



Independent Auditor's Report and Fund Accountability Statement

Millennium Foundation of Kosovo ("MFK")

Threshold Agreement

For the period from
October 01, 2019 through March 31, 2020

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Cover Letter

To: Board of Directors
Millennium Foundation of Kosovo (MFK)
Str. Migjeni 21 (9th floor of the former Ljubljana Bank Building)
Prishtina 10000, Republic of Kosovo

December 23, 2020

Dear Sirs,

We are pleased to present our report on the Fund Accountability Statement of MFK, which shows incurred costs in the total amount of USD 2,509,917 for Threshold Fund during the period from October 01, 2019 through March 31, 2020.

The financial statements are the responsibility of MFK Management. Our responsibility is to express an opinion on the Fund Accountability Statement, to evaluate internal controls, to perform compliance testing and to review the status of prior audit recommendations, based on our audit.

We seize this opportunity to thank MFK Management and staff for their collaboration. Please contact us regarding any questions you may have on our report or for any additional information.

Yours sincerely,

Audit & Consulting Associates
Audit & Consulting Associates
Str. Fehmi Agani 25/2
Prishtina 10000, Republic of Kosovo

A circular blue ink stamp for Audit & Consulting Associates. The outer ring contains the text 'Audit & Consulting Associates' at the top and 'PRISHTINE' at the bottom. In the center, there is a stylized 'ACA' logo with the full name 'Audit & Consulting Associates' written across it.



Introduction

1. Background

The United States of America, acting through the Millennium Challenge Corporation (“MCC”) and the Government of **Kosovo** (the “Government” or “**GoK**”) have entered into a Millennium Challenge Threshold program agreement on September 12, 2017, for Millennium Challenge Account assistance to help facilitate poverty reduction through economic growth in **Kosovo** (the “Threshold program agreement”) in the amount of approximately **49 million** USD (“MCC Funding”).

MCC has authorized a program to provide assistance under Section 818 of the Millennium Challenge Act of 2003, as amended, to selected candidate counties that have demonstrated a commitment to strengthening good governance, economic freedom and investment in people in order to assist such counties to become eligible for a Millennium Challenge Compact (the Threshold Program).

MCC has selected Kosovo as eligible for the Threshold Program, and the Parties wish to implement the program described herein to achieve the goals and objectives described below.

Goals and Objectives

Program Goal of this Agreement is to assist Kosovo in becoming eligible for a Millennium Challenge Compact by supporting the implementation of critical institutional and policy reforms that address binding constraints to economic growth in Kosovo. MCC’s assistance will be provided in a manner that strengthens good governance, economic freedom and investments in the people of Kosovo.

Project Objectives of this Agreement consists of the following:

Reliable Energy Landscape Project: Demand for electricity significantly surpasses supply in Kosovo, and the country struggles with the reliability of its energy supply. This project encourages greater household energy efficiency and facilitates the switch to non-electric sources of heating through a pilot activity. MCC’s investments also work to bolster private-sector participation in the power sector by exploring barriers to finance for independent power producers, and create opportunities for women to participate in the energy sector through both employment and entrepreneurship. Activities within this Objective are:

- a. Pilot Incentives for Household Investment in Energy Efficiency
- b. District Heating Metering
- c. IPP Project Finance Facilitation

Transparent and Accountable Governance Project: Government decision-making is often opaque, leading to distrust by the private sector and civil society, and high perceptions of corruption. Kosovo’s judiciary is one the country’s least trusted institutions. This project supports the implementation of a case management information system to make judicial information publicly available, and improvements to the collection and reporting of environmental data to the public. An open innovation competition will let the government pose their challenges to civil society and private sector stakeholders to propose creative, data-grounded solutions, which can be a model for more productive partnerships between government and civil society. Activities within this Objective are:

- a. Public Access to Judicial Information
- b. Environmental Data Collection
- c. Kosovo Open Data Challenge



