



CNVP

Building a Greener Economic Environment

**Abbreviated Annual Report
1 January – 31 December, 2018**

CNVP

Abbreviated Annual Report

1 January – 31 December, 2018

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This is the abbreviated version of CNVP’s Annual Report for 2018. CNVP obtained an unqualified audit opinion for its financial accounts for 2018. A full version including the auditor opinion is available on request (info@cnvp-eu.org).

Part A: 2018 Annual Report

Executive summary

CNVP is active in the six Balkan countries that are seeking to join the EU by meeting regulatory requirements under the *acquis communautaire*. Their governments have objectives covering sustainable economic development, job creation, and retention of young people in rural areas, as well as dealing with the ongoing process of climate change and environmental damage.

Using evidence-based analysis to improve the sustainable livelihoods of rural communities, CNVP supported achievement of these government objectives in 2018 by focusing on different aspects of the **Green Economy/Brown Agenda/Circular Bioeconomy/Green Growth axis**¹.

CNVP focused on the following main activities in 2018:

1. implement donor-funded projects, acting as a facilitator to provide advisory services, strengthen local capacities, and improve local governance;
2. access additional national/regional business opportunities in Albania, Kosovo, Macedonia, Montenegro, Serbia and Bosnia-Herzegovina by:
 - a. maximising contacts with all key international and national public/private/donor/CSO stakeholders and partners;
 - b. joining major networks linked to CNVP's core activities, (where free or at low cost), and attending related networking events;
 - c. being included as a junior partner in consortia bidding for EU tenders;
3. improve CNVP's web, social media, PR and promotional activities; and
4. continue to implement CNVP's Young Graduate Internship Scheme.

Business development efforts in 2018 focused on producing quality project proposals that had a reasonable probability of success and offered the highest value contribution to CNVP. The targets and out-turn for 2018 were as follows:

1. **Target:** 25 projects submitted, including concept notes and full proposals; **Actual:** 32 project documents submitted
2. **Target:** five projects won; **Actual:** 9 project contracts won; 5 projects pending; 19 projects rejected
3. **Target:** 3 million euro contracted; **Actual:** 1.411 million euro confirmed at 28 May 2019, (plus a potential further 2 million euro for Years 2 and 3 of the LED project, if Year 1 is successfully implemented against agreed milestones)
4. **Target:** break even at year end; **Actual:** loss of 224,808 euro

In 2018, CNVP implemented the following projects:

¹ The **Green Economy** focuses on agri-rural, NRM, forestry, renewable energy and governance activities that will reduce environmental risks and ecological scarcities, as well as achieve sustainable development without degrading the environment. The **Brown Agenda** addresses issues of: unsafe water provision, sanitation and drainage; inadequate solid, plastic and hazardous waste management; and air pollution, including uncontrolled emissions from motor vehicles, factories and low grade domestic fuels. The **Circular Bioeconomy** is where the value of products, materials and resources is maintained for as long as possible, and the generation of waste is minimised, in order to promote sustainable, low carbon, resource efficient and competitive **Green Growth**.

Projects implemented in 2018	Status	Link to CNVP's strategic direction and priorities
<p>Forests for Local Economic Development (FLED)</p> <p>Donor: Sida</p>	<ul style="list-style-type: none"> Started: 2014 Scheduled completion: 31 December 2018 Revised completion: 30 June 2019 Current implementation problem linked to property registration has required the project to be extended by 6 months with no additional budget; all other project activities completed on time 	<ul style="list-style-type: none"> Forestry, agro-forestry and sustainable forest management, including development of non-timber forest product value chains Climate change, environment and natural resource management Agri-rural development, including eco-tourism Renewable energy, primarily from wood and crop biomass Community mobilisation, governance and civil society European accession and policy questions related particularly to Chapter 11 (Agriculture and Rural Development) and Chapter 27 (Environment) of the acquis communautaire
<p>Dibra Traditions and Tourism (D2T), Albania</p> <p>Donor: USAID/Sida</p>	<ul style="list-style-type: none"> Started: June 2017 Expected completion: March 2020 No implementation problems 	<ul style="list-style-type: none"> Agri-rural development, including eco-tourism and zonal coast management Improved household/commercial waste management
<p>Strengthening Sustainable Private and Decentralised Forestry (SSPDF), Kosovo</p> <p>Donor: Sida</p>	<ul style="list-style-type: none"> Started: August 2014 Expected completion: 31 December 2020 No implementation problems 	<ul style="list-style-type: none"> Forestry, agro-forestry and sustainable forest management, including development of non-timber forest product value chains Climate change, environment and natural resource management Agri-rural development, including eco-tourism Renewable energy, primarily from wood and crop biomass Community mobilisation, governance and civil society European accession and policy questions related particularly to Chapter 11 (Agriculture and Rural Development) and Chapter 27 (Environment) of the acquis communautaire
<p>Rural CSOs/National Rural Parliament as a voice of rural citizens, Macedonia</p> <p>Donor: EU</p>	<ul style="list-style-type: none"> Started: 1 March 2017 Expected completion: 31 August 2019 No implementation problems 	<ul style="list-style-type: none"> Agri-rural development, including eco-tourism Community mobilisation, governance and civil society
<p>Land Use Planning and Biodiversity Mainstreaming, Macedonia</p> <p>Donor: UNEP</p>	<ul style="list-style-type: none"> Started: 17 December 2018 Expected completion: 30 April 2019 No implementation problems 	<ul style="list-style-type: none"> Forestry, agro-forestry and sustainable forest management, including development of non-timber forest product value chains

