

Advocacy Training and Resource Center

Financial Statements as at 31 December 2007
(with independent auditor's report thereon)

Advocacy Training and Resource Center

Statement of income and expenses

For the year ended 31 December

Advocacy Training and Resource Center

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Advocacy Training and Resource Center

Statement of income and expenses

For the year ended 31 December



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Independent Auditors' Report

To the Board of Directors of
ATRC

We have audited the accompanying financial statements of Advocacy Training and Resource Center - ATRC, ("the Organization") which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in fund balance and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Kosovo Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

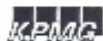
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity'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 principles used and the reasonableness of accounting estimates made by management, 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 opinion.

Advocacy Training and Resource Center

Statement of income and expenses

For the year ended 31 December



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Organization as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with Kosovo Accounting Standards.

KPMG Albania Sh.p.k. - Kosovo Branch

KPMG Albania

26 May 2008
Prishtina

Advocacy Training and Resource Center

Statement of income and expenses

For the year ended 31 December

Advocacy Training and Resource Center

Balance Sheet

As at 31 December

	Note	2007	2006
Assets			
Cash and cash equivalents	4	88,936	42,893
Advances to grantees	5	40,907	35,163
Total current assets		129,843	78,056
Property and equipment	6	25,656	24,499
Intangible assets	7	1,043	1,739
Total non-current assets		26,699	26,238
Total assets		156,542	104,294
Liabilities and fund balance			
Deferred revenue	8	100,538	-
Payables	9	1,773	-
Total current liabilities		102,311	-
Fund balance		54,231	104,294
Total liabilities and fund balance		156,542	104,294

The notes on pages 6 to 16 are an integral part of these financial statements.

The financial statements set out on pages 2 to 16 were authorized for issue by the management on 26 May 2008 and were signed on its behalf by:



Rreze Duli
Executive Director



Gani Asllani
Finance Manger

Advocacy Training and Resource Center

Statement of income and expenses

For the year ended 31 December

	Note	2007	2006
Income from grants	10	751,324	258,746
Other income	11	57,412	11,829
Total income		808,736	270,575
Program expenses	12	(777,116)	(142,212)
Administrative expenses	13	(81,189)	(73,137)
Total expenses		(858,305)	(215,349)
Forex		(494)	-
			-
Net (deficit)/surplus for the year		(50,063)	55,226

The notes on pages 6 to 16 are an integral part of these financial statements.

Advocacy Training and Resource Center

Statement of changes in fund balance

For the year ended 31 December 2007

	EUR
Balance at 1 January 2006	49,068
Surplus for the year	55,226
Balance at 31 December 2006	104,294
Balance at 1 January 2007	104,294
Deficit for the year	(50,063)
Balance at 31 December 2007	54,231

The notes on pages 6 to 16 are an integral part of these financial statements.

Advocacy Training and Resource Center

Statement of cash flows

For the year ended 31 December

	2007	2006
Cash flows from operating activities		
(Deficit)/surplus for the year	(50,063)	55,226
Adjustment for:		
Depreciation	11,631	9,683
Amortization	696	-
Change in advances	(5,744)	(35,163)
Change in payables	1,773	-
Change in deferred revenue	100,538	-
Net cash from operating activities	58,831	29,746
Cash flows from investing activities		
Acquisition of property and equipment	(12,788)	(12,348)
Net cash used in investing activities	(12,788)	(12,348)
Net increase in cash and cash equivalents	46,043	17,398
Cash and cash equivalents at 1 January	42,893	25,495
Cash and cash equivalents at 31 December	88,936	42,893

The notes on pages 6 to 16 are an integral part of these financial statements.

Advocacy Training and Resource Center

Notes to the financial statements as at 31 December

1. General

Advocacy Training and Resource Center (hereafter called the “Organization” or “ATRC”), a non-for-profit organization is established as a foundation, founded in accordance with Regulation No. 1999/22 of the United Nations Interim Administration Mission in Kosovo, number 5200095-5 since 11 June 2003.

The mission of Advocacy Training and Resource Center is to increase citizen and civil society participation in decision-making, as a prerequisite for a developed democratic society and regional stability. It is an advocacy center that promotes issues confronting Kosovo’s development. The Organization administers specialized trainings to increase the capacity of NGO-se and civil society to influence governing structures through democratic means. It generates income from its resource center that is composed of training hall, training equipment and a library. ATRC is a member organization of several local and international networks.