Monitoring and Evaluation Project: MCC and the Government have agreed to create, and implement an M&E Plan that explains in detail how and what MCC and the Accountable Entity will (i) monitor to determine whether the Projects are on track to achieve their intended results (“Monitoring Component”), and (ii) evaluate to assess implementation strategies, provide lessons learned, determine cost-effectiveness and estimate the impact of Threshold interventions (“Evaluation Component”). The M&E Plan will summarize all indicators that must be reported to MCC on a regular basis, as well as a description of any complementary data to be collected for evaluation of the Program. The M&E Plan will also include any monitoring and evaluation requirements that the Accountable Entity must meet in order to receive Disbursements, and will serve as a communication tool so that staff of the Accountable Entity and other stakeholders clearly understand the objectives and targets the Accountable Entity is responsible for achieving.

Program Administration Project: Ensures the functionality of MFK as an entity. It provides the regulatory framework for all MFK operations and also the accountability towards MCC. It provides for all MFK operation costs and it contains also the costs and management of the Procurement consultant, the Fiscal Agent and the Audit services, all as sub-activities of the Program Administration Project.

The MFK Fund Accountability Statement is subject to audit for the period from October 1, 2019 to March 31, 2020.

The Threshold agreement between MCC and Government of Kosovo does not include any provisional Indirect Cost rates.

2. *Audit objectives and scope*

The objective of this engagement is to conduct financial audits of the MCC resources managed by MFK, under the Threshold Program Agreement between MCC and the Government, from October 1, 2019 through March 31, 2020. The audit is conducted in accordance with the U.S. Government Auditing Standards issued by the Comptroller General of the United States and the Accountable Entities Guidelines for Contracted Financial Audits issued by the Millennium Challenge Corporation (MCC’s AE Audit Guidelines).

The specific objectives of the financial audit of resources managed by MFK are to:

- Express an opinion on whether the FAS for the resources managed by MFK using MCC funds presents fairly, in all material respects, revenues received, costs incurred and reimbursed, and commodities, assets, and technical assistance directly procured by MCC (including by MFK) for the period audited in accordance with MCC rules and regulations, other implementing guidance, the terms of the Threshold Program Agreement, related agreements, conditions of award, and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate and obtain a sufficient understanding of MFK’s internal controls related to MFK’s development and implementation of the Threshold Program Agreement using MCC funds, assess control risk, and identify reportable conditions, including material internal control weaknesses.
- Perform tests to determine whether MFK complied, in all material respects, with the Threshold Program Agreement, supplemental agreements, and applicable laws and regulations related to MCC-funded programs. All material instances of noncompliance and



all illegal acts that have occurred or are likely to have occurred must be identified. Specifically, the auditor shall perform tests to determine whether MFK complied, in all material respects, with the MCC Program Procurement Guidelines, the MCC Cost Principles for Accountable Entity Operations, and the MFK Fiscal Accountability Plan (“FAP”) in effect during the audit period.

- Determine whether MFK has taken adequate corrective action on prior audit report recommendations.

To accomplish the overall objectives, we carried out the following procedures:

(i) Pre audit steps

In order to fully understand the objectives for the audit of the program's activities and to become familiar with the program, we read all the documents considered necessary to perform the audit such as: Threshold Program Agreement, and any supplemental agreements by and between MCC, the Government, and the MFK for development and implementation of the Threshold Program Agreement. Other documents including but not limited to, the: Bank Agreement, Fiscal Agent Agreement, Fiscal Accountability Plan, Procurement Operations Manual, Procurement Plan,

Program Procurement Guidelines, Implementing Entity Agreement(s), M&E Plan, Implementation Plan(s), Program Closure Plan and Work Plans for the relevant Project or Project Activity. The agreements between the MFK and contractors and grantees, and any other entities implementing MCC-funded activities on the MFK’s behalf. The sub-agreements or implementing entity agreements between the MFK and other implementing entities, if applicable. Contracts and subcontracts with third parties, if any. The budgets, implementation letters, and written procedures approved by MCC and the MFK. Applicable procurement laws and regulations. MCC’s *Cost Principles for Accountable Entity Operations* in effect during the audit period.