Communities Communicating Climate Change, Macedonia Donor: EU	<ul style="list-style-type: none"> Started: 1 January 2018 Expected completion: 31 December 2020 No implementation problems 	<ul style="list-style-type: none"> Climate change, environment Community mobilisation, governance and civil society
Support for Rural Youth, Macedonia Donor: EU	<ul style="list-style-type: none"> Started: 1 January 2018 Expected completion: 30 June 2019 No implementation problems 	<ul style="list-style-type: none"> Agri-rural development, including eco-tourism Community mobilisation, governance and civil society
Rural development driven by rural CSOs, Montenegro Donor: EU	<ul style="list-style-type: none"> Started: 1 October 2017 Expected completion: 31 March 2020 No implementation problems 	<ul style="list-style-type: none"> Agri-rural development, including eco-tourism Community mobilisation, governance and civil society
PEFC Balkans 2 Donor: PEFC	<ul style="list-style-type: none"> Started: 1 January 2018 Completion: 31 December 2018 No implementation problems 	<ul style="list-style-type: none"> Forestry, agro-forestry and sustainable forest management, including development of non-timber forest product value chains European accession and policy questions related particularly to Chapter 11 (Agriculture and Rural Development) and Chapter 27 (Environment) of the acquis communautaire
Pilot PEFC forest certification in southeast Macedonia-Farmahem Donor: SDC, PEFC	<ul style="list-style-type: none"> Started: 1 January 2018 Completion: 30 April 2018 No implementation problems 	<ul style="list-style-type: none"> Forestry, agro-forestry and sustainable forest management, including development of non-timber forest product value chains European accession and policy questions related particularly to Chapter 11 (Agriculture and Rural Development) and Chapter 27 (Environment) of the acquis communautaire
Assessment of challenges and opportunities for local actions of non-timber forest products (NTFPs) in the wider Prespa region, Albania and Macedonia Donor: PONT/KfW	<ul style="list-style-type: none"> Started: 20 November 2018 Expected completion: 30 April 2019 No implementation problems 	<ul style="list-style-type: none"> Forestry, agro-forestry and sustainable forest management, including development of non-timber forest product value chains
Assessment of challenges and opportunities for eco-tourism in the wider Prespa region, Albania and Macedonia Donor: PONT/KfW	<ul style="list-style-type: none"> Started: 20 December 2018 Expected completion: 20 June 2019 No implementation problems 	<ul style="list-style-type: none"> Agri-rural development, including eco-tourism
Regional Action for Combating Forest Crime and Corruption, Macedonia, Serbia, Bosnia-Herzegovina and Montenegro Donor: NORAD	<ul style="list-style-type: none"> Started: 1 December 2018 Expected completion: 30 November 2021 No implementation problems 	<ul style="list-style-type: none"> Forestry, agro-forestry and sustainable forest management, including development of non-timber forest product value chains Community mobilisation, governance and civil society

The most important risk in 2018 concerned not winning new projects to provide long term funding for CNVP. Other risks included:

1. loss of motivation in the CNVP team; inadequate project management; engaging in loss making activities; uncompetitive fee rates caused by high overhead costs; insufficient cash flow (all internal risks); and
2. weak political situation and unrest; stagnation of ongoing reform processes; unfavourable exchange rate changes; limited donor interest in forestry; and corruption and fraud (all external risks).