In October 2006, the Organization started to award and administer grant program of IREX Kosovo Civil Society Program (KCSP), founded by USAID, which fall into three categories: Partnership and Networking Grants, Grassroots Advocacy Grants and Central-Level Advocacy Campaign Grants.

The Organization depends upon the financial and human resources provided by its supporters, in order to carry out its various programs and activities. The supporters are as follows:

United States Agency for International Development (USAID)
International Research and Exchanges Board (IREX)
British Office in Prishtina
Olof Palme International Center
Rockefeller Brothers Fund (RBF)
Academy for Educational Development (AED)
United Nations High Commissioner for Refugees (UNHCR)
United Nations Development Program (UNDP)
IPKO Institute (IPKO)

2. Basis of presentation and summary of significant accounting policies

a) Statement of compliance

The accompanying financial statements have been prepared in accordance with Kosovo Accounting Standards (“KAS”).

b) Functional and presentation currency

The financial statements are presented in Euro (“EUR”), the local currency in Kosovo. Revenues are received in EUR and in US Dollar (“USD”), expenditures are made only in EUR. The EUR is the Organization’s measurement currency as it reflects the economic substance of the underlying events and circumstances of the Organization.

Advocacy Training and Resource Center

Notes to the financial statements as at 31 December

2. Basis of presentation and summary of significant accounting policies

b) Functional and presentation currency (continued)

The only transaction performed in USD is relating to funds received from Rockefeller Brothers Fund (RBF). This translation has been performed on the following basis:

- Assets (cash at bank of RBF) has been translated at the closing rate of exchange at 31 December 2007 of 1 EUR to 1.4729 USD; resulting exchange differences have been classified as a translation adjustment and included in the fund balance;
- Income (received from RBF) has been translated at the exchange rates on the date when the transactions occurred.
- Resulting exchange gains or losses are reflected in the fund balance as a "Translation adjustment".

c) Advances to grantees

Advances to grantees are funds disbursed from the Organization to the grantees relating to projects yet to be implemented in 2008. Advances are measured at cost.

d) Fixed assets

Fixed assets are presented at their historical cost net of accumulated depreciation, which is calculated on a straight-line basis over their estimated useful lives. Annual depreciation rates are as follows:

	<i>In %</i>
Computer equipment	20
Office equipment	20
Vehicles	16.66

e) Liabilities

Liabilities are carried at cost.

f) Income

The donors' funds are recognized as deferred income when received. Subsequently, when the projects are implemented the funds are recognized as income.

g) Foreign currency transactions

Transactions in foreign currencies are translated into EUR at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to EUR at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of activities. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction.

Advocacy Training and Resource Center

Notes to the financial statements as at 31 December

3. Taxation

The Organization has been established as a non-for-profit organization. Additionally, in accordance with the provisions of regulation number 2001/11 of UNMIK, all imports, inflows within the former Federal Republic of Yugoslavia or supplies funded from the proceeds of the grants made to UNMIK or the Administrative Departments of the Joint Interim Administration Structure by governments, government agencies, governmental or non-governmental organizations in support of humanitarian and reconstruction programs and projects in Kosovo are exempt from Value Added Tax ("VAT"). The activities of the Organization are exempt from VAT.

4. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

	31-Dec-07	31-Dec-06
Cash on hand	181	534
Cash at banks	88,755	42,359
Total cash and cash equivalents	88,936	42,893

The Organization maintains all of its bank accounts at Pro Credit Bank of Kosovo, which are separated in accounts as per donor.

5. Advances to grantees

Advances to grantees are comprised as follows:

	31-Dec-07	31-Dec-06
Advances to KCSP grantees	10,179	30,232
Other advances	30,728	4,931
Total advances to grantees	40,907	35,163

Advances to KCSP grantees for the year 2007 refer to advances given to 23 NGO-s (2006:10). Other advances refer to advances given to two NGO (BIRN and GAP) from the funds received from Rockefeller Brothers Fund.

Advocacy Training and Resource Center

Notes to the financial statements as at 31 December

6. Property and equipment

Fixed assets of the Organization are composed of computers, office equipments and vehicles.