(ii) Internal controls

Review and evaluation of MFK’s internal controls related to MCC funded programs in order to obtain a sufficient understanding of the relevant policies and whether those policies and procedures have been placed in operation.

(iii) Fund Accountability Statement

Review of Fund Accountability Statement including the budget amounts by category and major items, the revenues received from MCC during the period covered by the audit, costs reported by MFK as incurred during that period, and the assets and technical assistance procured by MCC for the use of MFK.

(iv) Compliance with agreement terms and applicable laws and regulations

To determine, conclude and report whether fraud or illegal acts, abuse or non-compliance has occurred or is likely to have occurred.

(v) Follow-up on prior audit recommendations (if applicable)

To determine whether MFK has taken adequate corrective action on prior audit report recommendations



We conducted our audit of the Fund Accountability Statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States and the Accountable Entities Guidelines for Contracted Financial Audits issued by the Millennium Challenge Corporation (MCC's AE Audit Guidelines). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Fund Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraph 4.16 of U.S. Government Auditing Standards. However, our current program provides for at least 24 (twenty-four) hours of continuing education and training every year.

We did not have an external Quality Control Review by an unaffiliated audit organization as required by Chapter 5, paragraphs 5.60 of Government Auditing Standards, since no such program is offered by professional organizations in the Republic of Kosovo. We believe that the effect of this departure from Government Auditing Standards is not material because we tend to meet the professional conduct based on International Quality Control Standards, which in turn underlines our commitment to the development of stringent quality controls review procedures.

3. *Brief content of audit report and its results*

As a result of our audit work, we are submitting:

- Independent Auditor's Report on Fund Accountability Statement
- Independent Auditor's Report on Internal Control and Compliance
- Management Letter

Summary results of the audit:

- Unmodified opinion;
- No deficiencies in internal controls were identified that we consider to be material weaknesses; In addition, the results of our tests disclosed no instances of noncompliance that are required to be reported under U.S. Government Auditing Standards;
- The Threshold agreement does not have any cost-sharing contributions; therefore, we did not perform the review of cost sharing contributions.
- There were no related parties involvement identified during the audit
- Checked previous recommendations in management letter
- Minor and non-material observations presented in management letter



Summary of MFK Management responses:

The Auditor's Reports were communicated and accepted by the MFK management.

Yours faithfully,

Audit & Consulting Associates
Audit & Consulting Associates

Prishtina,
23 December 2020



Management Responsibility

The accompanying Fund Accountability Statement and related disclosure Notes, of the Threshold program agreement implemented by Millennium Foundation of Kosovo (MFK), and financed under Millennium Challenge Corporation ("MCC"), for the period from October 1, 2019 through March 31, 2020, is compiled by Millennium Foundation of Kosovo Management (MFK), for the purposes of reporting to the Board of Directors and Millennium Challenge Corporation (MCC).

The management of Millennium Foundation of Kosovo (MFK) is responsible for preparation of Fund Accountability Statement.

The management of Millennium Foundation of Kosovo (MFK) is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the Fund Accountability Statement in conformity with the basis of accounting described in Note 2 to the Fund Accountability Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that effectiveness of the design and operation of policies and procedures may deteriorate.

The management of Millennium Foundation of Kosovo (MFK) is responsible for compliance with agreement terms and laws and regulations applicable to Millennium Foundation of Kosovo (MFK).

Prishtina,
23 December 2020

Petrit Selimi

Mr. Petrit Selimi
Executive Director

Independent Auditor's Report on the Fund Accountability Statement

Board of Directors
Millennium Foundation of Kosovo (MFK)
Str. Migjeni 21 (9th floor of the former Ljubljana Bank Building)
Prishtina 10000, Republic of Kosovo