Progress in implementing CNVP's activities in 2018 was reported to, and monitored by, the Supervisory Board at meetings held in April, September and December 2018.

CNVP had 26 full time employees at 31 December 2018, (Netherlands, 2; Albania, 13; Kosovo, 7; Macedonia, 3; Montenegro, 1).

Improved marketing, networking and business development meant that CNVP was better known and more visible in 2018 in each Balkan country where it is active, as well as in Europe and internationally.

Much was done in 2018 to address CNVP's main priority of generating significant additional project revenues to cover operational costs and achieve long-term financial sustainability. The strong pipeline of 32 project proposals submitted throughout 2018 led to winning 9 project contracts with 5 pending. For this momentum to be continued, each CNVP country will have to allocate sufficient resources in 2019 and subsequently to submit a pipeline of quality project proposals. At the same time, it will require CNVP to be proactive in taking action at country level to obtain additional funding from bilateral partners and multilateral donors e.g. EU, IBRD, UNDP, UNEP, IFAD, EIB and UNECE.

Overall, the steady progress achieved in 2018 through increasing the number of projects won, developing new project activities, and diversifying donor support (all in line with CNVP's strategy 2017-20) helped to build a platform for CNVP's further development in 2019 and beyond².

That said, the projected deterioration in the financial position in 2019 and 2020 needs to be addressed urgently. This can be done by a combination of increasing project revenues, cutting overhead costs, and raising margins. Increased project revenue is happening as a result of improved marketing, communication, networking and business development. But, it is a slow process. Concerning cutting overhead costs, an earlier exercise in 2017 to reduce office rents, cut medical benefits and reduce (business development) staff costs was effective. Further significant reductions in overhead costs must now relate to CNVP's main cost item - staff salaries and benefits. This will involve a combination of elimination of the position of international Executive Director, reduced CNVP staff numbers, lower salaries and reduction in/elimination of benefits e.g. 13th month salary and medical support. Concerning raising margins, this will involve a combination of: maximising the percentage of time an individual's salary is funded by a project; charging higher staff fees for projects, and making a margin over what is paid to the employee/consultant; and charging out staff time at a higher rate (where possible) for specialist service delivery e.g. advice on issues related to PEFC, GIS and carbon sequestration.

Finally, the opportunity exists for CNVP to win and implement additional regional projects similar to that gained in 2018 to fight crime and corruption in forestry in Macedonia, Serbia, Bosnia-Herzegovina and Montenegro.

² Further diversification of project activities is possible, including, for example: plant and nature conservation; development of agro-forestry to provide wood/crop biomass for municipal district heating; water and solid waste management (where there is currently significant donor funding at municipal level); women's economic empowerment/rural entrepreneurship; and slowing down the outward migration of rural youth.

Part B: 2018 Abbreviated Annual Accounts

Part B of the 2018 Abbreviated Annual Report contains the abbreviated annual accounts of Connecting Natural Values & People Foundation (CNVP) registered in The Hague, The Netherlands.

CNVP's mission is to use evidence-based analysis to improve the sustainable livelihoods of rural communities within the ongoing process of environmental and climate change.

CNVP achieves its objectives by helping to develop the capacity of local actors on a participatory basis through the provision of advisory services and technical assistance, using the expertise and experience of Team CNVP and its partners.

CNVP's Structure

The Foundation is a not-for-profit organisation. It designs, implements and manages projects financed by international donors and other sources of finance. Its work is currently focused in the Balkans with registered branches active in Macedonia, Albania, Kosovo, Serbia, Montenegro and Bosnia-Herzegovina.

The abbreviated annual accounts constitute solely the aggregated financial statements of one legal entity, CNVP Netherlands. They reflect the main activities of the Foundation, including management of the externally financed projects and provision of advisory services.

CNVP's main activities are financed by international donors and own contributions. CNVP's initial capital contribution consists of cash and tangible fixed assets.

In the statement of financial performance, the income generated from CNVP's activities is reported under income from grants i.e. funds made available to CNVP by other parties and donors, to be managed for the benefit of third parties located in the Balkan countries where CNVP operates. Beneficiaries do not pay for services provided by CNVP. Funds are transferrable from donors to CNVP upon fulfilment and compliance with certain requirements as foreseen in the legal contracts that CNVP enters into with donors.

