
AUDIT REPORT

To: INSTITUTE FOR DEMOCRACY AND MEDIATION (NGO)
Rruga "Shenasi Dishnica", Nr. 1,
Tirana – Albania

Audit of Financial Statements for the year
01 January 2022 - 31 December 2022
closed on 31 December 2022

Erida Belulaj

Tirana, 27 June 2023

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Independent Auditor's Report

To the Board of Directors of the non-governmental organization (NGO):
INSTITUTE FOR DEMOCRACY AND MEDIATION (IDM),
Rruga "Shenasi Dishnica", Nr. 1,
Tirane – Albania

Opinion

We have audited the financial statements of the center "INSTITUTE FOR DEMOCRACY AND MEDIATION" (NGO), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity 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 statements present fairly, in all material respects, the financial position of the center "INSTITUTE FOR DEMOCRACY AND MEDIATION", at December 31, 2022, and the financial performance and cash flows for the year ended in accordance with National Accounting Standards (NAS).

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Albania, 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 National Accounting Standards (NAS), 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 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 Company'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 Company'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 Company 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.

Erida Belulaj

Erida Belulaj
Legal auditor

Date 27 June 2023

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STATEMENT OF FINANCIAL POSITION
At 31 December 2022
(amounts in Lek)

	<u>Notes</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
<u>Assets</u>			
<u>Current assets</u>			
Cash and cash equivalents	4	50,157,244	45,217,633
Trade and other receivables	5	_____	145,308
Total current assets		50,157,244	45,362,941
<u>Non-current assets</u>			
Property, plant, and equipment	6	3,158,825	2,319,642
Total non-current assets		3,158,825	2,319,642
Total assets		53,316,069	47,682,583
<u>Liabilities</u>			
<u>Current liabilities</u>			
Trade and other payables	7	2,315,328	1,271,859
Contributions received in advance		51,000,741	46,410,724
Total current liabilities		53,316,069	47,682,583
<u>NET ASSETS</u>			
Unrestricted	8	0	0
Temporarily restricted		0	0
Permanent restricted		_____	_____
TOTAL NET ASSETS		53,316,069	47,682,583

INCOME STATEMENT AND COMPREHENSIVE STATEMENT OF INCOME
For the year ended 31 December 2022
(amounts in Lek)

	<u>Notes</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
<u>Revenue</u>			
Revenues from government grants or other funding agencies		151,540,069	113,103,460
<u>Total revenue from unrestricted assets</u>		151,540,069	113,103,460
<u>Net assets released from restrictions</u>			-
<u>Total net assets released from restrictions</u>			-
<u>Total revenue from unrestricted assets</u>			
<u>Expenses for activities</u>			
Management and general		146,804,742	101,051,946
<u>Total expenses</u>		146,804,742	101,051,946
<u>Change in net unrestricted assets (A)</u>		4,735,327	12,051,514
<u>Change in net temporarily restricted assets(B)</u>			
<u>Change in net assets (A + B)</u>		4,735,327	12,051,514
<u>Net assets at beginning of year</u>		47,667,691	35,616,177
<u>Net assets at end of year</u>		52,403,018	47,667,691

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022
(Amounts in Lek)

	<u>Notes</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash Flows from Operating Expenses			
Cash Received from Unrestricted		151,540,069	113,103,460
Cash Received from Service Recipients			(145,308)
Cash paid to employees		146,804,742	(101,051,946)
Net cash from operating Expenses		4,735,327	11,906,206
Cash Flows from Investing Activities			
Fixed Asset Purchases		(839,183)	(437,188)
Net Cash Investing Activities		(839,183)	(437,188)
Cash Flow from Financing Activities			
Bills of exchange		1,043,467	410,555
Net Cash from Financing Activities		1,043,467	410,555
Increase (Decrease) in Cash		4,939,611	11,879,573
Cash at the beginning of the Year		45,217,633	33,338,060
Cash at the End of Year		50,157,244	45,217,633

Notes to the financial statements

1. General information

"INSTITUTE FOR DEMOCRACY AND MEDIATION" (NPO) in Tirana, hereinafter referred to as NGO, is registered as a legal entity by decision of the Judicial District Court of Tirana, no. 3486, date 25 November 1999 and is registered at Tax Authorities with unique identification number (NIPT) K42002003G

2. Principles of preparation of financial statements

2.1 Statement of compliance

The financial statements have been prepared in accordance with the National Accounting Standards (NAS) in Albania and the Law no. 25/2018, dated 10/05/2018, "On Accounting and Financial Statements".

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise specified.

2.3 Functional currency

The financial statements are presented in Lek, which is the Company's functional currency. The amounts are rounded in Lek.

2.4 Comparative periods

Data from previous periods may be re-classified to present a better picture of the accounts.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently for all periods presented in these financial statements, unless otherwise specified, if any.