	Computers	Office equipment	Vehicles	Total
<i>Cost</i>				
At 1 January 2006	8,466	10,385	30,697	49,548
Additions	7,735	2,875	-	10,610
Disposals	-	-	-	-
At 31 December 2006	16,201	13,260	30,697	60,158
At 1 January 2007	16,201	13,260	30,697	60,158
Additions	2,093	-	10,695	12,788
Transfers	-	-	-	-
Disposals	-	-	-	-
At 31 December 2007	18,294	13,260	41,392	72,946
<i>Accumulated depreciation</i>				
At 1 January 2006	3,313	6,485	16,178	25,976
Depreciation charge for the year	2,505	2,200	4,978	9,683
Disposals	-	-	-	-
At 31 December 2006	5,818	8,685	21,156	35,659
At 1 January 2007	5,818	8,685	21,156	35,659
Depreciation charge for the year	2,982	2,143	6,506	11,631
Disposals	-	-	-	-
At 31 December 2007	8,800	10,828	27,662	47,290
<i>Carrying amount</i>				
At 1 January 2006	5,153	3,900	14,519	23,572
At 31 December 2006	10,383	4,575	9,541	24,499
At 1 January 2007	10,383	4,575	9,541	24,499
At 31 December 2007	9,494	2,432	13,730	25,656

Advocacy Training and Resource Center
Notes to the financial statements as at 31 December

7. Intangible assets

	Software	Total
<i>Cost</i>		
At 1 January 2006	-	-
Additions	1,739	1,739
At 31 December 2006	1,739	1,739
At 1 January 2007	1,739	1,739
Additions	-	-
At 31 December 2007	1,739	1,739
<i>Accumulated amortization</i>		
At 1 January 2006	-	-
Charge for the year	-	-
At 31 December 2006	-	-
At 1 January 2007	-	-
Charge for the year	696	696
At 31 December 2007	696	696
<i>Carrying amount</i>		
At 1 January 2006	-	-
At 31 December 2006	1,739	1,739
At 1 January 2007	1,739	1,739
At 31 December 2007	1,043	1,043

Advocacy Training and Resource Center

Notes to the financial statements as at 31 December

8. Deferred revenue

Deferred revenue as at 31 December 2007 represents the unspent funds donated in 2007 from the Organizations mentioned below. As per agreements between the ATRC and the donors the unspent funds in 2007 will be used during the year 2008 for program activities. There is no deferred revenue recognized in 2006 as the Organization has recognized all the funds received as income of the year 2006.

EUR	KCSP Income	KCSP Grant	British Liaison Office	Rockefeller Brothers Fund	Total
Balance at 31 December 2006	-	-	-	-	-
Additions in 2007	201,379	447,252	42,626	64,841	756,098
Income recognized in 2007	(189,734)	(430,981)	(14,626)	(19,751)	(655,092)
Translation adjustment	-	-	-	(468)	(468)
Balance at 31 December 2007	11,645	16,271	28,000	44,622	100,538

9. Payables

Payables relate to the rent, maintenance and utilities expenses occurred in 2007, which were paid in 2008.

10. Income from grants

Income from grants for the years ended 31 December 2007 and 2006 are comprised as follows:

Grand income	2007	2006
KCSP	620,715	210,235
UNHCR	53,657	24,264
British Liaison Office	14,626	-
Olof Palme International Center	42,575	-
Rockefeller Brothers Fund	19,751	-
BTD Fund	-	19,985
FES	-	3,500
KFOS	-	762
Total	751,324	258,746

Advocacy Training and Resource Center

Notes to the financial statements as at 31 December

11. Other income

Other income for the year ended 31 December 2007 represents the income generated by ATRC and the value of a car donated from the ARC Organization in Prishtina. Other income is comprised as follows:

	2007	2006
Program Income	2,710	11,829
AED	25,728	-
MBZHRDP	3,334	-
UNDP	15,236	-
CRS	2,404	-
Contribution	8,000	-
Total	57,412	11,829

12. Program expenses

Program expenses are all expenses incurred by the Organization in implementing the projects financed by different donors. The Organization keeps records of expenses as per each donor respectively as per budget line approved by the donor. All of the funds received from the donors are used for program expenses except for the funds received from KCSP which are divided in program and administrative expenses.