Expenditure includes expenses incurred during and for the implementation of projects, as well as expenses for the day-to-day operations of CNVP. The balance of income and expenditure, or the result for the period, is transferred to the capital base of the organisation, and is reflected in the balance sheet. This also includes: tangible fixed assets; current assets, which are mainly project related receivables; grants receivable; prepayments; and cash. Current liabilities consist of payables, accruals and pre-received grants.

CNVP's abbreviated annual accounts consist of the following:

- Abbreviated Balance Sheet after appropriation of balance of income and expenditure at 31 December 2018
- Abbreviated Statement of Financial Performance for the period from 1 January to 31 December 2018
- Abbreviated Cash flow statement for the period from 1 January to 31 December 2018
- Accounting principles
- Abbreviated Notes to the Balance Sheet
- Abbreviated Notes to the Statement of Financial Performance
- Signed Financial Statements
- Independent Auditors' Report

Abbreviated Balance Sheet at 31 December 2018

After appropriation of result from 1 January to 31 December 2018

Assets	Note	2018	2017
Tangible Fixed Assets			
		EUR -	EUR -
Vehicles	1	-	39,271
Office equipment		2,555	8,363
Subtotal		<u>2,555</u>	<u>47,634</u>
Current Assets			
Grant receivable	2	12,060	6,635
Prepayment projects	3	27,093	38,579
Prepayments	4	2,314	2,084
Cash	5	1,416,813	2,040,939
Subtotal		<u>1,458,279</u>	<u>2,088,237</u>
Total Assets		<u>1,460,834</u>	<u>2,135,871</u>

Abbreviated Balance Sheet at 31 December 2018

After appropriation of result from 1 January to 31 December 2018

Liabilities	Note	2018	2017
Foundation's Capital		EUR -	EUR -
General reserve	6	631,212	816,749
Appropriated reserve	6	0	39,271
Subtotal		631,212	856,020
Provisions			
Reservation severances	7	53,464	0
Subtotal		53,464	0
Current Liabilities			
Payables	8	26,205	14,059
Taxes, social security & pension	9	20,896	16,680
Grants provided	10	714,374	1,234,870
Accruals	11	14,684	14,242
Subtotal		776,159	1,279,851
Total Liabilities		1,460,834	2,135,871

Abbreviated Statement of Financial Performance

For the period from 1 January to 31 December 2018

		Actuals from 01 January to 31 December 2018	Budget from 01 January to 31 December 2017	Actuals from 01 January to 31 December 2017
Income	Note	EUR -	EUR -	EUR -
Income from grants	12	1,732,611	1,888,818	1,673,932
Other income	13	1,543	300	1,895
Total Income		<u>1,734,154</u>	<u>1,889,118</u>	<u>1,675,827</u>
 Expenditure				
Personnel	14	864,589	791,845	808,682
Depreciation fixed assets	15	45,194	42,891	78,124
Other expenses	16	1,049,179	1,057,170	895,948
Total Expenditure		<u>1,958,962</u>	<u>1,891,906</u>	<u>1,782,754</u>
 Balance Income & Expenditure	17	<u>(224,808)</u>	<u>(2,788)</u>	<u>(106,927)</u>
 Appropriation Balance Income & Expenditure				
to:				
General reserve		<u>(185,537)</u>	<u>36403</u>	<u>(39,602)</u>
Appropriated reserve		<u>(39,271)</u>	<u>(39,191)</u>	<u>(67,325)</u>

Foundation Capital	<u><u>(224,808)</u></u>	<u><u>(2,788)</u></u>	<u><u>(106,927)</u></u>
Balance Income & Expenditure after Appropriation	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Abbreviated Cash flow statement at 31 December 2018

	Note	2018	2017
Operating result	12;14-16	(226,351)	(108,805)
Adjustment for :			
Depreciation	15	45,194	78,124
Receivables	2;3	6,061	(34,256)
Prepayments	4	(230)	1,505
Payables	8	12,146	(8,706)
Provisions	7	53,464	0
Taxes, and leave of employees	9;11	4,659	1307
Project payables	10	(520,496)	(47,632)
Interest received	13	1,543	378
Gain /loses on sale of fixed assets	1	0	158
Net Cash from Operating Activities		<u><u>(624,010)</u></u>	<u><u>(117,927)</u></u>
Purchase of fixed assets	1	(115)	(1,223)
Sale of fixed assets	1	0	1,500
Cash from investment activities		<u><u>(115)</u></u>	<u><u>277</u></u>
Net decrease in cash and cash equivalents		<u><u>(624,125)</u></u>	<u><u>(117,650)</u></u>
Cash and Bank at January 1,2018	9	2,040,939	2,158,588
Cash and Bank at December 31,2018	9	1,416,813	2,040,939

Accounting Principles

General information and structure

Connecting Natural Values & People (CNVP) Foundation, with RSIN no. 851792479 at the Chamber of Commerce, with its registered seat Tolakkerweg 68 3739 JP Hollandsche Rading, The Netherlands, currently has three registered and active branches in the Balkans in Macedonia, Albania and Kosovo.

