures
For the year ended December 31, 2019

Statement of Revenue and expenditures

	Notes	Year ended December 31, 2019 (in EUR)	Year ended December 31, 2018 (in EUR)
Income			
Grant Incomes	7	311,956	236,440
Total income		<u>311,956</u>	<u>236,440</u>
Expenditure			
Salaries -		133,232	172,352
Administrative costs		90,244	75,509
Other Operating Expenses		7,912	7,912
Total expenditure	8	<u>231,388</u>	<u>255,773</u>
Excess of incomes over expenses		<u>80,856</u>	<u>- 19,333</u>

Kosovar Centre for Security Studies (KCSS)

For the year ended December 31, 2019

	Retained surplus (in EUR)	Total Reserves (in EUR)
Balance as at December 31, 2017	<u>-</u>	<u>-</u>
Net deficit/surplus for the year ended December 31, 2018	-	-
Balance as at December 31, 2018	<u>-</u>	<u>-</u>
Net deficit/surplus for the year ended December 31, 2019	-	-
Balance as at December 31, 2019	<u>-</u>	<u>-</u>

Kosovar Centre for Security Studies (KCSS)
Statement of Cash Flows
For the year ended December 31, 2019

	Year ended December 31, 2019 (in EUR)	Year ended December 31, 2018 (in EUR)
Cash flows from operating activities		
(Deficit)/surplus for the period	80,569	-
Adjustment for:		
Depreciation	-	-
Liabilities toward donator		
Change in receivables		
Change in payables	-10,376	
Change in other current liabilities	-818	
Net cash from operating activities	<u>69,375</u>	
Cash flows from investing activities		
Acquisition of property and equipment		
Net cash used in investing activities		
Net increase in cash and cash equivalents	69,375	
Cash and cash equivalents at 1 January	62,714	
Cash and cash equivalents at 31 December	<u>132,089</u>	<u>62,714</u>

1. INTRODUCTION

Kosovar Centre for Security Studies is an independent policy research centre founded in April 2008 and based in Prishtina - Kosovo. KCSS is dedicated to security sector development and reform in Kosovo and Western Balkans. It proactively promotes principle of good governance, integrity and resilience.

Main Objectives and Goals

Founded in 2008, KCSS's main interest remains to be development of security sector in Kosovo and Western Balkans based on the good governance. In almost a decade, KCSS has been building and offering alternative expertise in security studies, by filling a void in a limited academic contribution in the field in Kosovo.

The KCSS aims to enhance the effectiveness by supporting the SSR programs through its research, events, training, advocacy and direct policy advice. Advancing new ideas and social science methods are also core values of the centre. Each year, KCSS publishes numerous reports, policy analysis and policy briefs. It also, runs more than 200 public events including conferences, round-tables, and debates, lectures – in Kosovo, also in collaboration with regional and international partners. A wide-range of activities includes research, capacity-building, awareness and advocacy.

KCSS supports the consolidation of the security sector development in Kosovo on its path towards Euro-Atlantic integration mainly through the following activities:

- Research and Policy Analysis
- Policy Recommendation and Advocacy
- Alternative expertise on contemporary security challenges
- Conferences and Public Discussions on security related issues
- Networking connecting all relevant actors in Kosovo
- Community engagement and resilience
- Networking and building strong partnerships with relevant think-tanks and academic institutions in region and global level.

KCSS Specialized Programs

The KCSS carries out independent and rigorous analysis of critical global, regional and country-specific challenges and opportunities. Our reports, papers, books and other research outputs are a vital resource for leaders and policy-makers in government, the private sector and civil society. Moreover, they serve as a source of information for our international partners.