Report on the Financial Statements

We have audited the accompanying Fund Accountability Statement of Millennium Foundation of Kosovo (MFK) and related notes to the Fund Accountability Statement for the period ended March 31, 2020 and have issued our report on it dated December 23, 2020.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Fund Accountability Statement in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of Fund Accountability Statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit. Except as discussed in the following paragraphs, we conducted our audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraph 4.16 of Government Auditing Standards. However, our current program provides for at least 24 (twenty-four) hours of continuing education and training every year.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 5, paragraph 5.60 of Government Auditing Standards, since no such program is offered by professional organizations in the Republic of Kosovo. We believe that the effect of this departure from Government Auditing Standards is not material because we tend to meet the professional conduct based on International Quality Control Standards, which in turn underlines our commitment to the development of stringent quality controls review procedures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Fund Accountability Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Fund Accountability Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Fund Accountability Statement 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

Millennium Foundation of Kosovo (MFK)
FUND ACCOUNTABILITY STATEMENT FROM OCTOBER 1, 2019 TO MARCH 31, 2020
(Amounts expressed in United States Dollars - USD)

estimates made by management, as well as evaluating the overall presentation of the Fund Accountability Statement.

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 Fund Accountability Statement, referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by Millennium Foundation of Kosovo (MFK) for the period then ended in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 2 to the Fund Accountability Statement.

Other Reporting Required by *Government Auditing Standards*

In accordance with U.S. Government Auditing Standards, we have also issued our reports dated December 23, 2020 on our consideration of MFK's Internal Control over Financial Reporting (ICOFR) and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of ICOFR and compliance and the results of that testing, not to provide an opinion on the effectiveness of the MFK's ICOFR or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this Independent's Auditor's Report in considering the results of our audit.

This report is intended for the information of Millennium Foundation of Kosovo (MFK) and Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Audit & Consulting Associates
ACA – Audit & Consulting Associates
Prishtina, Kosovo
December 23, 2020



Millennium Foundation of Kosovo (MFK)
FUND ACCOUNTABILITY STATEMENT FROM OCTOBER 1, 2019 TO MARCH 31, 2020
 (Amounts expressed in United States Dollars - USD)

Fund Accountability Statement (in USD)

MILLENNIUM FOUNDATION OF KOSOVO
 THRESHOLD FUND ACCOUNTABILITY STATEMENT
 October 01, 2019 to March 31, 2020
 Amounts expressed in United States Dollars - USD

	THRESHOLD				Questioned Cost		NOTES
	BUDGET	PRIOR PERIOD	CURRENT PERIOD	CUMULATIVE	INELIGIBLE	UNSUPPORTED	
REVENUE	49,000,000	2,619,182	2,519,423	5,138,604			4
COSTS INCURRED							
1. Energy Sector Project	34,000,000	446,266	705,227	1,151,492	-	-	
1.1 Energy Efficiency Activity - 0489	20,700,000	444,128	581,846	1,025,974	-	-	5
1.2 District Heating Metering Activity - 0490	10,900,000	803	70,936	71,739	-	-	6
1.3 IPP Project Finance Facilitation Activity - 0432	2,400,000	1,335	52,445	53,780	-	-	7
2. Governance Project	8,300,000	286,792	1,260,717	1,547,509	-	-	
2.1 Public Access to Judicial Info. Activity - 0491	4,000,000	-	-	-	-	-	
2.2 Environmental Data Collection Activity - 0492	3,000,000	19,634	1,198,140	1,217,773	-	-	8
2.3 Open Data Activity – 0493	1,300,000	267,158	62,577	329,736	-	-	9
3. M&E (MON & EVAL)	1,700,000	12,229	8,119	20,348	-	-	
Monitoring and Evaluation – 0016	1,700,000	12,229	8,119	20,348	-	-	10
4. Program Admin (PGM ADMIN)	5,000,000	1,724,142	535,854	2,259,997	-	-	
Program Administration – 0017	4,370,000	1,580,350	445,785	2,026,135	-	-	11
Fiscal Management – 0131	430,000	125,000	64,466	189,466	-	-	12
Procurement Management – 0021	100,000	18,792	11,672	30,464	-	-	13
Financial Audit – 0031	100,000	-	13,932	13,932	-	-	14
TOTAL COSTS INCURRED	49,000,000	2,469,430	2,509,917	4,979,346			
Excess of Revenue Over Costs Incurred	-	149,752	9,506	159,258			
Fund Balance September 30, 2019	-	-	149,752	-			
Fund Balance March 31, 2020	-	149,752	159,258	159,258			3