3.1 Foreign currency transactions

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 at the statement of financial position date are retranslated into the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference resulting from translating a given number of units of a foreign currency into the functional currency at different exchange rates. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the dates of the transaction whereas those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognized in the statement of financial performance.

The applicable foreign exchange rates to Lek are as below:

	<u>31 December 2022</u>	<u>31 December 2021</u>
EURO	114.23	120.76

Summary of significant accounting policies (continued)

3.2 Financial Instruments (continued)

Other

Other non-derivative instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

Inventory

Inventories are initially measured at cost. The cost of the inventory includes, in addition to the purchase price, all the other costs that are needed to bring the inventory to the existing state and location. After initial recognition, inventories are estimated at the lowest between cost and net realizable value. The cost of the inventory is determined by the weighted average method. Net realizable value is the selling price estimated in the normal course of business, less the estimated costs necessary to carry out the sale according to the weighted average cost method.

Tangible Fixed Assets

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Cost includes costs that are directly related to the purchase of the asset. The cost of assets built by the company itself includes the cost of materials and direct labour and any other costs directly linked to the behaviour of the asset in the workplace for the intended purpose of use, as well as the costs of dismantling, removal of parts and behaviour in the state of Previous location of the asset. Capital expenditures made during the construction are capitalized in "Construction in process" and transferred to the relevant asset category when the construction is completed, when the respective depreciation is applied by category. In cases where part of a long-term asset has different life expectancy, they are recorded as separate items separated from each other. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net in the statement of financial performance.

Subsequent costs

The cost of replacing part of an item of property, plant 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 Company 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 financial performance as incurred

Depreciation

Depreciation of property, plant and equipment is calculated on the useful lives of each part of an item from the first day of the month following the month of acquisition. Leased assets are depreciated on a straight-line basis over the shorter of the lease term and their useful lives. Land is not depreciated. All other assets are depreciated on the reducing balance method. Depreciation methods and depreciation rate for the current and comparative period are as follows:

<u>Type of asset</u>	<u>Method</u>	<u>Percentage / year</u>
Buildings	Declining balance	5%
Machinery and Equipment	Declining balance	20%
Vehicles	Declining balance	20%
Office equipment and others	Declining balance	20%
IT equipment	Declining balance	25%

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Derecognition

An item of property, plant and equipment is derecognised upon disposed or when it is no longer expected to generate future economic benefits from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is included in profit and loss.

Summary of significant accounting policies (continued)

3.3 Intangible assets

Recognition and measurement

Intangible assets acquired separately are measured at cost on initial recognition. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Subsequent costs

Subsequent costs are capitalized only when it is probable that increases the future economic benefits of the asset to which it relates. All other expenses, including expenses for goodwill and internally generated brands are recognized in the income statement when they occur. Costs associated with maintaining computer software are recognized as expenses as they incur.

Amortisation

Amortisation is calculated based on the useful life of the estimated intangible assets starting from the first day of the month following the date of usage. Depreciation methods and depreciation rate for the current and comparative period are as follows:

Type of asset	Method	Percentage / year
Computer software	Declining balance	25%

The useful life of the assets is reviewed and adjusted, if necessary, at each annual reporting period. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Derecognition

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between net income on disposal and the net book value of the asset and are recognized in profit or loss.

3.4 Impairment

Financial Assets

Financial assets that are not measured at fair value are tested at the end of each reporting period in order to assess whether there is objective evidence of impairment. A financial asset is considered to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset that has an impact on the estimated future cash flows of the financial asset and that can be reliably estimated. An impairment loss in respect of 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 original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Impairment losses are recognized in the statement of financial performance. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of financial performance.

Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial positions date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of financial performance.

4. Income

Income from the main activity

The main income of the center is generated from voluntary donations and contributions for the development of the activity in accordance with the Non-Profit facility with the aim of developing democracy and governance.

Income from donations and voluntary contributions

Income from voluntary donations and contributions can be from abroad or within the country in cash or in nature. "INSTITUTE FOR DEMOCRACY AND MEDIATION" Tirana, has exposed the revenues in the income statement by nature.

Nr	Revenue	31 December	31 December
		2022	2021
	Revenues from government grants or other funding agencies	151,540,069	113,103,460
	Total revenue from unrestricted assets	151,540,069	113,103,460

Income realized and exposed in the income statement are classified according to their nature.

The inflow of income into the foundation is done through banking transactions as well as through cash accounts.