The KCSS developed four main research programmes, as following:

- Countering and Preventing Violent Extremism
- Building Integrity in the Security Sector
- Regional Cooperation in the Security Sector, and membership into Euro-Atlantic structures
- Kosovo Security Barometer

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Standards and Interpretations effective in the current period

Below are presented the amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee which are effective for the current period:

Standard	Description	Effective date
IFRS 1	Annual Improvements to IFRS 2014–2016 Cycle	Beginning on or after January 2018
IAS 28	Annual Improvements to IFRS 2014–2016 Cycle	Beginning on or after January 2018
IFRS 15	Revenue from Contracts with Customers	Beginning on or after January 2018
IFRS 9	Financial Instruments	Beginning on or after January 2018
IAS 40	Transfers of Investment Property (Amendments to IAS 40)	Beginning on or after January 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	Beginning on or after January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Beginning on or after January 2018
IFRS 16	Leases	Beginning on or after January 2019
IFRS 9	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Beginning on or after January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Beginning on or after January 2019
IAS 12, IAS 23, IFRS 3 and IFRS 11	Annual Improvements to IFRS 2015-2017 Cycle	Beginning on or after January 2019
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	Beginning on or after January 2019

2.2 Standards and interpretations in issue not yet effective

In these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

Standard	Description	Effective date
CF	Conceptual Framework for Financial Reporting	Beginning on or after January 2020
IFRS 3	Definition of a Business (Amendments to IFRS 3)	Beginning on or after January 2020
IAS 1 and IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	Beginning on or after January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	Beginning on or after January 2020
IFRS 17	Insurance Contracts	Beginning on or after January 2021
Practice Statement 2	Making Materiality Judgements	No effective date as non-mandatory guidance

The organization has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the entity in the period of initial application.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

Financial Statements are prepared for reporting purposes in accordance with applicable laws of Kosovo, and represent the entire picture of economic events that occurred in Kosovar Centre for Security Studies (KCSS) for the period 1st January 2019 till 31st December 2019.

Financial Statements are prepared on modified cash basis, based on which revenues and expenses are recognized at the time when either received or paid.

3.2 Currency of presentation

The reporting currency of Kosovar Centre for Security Studies (KCSS) currency unit Euro ("EUR").

3.3 Significant accounting policies

A summary of the most significant accounting policies adopted in the preparation of the financial statements is presented below:

3.3.1 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are considered to be cash on hand and at banks and in operating accounts at banks with an original maturity of three months or less.

3.3.2 Revenue recognition

Revenues from grants are recognized as income on the period when received. At the end of the year the excess amount of revenues over expenses is treated as deferred revenue.

3.3.3 Expenses recognition

Expenses incurred for generation incomes are recognized in that period with the historical costs.

3.3.4 Taxation

Kosovar Centre for Security Studies (KCSS) was established as a non-profit organization with beneficiary status under applicable laws and regulations in Kosovo, therefore is exempted from Corporate Taxation on excess of income from donations over expenses.

4. CASH AND BANK BALANCES

	December 31, 2019 (in EUR)	December 31, 2018 (in EUR)
Cash in hand	16	
Cash at banks	132,072	62,714
Total Cash and Bank Balances	<u><u>132,088</u></u>	<u><u>62,714</u></u>

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31, 2019 (in EUR)	December 31, 2018 (in EUR)
Trade and other accounts payable	4,108	2,198
Tax liabilities and contributions	2,883	2,248
Rental tax liability	59	
Total account payable	<u>7,050</u>	<u>4,446</u>

6. Deferred revenue

	December 2019 (in EUR)	December 31, 2018 (in EUR)
Deferred revenue	<u>128,638</u>	58,268
Total deferred revenue	<u><u>128,638</u></u>	<u><u>58,268</u></u>

7.REVENUES BY PROJECTS	01.01.2019-31.12.2019
Projects from different donors	260,378
The NED project	41,578
The MATRA project	0
The KFOS project	10000
DSP project	0
The US project	0
NATO projects	0
The RESOLVE project	0
OSI projects	0
Total revenue	311,956

2. REVENUES AND EXPENSES BY DONORS

Donors: NED, US Embassy in Prishtina, UNODC, SYNYO GMBH, IDSCS,
Berghof Foundation, German Marshal Fund, NATO Public

01.01.2019 - 31.12.2019

<u>INCOME</u>	260,378
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<u>EXPENSES</u>	
Accommodation costs	4,644
Audit costs	800
Fuel costs	2,685
Supply costs	828
Accounting expenses	100
Internet costs	240
Expenses for the purchase of the car	6,435
Waste costs	34
Maintenance costs	9,800
Vehicle maintenance costs	1,120
Various costs	3,235
Heating costs	276
Wage costs	100,274
Translation costs	7,064
Postage costs	32
Printing costs	874
Commission expenses	648
Rental costs	7,200
Electricity costs	33
Travel insurance costs	242
Vehicle insurance costs	255
Travel expenses - car loan	408
Local travel expenses	5,012
Water costs	6
Expenditures for drinks in the conference room	2,819
Advertising costs	1,490
Room costs	8,039
Rental tax expenses	356
Costs for computer equipment	25
<i>Total expenses</i>	<i>164,975</i>
Excess of incomes over expenses	95,403