Program Expenses	2007	2006
Grants	461,066	-
Personnel	173,720	95,957
Training	87,930	12,577
Rent, utilities and maintenance	32,417	17,154
Travel and vehicles	10,635	4,424
Publication and advertising	7,016	6,024
Supplies and postage	3,612	3,833
Computer and office expenses	720	2,243
Total program expenses	777,116	142,212

Advocacy Training and Resource Center

Notes to the financial statements as at 31 December

12. Program expenses (continued)

A breakdown of program expenses as per category and source of financing in 2007 can be detailed as follows:

Program Expenses 2007	KCSP	UNHCR	OPIC	British Office	BTD	UNDP	RFB	AED	CRS	MBPZHR	Total
Grants	461,066										461,066
Personnel	96,055	43,636	7,119	4,403		1,145	5,925	15,437			173,720
Training	14,373		31,401	9,005	13,500		13,826	5,146	343	336	87,930
Rent, utilities and maintenance	15,249	9,454	4,049	1,218	1,161			1,286			32,417
Travel and vehicles	6,776							3,859			10,635
Publication and advertising	7,016										7,016
Supplies and postage	2,292	1,320									3,612
Computer and office expenses		720									720
Total expenses	602,827	55,130	42,569	14,626	14,661	1,145	19,751	25,728	343	336	777,116

A breakdown of program expenses as per category and source of financing in 2006 can be detailed as follows:

Program Expenses 2006	UNHCR	KCSP	FES Campaign	BTD Fund	Media Project	KFOS	Total
Personnel	18,433	73,069	750	3,705			95,957
Training		9,540	1,272	503	500	762	12,577
Rent Utilities and maintenance	2,794	13,978	15	360	7		17,154
Travel and vehicles	388	3,278	351	407			4,424
Publication and advertising		6,024					6,024
Supplies and postage	801	1,572	1,110	350			3,833
Computer and office expenses		2,243		3,705			2,243
Total	22,416	109,704	3,498	5,325	507	762	142,212

Advocacy Training and Resource Center

Notes to the financial statements as at 31 December

13. General and administrative expenses

General and administrative expenses are mainly financed by KCSP and the Organization.

	2007	2006
Personnel	43,188	31,315
Computer and office equipment	2,292	6,179
Supplies and postage	2,955	9,240
Rent, utilities and maintenance	17,023	13,978
Audit	2,900	2,500
Grants	-	241
Depreciation	12,326	9,684
Bank charges	305	-
Other expenses	200	-
Total	81,189	73,137

The number of employees of the Organization as at 31 December 2007 was 29 (31 December 2006: 22).

14. Financial Instrument

(i) *Credit risk*

Financial instruments, which potentially subject the organization to concentrations of credit risk, consist primarily of receivables and advances given to NGO. The receivables and advances to NGO credit risk is controlled through approvals of receivables and budget expenditures that generate such receivables.

(ii) *Foreign currency risk*

The Organization is exposed to foreign currency risk as the funds except in EUR are received in USD also. Funds received in USD are translated in EUR, and are expensed only in EUR.

(iii) *Fair value*

The Organization has financial assets, which include receivables (advances to grantees) and cash and cash equivalents. The Organization has financial liabilities, which include payables and deferred revenue. The fair values of these financial instruments are not materially different from their stated value due to their short maturity and approximation of cash.

Trade and other receivables / payables

All group receivables / payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Advocacy Training and Resource Center

Notes to the financial statements as at 31 December

14. Financial Instrument (continued)

(iv) *Interest rate risk*

The Organization's revenues and operating cash flows are substantially independent of changes in market interest rates. There are no interest-bearing borrowings.

(v) *Liquidity risk*

The following are the contractual maturities of financial liabilities excluding the impact of netting agreements:

	<u>2007</u>	<u>2006</u>
	<u>Pay-down expected to be made in 1-12 months</u>	<u>Pay-down expected to be made in 1-12 months</u>
	<u>EUR</u>	<u>EUR</u>
Payables	1,773	-
Total	1,773	-

15. Related parties

A related party is any party that has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related parties include the main donor (IREX), Board members and the Organization's executive officers.

A summary of the related party transactions for 2007 and 31 December 2006 are as follows:

	<u>2007</u>	<u>2006</u>
<i>Transactions with main donor</i>		
Funds received from IREX (KCSP)	648,631	210,235
<i>Transactions with Board</i>		
Board members salary expenses	150	-
<i>Transactions with management</i>		
Executive director salary expenses	21,667	16,154
Finance manager salary expenses	16,632	12,630
Travel and accommodation cost	-	-

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Notes to the financial statements as at 31 December

16. Commitment and contingencies

There are no known commitments and contingency for the year ended 31 December 2007 (31 December 2006: Nil).

17. Events after the balance sheet date

Management is not aware of any events subsequent to the balance sheet date that may have an effect on or require disclosure in the Organization's financial statements as at 31 December 2007 (31 December 2006: Nil).