The annual accounts of CNVP cover 1 January 2018 to 31 December 2018. They reflect the financial information of the Netherlands based foundation along with the financial information of the six local branches. For the purposes of these financial statements, internal transactions and relations have been eliminated.

The mission of the Foundation is to improve the livelihoods of rural people through providing quality services in forestry, rural development, environment and biomass for renewable energy to increase the capacity of local actors to achieve their sustainable development in, but not restricted to, the Balkans, and anything which may directly or indirectly relate, or be conducive, to these activities in the broadest sense of the terms.

General accounting principles for the preparation of the annual accounts

The annual accounts are prepared in accordance with the Dutch Accounting Standard RJ 640 for not-for-profit organisations. This abbreviated version of the annual report was Prepared for publication purposes. It has been taken from the full annual report which was adopted by the board on 31 March 2018. Deloitte Accountants B.V. expressed an unqualified opinion with the full annual report on 15 July 2019. If a full version is required, including the auditor's opinion, please request a copy (via info@cnvp-eu.org).

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention, unless presented otherwise. If assets and liabilities are stated in foreign currencies, the calculations are based on the exchange rates prevailing on the balance sheet date at 31 December 2018. Exchange rate differences are included in other operational costs, in the statement of financial performance. Incomes and expenses are accounted for on accrual basis. Profit is only included when realised on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the annual accounts.

The financial statements are presented in euros, which is the functional currency of CNVP.

Financial instruments

Financial instruments are both primary financial instruments (such as receivables and debts), and derivative financial instruments (derivatives).

The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet, the information on the fair value is disclosed in the notes to the 'contingent assets and liabilities'.

Accounting principles for the valuation of assets and liabilities

Assets

Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life

and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.

The assets are depreciated by asset group over their expected economic lives, using the linear method. Residual value is not taken into account. Any new assets purchased from CNVP are included at historical costs and are converted using the exchange rates prevailing at the date of the purchase. The tangible fixed assets purchased by or for the externally financed programmes are also capitalized under the fixed assets.

As requested by Sida, assets that have value higher than 5,000 € will be given to the cooperation partner at the end of the FLED project (30.6.2019), and SSPDF project (31.12.2020). Asset depreciation is calculated for the years that assets (vehicles) will be used by CNVP until the end of the project.

Annual rates of depreciation used are:

- Vehicles, 25%
- Office equipment, 33%
- Sida Project assets with value higher than 5,000 €, 35%-40%

Any costs of repairs or maintenance are reported in the statement of financial performance for the period.

Current Assets

Receivables

Upon initial recognition the receivables are valued at fair value and then valued at amortised cost. The fair value and amortised cost equal the face value. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

Receivables consist mainly of project related receivables for work carried out by CNVP on projects, for which the funding has not been received as of the date of the balance sheet.

Prepayments consist of short term rent deposits and prepaid expenses for 2018.

Cash and bank

The cash and bank is valued at face value. If cash equivalents are not freely available, this has been taken into account upon valuation.

Capital and Liabilities

The Foundation's Capital consists only of a general reserve and appropriated reserve. The account includes the initial donation of SNV to CNVP both in cash and fixed assets. At the end of the period, the balance of income and expenditure for the period is also appropriated to this account.

The general reserve is for unrestricted use of CNVP, and it is maintained to ensure the continuity of the organisation.

The appropriated reserve relates to the project asset reserve. This is for the depreciation of fixed assets that are purchased from donor project funds with a value higher than 5,000 EUR, and will be given to the cooperation partners on project completion.

Provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made. Provisions are measured as the best

estimate of the amount necessary to settle the obligation at the balance sheet date, and are carried at the nominal value of the expected settlement value.

Current liabilities include mostly project-related items and project funds received in advance to be utilized within the coming year. A lesser amount is made up of payables and accruals related to payroll and other employee benefits.