5. Expenses

"INSTITUTE FOR DEMOCRACY AND MEDIATION" Tirana, has exposed expenditures in the statement of income and expenditures by function,

	2022	2021
Item description		
Employees costs	47,245,282	31,050,707
Employees' salaries and expenses	41,706,575	27,124,084
Social and health insurance and other insurances	5,538,707	3,926,623
Administrative and other expenses of the activity	99,559,460	70,001,240
Expenses for furniture and services with purchase invoices	14,978,985	23,761,262
Honorarium expenses for external staff	46,236,797	16,353,967
Expenses for advertising and literature	3,796,810	9,874,900
Expenses for traveling and subsistence	8,026,340	5,733,071
Expenses for post, telephone and internet	731,877	570,429
Expenses for transport and communication	1,043,332	338,080
Banking expenses	265,323	246,159
Expenses for various taxes	51,000	130,288
Partnership expenses	21,307,082	13,250,583
Other financial expenses	3,121,914	(257,499)
Total expenses	146,804,742	101,051,946

From the audit performed regarding the amounts exposed in the income statement, we ensured that they are fully carried in proper documentation, and are in function of the purpose of the center's activity.

Payments are made through bank accounts as well as through cash accounts.

5.

In this group of assets is presented the balance of cash in bank accounts and cash registers. The conversion of the foreign currency balance in the bank and cash register was made at the exchange rate of December 31, 2022 announced by the Bank of Albania.

The balance of the Bank Accounts and those in the Cash at the end of the exercise period 31 December 2022 is presented as follows:

Bank

Nr	Banka	Curren cy	Nr. llogarie	2022			2021		
				Balance (Currency)	Exchan ge rate	Balance in All	Balance (Currency)	Excha nge rate	Balance in All
1	BKT*	EUR	428947434 SIDA	35,368.2	114.23	4,040,178.02	144,954.62	120.76	17,504,719.91
2	BKT	EUR	428947434 WEBER	179,59	114.23	20,514.57	29,046.83	120.76	3,507,695.19
3	BKT	EUR	428947434 TQ	13,775.48	114.23	1,573,573.08	35,238.32	120.76	4,255,379.52
4	BKT	LEK	428947434 IK	116,168.2	1.00	116,168.2	107,784.21	1.00	107,784.21
5	BKT	LEK	428947434 NDI	1,457,298.35	1.00	1,457,298.35	170,911.98	1.00	170,911.98
6	BKT	LEK	428947434 GCERF	257,379.12	1.00	257,379.12	1,787,934.02	1.00	1,787,934.02
7	BKT	USD	428947434 USD	74,268.76	107.05	7,950,470.76	52,494.08	106.54	5,592,719.28
8	BKT	EUR	428947434 BAT	110,781.85	114.23	12,654,610.73	0	1.00	0
9	BKT	EUR	428947434 NORAD	1,913.85	114.23	218,619.09	0	1.00	0
10	ISP	LEK	1010331805	3,611,118.02	1.00	3,611,118.02	3,679,727.41	1.00	3,679,727.41
11	ISP	Leke	1010331808	438,162.96	1.00	438,162.96	2,482,047.14	1.00	2,482,047.14
12	ISP	EUR	1010331804	2,013.49	114.23	230,000.96	16,550.38	120.76	1,998,623.89
13	ISP	USD	1010331801	162,681.6	107.05	17,415,065.28	38,234.28	106.54	4,073,480.19
	Total					49,983,159.13			45,161,022.75

- BKT- Banka Kombetare Tregtare
- ISP- Intesa San Paolo Bank

Cash:

Nr	Description	2022			2021		
Nr	Description	Amount in Foreign currency	Exchange rate	Amount in All	Amount in Foreign currency	Exchange rate	Amount in All
1	Cash in All	174,085	1	174,085	56,610	1	56,610
2	Cash in Euro	0			0	120.76	0
	Total			174,085			56,610

6. Inventories

The Center "INSTITUTE FOR DEMOCRACY AND MEDIATION" Tirana, on December 31, 2022 does not have inventory.

7. Other short-term financial assets - Accounts / Receivables

The Center "INSTITUTE FOR DEMOCRACY AND MEDIATION" Tirana, on December 31, 2022 has no balance of accounts receivable as "Receivables"

8. Non-current Assets

Center "INSTITUTE FOR DEMOCRACY AND MEDIATION" Tirana, on December 31, 2022 has long-term assets, item "Installation of office equipment and information technology" in the amount of 3,158,825 Lek (2021: 2,319,642 Lek).

9. Liabilities

In this item are presented the short-term and long-term liabilities, and at the end of the exercise period on December 31, 2022, the Center "INSTITUTE FOR DEMOCRACY AND MEDIATION" Tirana, has liabilities payable in the amount of 53,316,069 ALL detailed liabilities to social security contributions and taxes created mainly in December 2022 and payable in the following month in the amount of 2,315,328 ALL, liabilities for contributions received in advance in the amount of 51,000,741ALL.

10. Cash Flow Statement

The recording of cash movements for the exercise period is exposed in the Cash Flow Statement by direct method. The exposure of the amounts in the relevant sections is correct and fair.