The attached Notes 1 to 14 form an integral part of this Threshold Fund Accountability Statement

Petrit Selimi

 Petrit Selimi
 Executive Director

Anila Statovci

 Anila Statovci – Demaj
 Director of Admin and Finance

Petrit Zeka

 Petrit Zeka
 Fiscal Agent

Prishtina,
 23 December 2020

¹ Please note that the totals may be off due to rounding

Millennium Foundation of Kosovo (MFK)

NOTES TO THE THRESHOLD FUND ACCOUNTABILITY STATEMENT FROM OCTOBER 1, 2019 TO MARCH 31, 2020 (Amounts expressed in United States Dollars - USD)

Notes to the Fund Accountability Statement

1. General

The United States of America, acting through the Millennium Challenge Corporation (“MCC”) and the Government of **Kosovo** (the “Government” or “**GoK**”) have entered into a Millennium Challenge Threshold program agreement on September 12, 2017, for Millennium Challenge Account assistance to help facilitate poverty reduction through economic growth in **Kosovo** (the “Threshold program agreement”) in the amount of approximately **49 million** USD (“MCC Funding”).

MCC has authorized a program to provide assistance under Section 818 of the Millennium Challenge Act of 2003, as amended, to selected candidate counties that have demonstrated a commitment to strengthening good governance, economic freedom and investment in people in order to assist such counties to become eligible for a Millennium Challenge Compact (the Threshold Program).

MCC has selected Kosovo as eligible for the Threshold Program, and the Parties wish to implement the program described herein to achieve the goals and objectives described herein.

Goals and Objectives

Program Goal of this Agreement is to assist Kosovo in becoming eligible for a Millennium Challenge Compact by supporting the implantation of critical institutional and policy reforms that address binding constraints to economic growth in Kosovo. MCC’s assistance will be provided in a manner that strengthens good governance, economic freedom and investments in the people of Kosovo.

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Reliable Energy Landscape Project: Demand for electricity significantly surpasses supply in Kosovo, and the country struggles with the reliability of its energy supply. This project encourages greater household energy efficiency and facilitates the switch to non-electric sources of heating through a pilot activity. MCC’s investments also work to bolster private-sector participation in the power sector by exploring barriers to finance for independent power producers, and create opportunities for women to participate in the energy sector through both employment and entrepreneurship.

Transparent and Accountable Governance Project: Government decision-making is often opaque, leading to distrust by the private sector and civil society, and high perceptions of corruption. Kosovo’s judiciary is one the country’s least trusted institutions. This project supports the implementation of a case management information system to make judicial information publicly available, and improvements to the collection and reporting of environmental data to the public. An open innovation competition will let the government pose their challenges to civil society and private sector stakeholders to propose creative, data-grounded solutions, which can be a model for more productive partnerships between government and civil society.

Monitoring and Evaluation Project: MCC and the Government have agreed to create, and implement an M&E Plan that explains in detail how and what MCC and the Accountable Entity will (i) monitor to determine whether the Projects are on track to achieve their intended results (“Monitoring Component”), and (ii) evaluate to assess implementation strategies, provide lessons learned, determine cost-effectiveness and estimate the impact of Threshold interventions (“Evaluation Component”). The M&E Plan will summarize all indicators that must be reported to MCC on a regular basis, as well as a description of any complementary data to be collected for evaluation of the Program. The M&E Plan will also include any monitoring and evaluation requirements that the Accountable Entity must meet in order to receive Disbursements, and will serve as a communication tool so that staff of the Accountable Entity and other stakeholders clearly

Millennium Foundation of Kosovo (MFK)

NOTES TO THE THRESHOLD FUND ACCOUNTABILITY STATEMENT FROM OCTOBER 1, 2019 TO MARCH 31, 2020 (Amounts expressed in United States Dollars - USD)

understand the objectives and targets the Accountable Entity is responsible for achieving.