Transactions in foreign currency are recorded based on exchange rates updated monthly. At the end of the year, the foreign currency denominated receivables, payables, cash and bank balances are revalued. Results are posted in the statement of financial performance.

Social security and pension

CNVP contributes the employer share of social security schemes in compliance with local legislations of its branches. It also reimburses the employer share of contributions for pension, in case the employee cannot be covered by the state owned social security.

Accounting principles for determining the balance of income and expenditure

Principles for the determination of the result

Income and expenses are accounted for on accrual basis. Income is recognized only when realized at the balance sheet date. Income generated by CNVP is categorized under income from grants, since CNVP manages donor funds for the benefit of third parties. On their part, beneficiaries do not pay for services received from CNVP work. Revenues from services are recognised in proportion to the services rendered, based on the cost incurred in respect of the services performed up to balance sheet date, in proportion to the estimated costs of the aggregate services to be performed. All expenses related to activities carried out prior to the balance sheet date are taken into account within the year's expenses.

The balance of income and expenditure, or the result for the period, is determined as the difference between income generated by CNVP activities and expenditure related to implementation of these activities.

Principles for preparation of the consolidated cash flow statement

The cash flow statement is prepared according to the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents are considered to be highly liquid investments.

Cash flows in foreign currencies are translated at an estimated average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.

Transactions that do not result in exchange of cash and cash equivalents are not presented in the cash flow statement.

Notes to the Abbreviated Balance Sheet at 31 December 2018

1. Tangible fixed assets

CNVP purchases assets that are paid mainly through project funds received.

New assets purchased are recorded in the books as of the date the assets were put in use. Depreciation expense starts from that date. Depreciation is based on the estimated useful life of each asset group and it is calculated as a fixed percentage, not taking into account any residual value for the asset. Asset life extends to 4 years for vehicles and 3 years for office equipment. Depreciation expense is accounted for in the statement of financial performance. Costs for periodic major maintenance are also charged to the statement.

Based on Sida requirements, tangible fixed assets purchased by or for externally financed Sida programmes with value higher than 5,000 € are fully depreciated over the total project period, and handed over to project partners at the end of the project period. This is applicable for the purchased vehicles. Their lifespan is calculated until the project end when the assets will be given to the cooperation partners.

The following table reflects movements in the fixed assets by category.

	Vehicles	Office equipment	Total
	EUR	EUR	EUR
Acquisition cost as at January 1, 2018	253,675	42,719	296,394
Cumulative depreciation and other impairments as at January 1, 2018	(214,404)	(34,356)	(248,760)
Carrying amount as at January 1, 2018	<u>39,271</u>	<u>8,363</u>	<u>47,634</u>
Investments	-	115	115
Carrying amount of disposals	-	-	-
Depreciation	<u>(39,271)</u>	<u>(5,923)</u>	<u>(45,194)</u>
Carrying amount as at December 31, 2018	<u>-</u>	<u>2,555</u>	<u>2,555</u>
Acquisition cost as at December 31, 2018	253,675	42,834	296,509
Cumulative depreciation and other impairments as at December 31, 2017	(253,675)	(40,279)	(293,954)
Carrying amount as at December 31, 2018	<u>-</u>	<u>2,555</u>	<u>2,555</u>

Current Assets

2. Grants Receivables

The balance of receivables consists primarily in receivables for project work done for which the funds were not received as of the balance sheet date. These receivables are the outstanding amount for the CSO MNE Project and Farmahem Project.

	At 31-12-2018	At 31-12-2017
	EUR -	EUR -
Grant receivables	12,060	6,635
Total	<u>12,060</u>	<u>6,635</u>

3. Prepayment projects

Prepayment projects represent a balance of advance payments given to the partners, LCB consultants etc. The amount of 27,093 € is mainly the balance of the advance given to the project partners and sub grantees for implementation of EU projects in Macedonia (National Rural Parliament, Rural Youth)

	At 31-12-2018	At 31-12-2017
	EUR -	EUR -
Prepayments to project partners	27,093	38,579
Total	<u>27,093</u>	<u>38,579</u>

4. Prepayments

Prepayments include prepaid expenses related to items such as rent deposits, and work advance payment that was not settled.