Kosovar Centre for Security Studies (KCSS)
Notes to the financial statements (continued)
For the year ended December 31, 2019

Project NED	
01.01.2019 - 31.12.2019	
<i>Income</i>	41,578
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EXPENSES	
Fuel costs	650
Supply costs	691
Accounting expenses	1,100
Waste costs	25
Maintenance costs	1,285
Different expenses	1,594
Heating costs	195
Salary expenses	11,812
Translation costs	3,051
Printing costs	1,934
Commission expenses	383
Electricity costs	118
Travel expenses - car loan	436
Water costs	82
Expenditures for drinks in the conference room	493
Room costs	674
Rental tax costs	356
Expenses for computer equipment	390
Total expenses	25,271
Excess of incomes over expenses	16,308

Project MATRA	
01.01.2019 - 31.12.2019	
<i>Income</i>	
<hr/>	
EXPENSES	
Fuel costs	30
Supply costs	137
Waste costs	48
Maintenance costs	4,562
Various costs	848
Heating costs	272
Wage costs	13,810
Translation costs	4,567
Printing costs	50

Kosovar Centre for Security Studies (KCSS)
Notes to the financial statements (continued)
For the year ended December 31, 2019

Provision costs	65
Electricity costs	35
Travel expenses - car loan	30
Water costs	11
Expenditures for drinks in the conference room	957
Room costs	5,901
Costs for computer equipment	135
Total expenses	31,458
Excess of incomes over expenses	-31,458

Project KFOS

01.01.2019 - 31.12.2019

<u>Income</u>	10,000
EXPENSES	
Supply costs	20
Commission expenses	11
Wage costs	6,226
Total expenses	6,257
EXPENSES	
Excess of incomes over expenses	3,743

Project DSP

01.01.2019 - 31.12.2019

<u>Income</u>	0
EXPENSES	
Wage costs	1,110
Translation costs	80
Commission expenses	9
Total expenses	1,199
Excess of incomes over expenses	-1,199

Kosovar Centre for Security Studies (KCSS)
Notes to the financial statements (continued)
For the year ended December 31, 2019

Project US	
01.01.2019 - 31.12.2019	
<u>Income</u>	0
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EXPENSES	
Supply costs	62
Waste costs	8
Water costs	8
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Total expenses	78
Excess of incomes over expenses	-78

Project NATO	
01.01.2019 - 31.12.2019	
<u>Income</u>	0
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<u>EXPENSES</u>	
Travel expenses	867
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<i>Total expenses</i>	<i>867</i>
Excess of incomes over expenses	-867

Project RESOLVE	
01.01.2019 - 31.12.2019	
<u>Income</u>	0
<hr/>	
<u>EXPENSES</u>	
Travel expenses	32
<hr/>	
<i>Total expenses</i>	<i>32</i>
Excess of incomes over expenses	-32

Kosovar Centre for Security Studies (KCSS)
Notes to the financial statements (continued)
For the year ended December 31, 2019

	Project OSI
	01.01.2019 - 31.12.2019
<i><u>Income</u></i>	0
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<i><u>EXPENSES</u></i>	
Accommodation costs	1,253
<hr/>	
<i><u>Total expenses</u></i>	<i><u>1,253</u></i>
Excess of incomes over expenses	-1,253

6. RELATED PARTY DISCLOSURE

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

7. RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Kosovar Centre for Security Studies (KCSS) is exposed to credit risk in respect of Grant receivable from its Donors.

Interest rate risk

Kosovar Centre for Security Studies (KCSS) currently is not exposed to the interest rate risk.

Foreign exchange risk

Kosovar Centre for Security Studies (KCSS) is exposed to foreign exchange risk as transactions are undertaken both in local and foreign currency.

Liquidity risk

Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Kosovar Centre for Security Studies (KCSS) is committed monitor its liquidity on a periodic basis in order to manage its obligations as and when they shall become due.