Program Administration Project: Ensures the functionality of MFK as an entity. It provides the regulatory framework for all MFK operations and also the accountability towards MCC. It provides for all MFK operation costs and it contains also the costs and management of the Procurement consultant, the Fiscal Agent and the Audit services, all as sub-activities of the Program Administration Project.

Millennium Foundation of Kosovo (MFK)

NOTES TO THE THRESHOLD FUND ACCOUNTABILITY STATEMENT FROM OCTOBER 1, 2019 TO MARCH 31, 2020 (Amounts expressed in United States Dollars - USD)

2. Accounting policies

2.1. Basis of preparation

The Fund Accountability Statement (FAS) was prepared in accordance with the cash basis method of accounting, while transactions are recorded and kept in the accounting system using modified cash basis method.

Under cash basis method of accounting, revenue is not recorded until received and expenses are assigned to the period in which a cash payment is made for the period October 1, 2019 to March 31, 2020.

2.2. Acquisitions of equipment

Acquisitions of equipment and materials are recognized as expenditures when paid, and not as depreciable tangible fixed assets.

2.3. Reporting currency

MFK keeps its books of accounts in both currencies United States Dollars (USD) and European Currency (EUR). The reporting currency is in United States Dollars (USD).

2.4. Interests

Local bank as per agreement with MFK offered all its services to MFK without fee. However, in turn, MFK does not earn any interest for funds kept in its bank account. Therefore, there are no interests that have to be deposited to MFK's local bank account, and subsequently no interest transferred to MCC account.

2.5. Foreign exchange transactions

The Threshold FAS is expressed in United States Dollars (USD), the reporting currency.

All payments denominated in Euro, the local currency, are converted into dollars using the weighted average of the actual exchange rates at which disbursements were received into the Permitted Account. New exchange rates are stored and used for all upcoming payments (Re-Disbursements) until the next receipt into the Permitted Account.

2.6. Tax exemption

In accordance with the Agreement "Unless the Parties specifically agree otherwise in writing, the Government shall ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Kosovo, reasonable in amount and imposed on a nondiscriminatory basis) ("Taxes") of or in Kosovo (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Kosovo)."

2.7. Accrued expenses

An accrual expense is any received invoice related to work completed and approved by MFK during the current audit period but paid in the following audit period. This kind of expense are only disclosed in the Notes to Threshold FAS.

Millennium Foundation of Kosovo (MFK)

NOTES TO THE THRESHOLD FUND ACCOUNTABILITY STATEMENT FROM OCTOBER 1, 2019 TO MARCH 31, 2020 (Amounts expressed in United States Dollars - USD)

3. Bank Accounts and Bank Balances

	Oct '19-March '20 (in USD)
Permitted Acc./USD	100,000
Permitted Acc./EUR	59,258
Total Bank Balances	159,258

4. Cash received during the year

	Oct '19-March '20 (in USD)
IBC/Banks in US	329,089
IBC/Banks outside US/nonUSD	1,490,334
Received - Permitted Acc./USD	700,000
Total disbursements from MCC	2,519,423

5. Energy Efficiency Activity

	Oct '19-March '20 (in USD)
Advertisement, Outreach	57,431
Internship Program - Consultant	9,718
Scholarships	295,177
PIEE Implementation Consultant	220,563
Adjustment for travel expenses	(1,043)
Total Energy Efficiency Activity	581,846

Millennium Foundation of Kosovo (MFK)**NOTES TO THE THRESHOLD FUND ACCOUNTABILITY STATEMENT FROM OCTOBER 1, 2019 TO MARCH 31, 2020** (Amounts expressed in United States Dollars - USD)**6. District heating metering activity**

	Oct '19-March '20 (in USD)
Advertisement, Outreach	800
DHM contract	70,136
Total District Heating Metering Activity	70,936

7. IPP Project Finance

	Oct '19-March '20 (in USD)
IPP implementation project man.	29,988
Evaluation Pannel	2,963
Workshops/Training/Capacity Bui	1,157
Outreach, Advertising, Communic	7,436
Implementing Entity - KCGF	10,901
Total IPP Project Finance	52,445