At 31-12-2018	At 31-12-2017
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	EUR -	EUR -
Rent deposits	2,084	2,084
Debtors	230	
Total	2,314	2,084

5. Cash and bank

Cash and bank balance represent liquidity at the disposal of CNVP as of the date of the balance sheet. The total balance consists of the balances of bank accounts owned by CNVP, two dedicated project bank accounts for Sida, (SSPDF and Sida FLED), one for the Norwegian regional project, project accounts in Macedonia, and cash on hand at 31 December 2018.

The total of project bank balances at 31 December 2018 was € 1,058,358 which was pre-received donor funds. The amount related to the FLED and SSPDF projects includes income from 2018. This will be settled in the first months of 2019.

The remaining amount of € 358,455 reflects the balance of cash that belongs to CNVP as of the balance sheet date.

At 31-12-2018	At 31-12-2017
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	EUR -	EUR -
CNVP bank balances		
Rabobank Netherlands	249,610	288,779
ProCredit Bank Albania	27,163	26,531
Reiffeisen Bank Albania	3,142	1,693
Procredit Bank Kosovo	4,175	13,065
Uni Bank Macedonia	46,002	7,768
NLB Bank Montenegro	24,565	
Banka Intesa Serbia	181	
Subtotal	354,837	337,836
Project bank accounts		
Rabobank Netherlands, Project SIDA SSPDF	489,154	849,227
Rabobank Netherlands, Project SIDA FLED	373,256	826,507
Rabobank Netherlands, Project Norad	137,707	
Uni Bank NRP EU Project	39,732	25,052

Uni Bank RY EU Project	4,541	
Uni Bank CCCC EU project	12,962	
Uni Bank Farmahem project	1,006	
	<hr/>	
Subtotal	1,058,358	1,700,786
	<hr/>	
CNVP cash on hand		
CNVP Albania	1,828	1,050
CNVP Kosovo	1,124	987
CNVP Macedonia	662	279
CNVP Montenegro	5	
	<hr/>	
Subtotal	3,618	2,317
	<hr/>	
Total	1,416,813	2,040,939
	<hr/>	

Note: due to rounding, difference of 1 euro may occur

Liabilities

Foundation's Capital

6. Reserve

The Foundation's Capital consists of a general reserve and an appropriated reserve (project assets reserve).

The general reserve is for unrestricted use of CNVP, and serves to ensure the continuity of the organisation.

The appropriated reserves relate to the project assets reserve. This is for the depreciation of fixed assets that are purchased from donor's project funds with a value higher than 5,000 EUR, and will be given to the cooperation partners. The expenditure of these assets is charged to the donor, and funds are transferred to the reserve of CNVP. The value of those fixed assets represents the net book value at the end of 2018 that will be used for depreciation until the project ends.

The balance of income and expenditure over 2018 is appropriated to the general and appropriated reserve.

The summary of movements in the reserve accounts is given below.

	Balance at 31-12-2018	Add result for period	Balance at 31-12-2017
	EUR -	EUR -	EUR -
General reserve	631,212	(185,537)	816,749
Appropriated reserve	0	(39,271)	39,271
Total	631,212	(224,808)	856,020

Provisions

7. Reservation severances

These amounts relate to ongoing organisational restructuring of CNVP Albania. Seven employees received a notification letter for employment termination due to the ending of existing projects and the uncertainty of approval of new projects. The termination letter will become effective on 14 April 2018. The amount for severances has been calculated based of the national labour law of Albania.

At 31-12-2018	At 31-12-2017
------------------	------------------

	EUR -	EUR -
Reservation severance	53,464	0
Total	53,464	0

Current Liabilities

8. Payables

The amounts to be paid consist of organisational expenses incurred in 2018 to be paid in 2019. Interest payable on donor funds consists of interest earned in donor funds for the EU NRP and Rural Youth projects in Macedonia.

At 31-12-2018	At 31-12-2017
------------------	------------------

	EUR -	EUR -
Amounts to be paid	26,186	12,539
Debtors	0	1,516
Interest payable to donor funds	19	4
Total	26,205	14,059

9. Payroll taxes, social security and pension payable

This consists of the payroll tax withheld from CNVP staff salaries, social security and pension premium, both employee and employer share. Amounts payable for this item are withheld from employees, as well incurred as expenses from CNVP from December 2018 staff salaries to be paid in January 2019.

At 31-12-2018	At 31-12-2017
------------------	------------------

	EUR -	EUR -
Payroll tax, social security & pension payable	20,896	16,680
Total	20,896	16,680

10. Grants provided

These are pre-received funds from the grant contracts that continue to be implemented beyond 31 December 2018. Part of the amount was recognised as income at the end of the year. The remaining amount is recognised as a liability.