8. Environmental Data Collection Activity

	Oct '19-March '20 (in USD)
Supply of Air Quality Mon. eq.	1,002,140
Supply of project manag. air qu	196,000
Total Environmental Data Collection Activity	1,198,140

Millennium Foundation of Kosovo (MFK)**NOTES TO THE THRESHOLD FUND ACCOUNTABILITY STATEMENT FROM OCTOBER 1, 2019 TO MARCH 31, 2020** (Amounts expressed in United States Dollars - USD)**9. Open Data Activity**

	Oct '19-March '20 (in USD)
Comm. and Outr. for ODC - LFTU	11,684
Dig Data Labor Grants - 2nd,3r	8,252
Open Data AQ - Jury	4,950
Dig Data Air Quality Awards C.	19,519
Dig Data - Air Quality Grants	4,780
Consultancy	8,732
Travel	4,661
Total Open Data Activity	62,577²

10. Monitoring and Evaluation

	Oct '19-March '20 (in USD)
Monitoring and Evaluation consultant	8,072
Outreach, Advertising, Communication	47
Total Monitoring and Evaluation	8,119

11. Program Administration

	Oct '19-March '20 (in USD)
Personnel Expenses	285,768
Office Expenses	27,102
Travel Expenses	1,844
Vehicle Expenses	3,472
Outre., Advert., Comm. & PR	55,125
Office Equip., Furniture, Vehicle	6,678
Consultants & Professional Fees	41,067
Training and Capacity Building	17,913
Misc. Expenses / Contingencies	6,816
Total Program Administration	445,785

² Please note that the totals may be off due to rounding

Millennium Foundation of Kosovo (MFK)**NOTES TO THE THRESHOLD FUND ACCOUNTABILITY STATEMENT FROM OCTOBER 1, 2019 TO MARCH 31, 2020** (Amounts expressed in United States Dollars - USD)**12. Fiscal Management**

	Oct '19-March '20 (in USD)
Fiscal Agent	64,466
Total Fiscal Management	64,466

13. Procurement Management

	Oct '19-March '20 (in USD)
Procurement Consultant	11,672
Total Procurement Management	11,672

14. Financial Audit

	Oct '19-March '20 (in USD)
Financial Audit	13,932
Total Financial Audit	13,932

15. Unpaid bills

As of March 31, 2020, there were two unpaid expenses treated as Accounts Payable as presented in table below:

	Oct '19-March '20 (in USD)
Outreach and Vehicle expenses	642.64
Total unpaid bills	642.64

Both these bills were paid on 14th April 2020. Having in mind that FAS is prepared with cash basis method, these expenses are not included within FAS.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Board of Directors

Millennium Foundation of Kosovo (MFK)

Str. Migjeni 21 (9th floor of the former Ljubljana Bank Building)

Prishtina 10000, Republic of Kosovo

Except as discussed in the following paragraphs, we have audited in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Fund Accountability Statement of Millennium Foundation of Kosovo (MFK) as of and for the year period March 31, 2020, and have issued our report on it dated December 23, 2020.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraph 4.16 of *Government Auditing Standards*. However, our current program provides for at least 24 (twenty-four) hours of continuing education and training every year.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 5, paragraph 5.60 of *Government Auditing Standards*, since no such program is offered by professional organizations in the Republic of Kosovo. We believe that the effect of this departure from *Government Auditing Standards* is not material because we tend to meet the professional conduct based on International Quality Control Standards, which in turn underlines our commitment to the development of stringent quality controls review procedures.

Internal Control over Financial Reporting (ICOFR)

In planning and performing our audit of the Fund Accountability Statement of Millennium Foundation of Kosovo (MFK), we considered the MFK's ICOFR (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on Fund Accountability Statement, but not for the purpose of expressing an opinion on the effectiveness of the MFK's internal control. Accordingly, we do not express an opinion on the effectiveness of the MFK's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Millennium Foundation of Kosovo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Audit & Consulting Associates
ACA – Audit & Consulting Associates
Prishtina, Kosovo
December 23, 2020