In 2018, based on the grant schedule and approved financial reports, grant amounts from Sida were provided. The new Norwegian regional project on fighting crime and corruption in the forestry sector was granted in November 2018, and the donor transferred funds for implementation in the six months starting 1 December 2018. The remaining amounts relate to smaller projects such as CCCC, NRP, Rural Youth, UNEP, PONT, CSO MNE etc.

The following table shows the balance of grants provided by donors to be used after 31 December 2018.

	At 31-12-2018	At 31-12-2017
	EUR -	EUR -
Project Sida FLED	135,694	626,738
Project Sida SSPDF	297,243	535,420
Norad	132,902	0
Rural Youth	15,064	0
CCCC	10,683	0
PEFC 2	1,050	0
UNEP	46,869	0
MED	481	0
Pont NTFPs	3,000	0
Pont Tourism	4,500	0
EU NRP project	50,797	24,508
EU CSO project	16,092	48,204
Total	714,374	1,234,870

11. Accruals

Accruals consist of amounts of outstanding leave days accrued for 2019, disaggregated below.

	At 31-12-2018	At 31-12-2017
	EUR -	EUR -
Outstanding leave days	14,684	14,242
Total	14,684	14,242

Contingent assets and liabilities

Based on Sida requirements for externally financed Sida programmes, tangible fixed assets purchased with a value higher than 5,000 € are fully depreciated over the total project period, and handed over to project partners at the end of project implementation.

There are no long term commitments on rental agreements.

Notes to the Abbreviated Statement of Financial Performance at 31 December 2018

Income

12. Income from grants

Income generated from CNVP activities is classified as income from grants. Funds are made available to CNVP by donors, and are used for the benefit of third parties.

Beneficiaries do not pay for services provided by CNVP. Funds are transferrable to CNVP upon fulfilment and compliance with certain stipulations, as foreseen in various legal contracts that CNVP enters into with different donors. Income is recorded on an accrual basis, meaning that it is recognized when earned, not received.

Income from grants is divided into advisory services that CNVP offers to third party beneficiaries, and project expenses which are covered by donor contributions. In projects with cost sharing, such as the Sida projects, CNVP fulfils its financial contribution by sharing in the costs of advisory services.

The income for 2018 from Sida FLED project was €888,959, of which €561,079 came from advisory services and €327, 880 from recoverable project expenses. The FLED project subsidy period is from August 2014 to 30 June 2019.

The income for 2018 from Sida SSPDF was €530,162 of which €309,448 was from advisory services and €220,674 from recoverable project expenses. The SSPDF project subsidy period is from August 2014 to 31 December 2020.

For the new three year regional project funded by Norad on fighting crime and corruption in the forestry sector, the total income was €4,805. The Norad project subsidy is from December 2018 to November 2021.

The other projects range in small size and were financed by the EU (NRP, RY, CCCC, and CSO), PEFC Balkan Certification, UNEP, Farmahem and Diber Tourism. The subsidy period of these projects varies from January 2017 to December 2020.

The following table gives a breakdown of income from grants for 1 January to 31 December 2018.

<u>Income from grants</u>	EUR -	EUR -	EUR -
Project SIDA Fled - Advisory services	561,079	554,224	624,991
Project SIDA Fled - Reimbursable project expenses	<u>327,880</u>	<u>330,000</u>	<u>335,133</u>
Subtotal	<u>888,959</u>	<u>884,224</u>	<u>960,124</u>
Project SIDA SSPDF - Advisory services	309,488	319,441	326,790
Project SIDA SSPDF - Reimbursable project expenses	<u>220,674</u>	<u>215,000</u>	<u>228,164</u>
Subtotal	<u>530,162</u>	<u>534,441</u>	<u>554,954</u>

Project Norad - Advisory services	4,805	0	0
Project Norad - Reimbursable project expenses	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>4,805</u>	<u>0</u>	<u>0</u>
Project SIDA LED - Advisory services	0	73,496	0
Project SIDA LED - Reimbursable project expenses	<u>0</u>	<u>94,000</u>	<u>0</u>
Subtotal	<u>0</u>	<u>167,496</u>	<u>0</u>
Other projects - Advisory services	104,485	161,257	71,184
Other projects - Reimbursable expenses	<u>204,200</u>	<u>141,400</u>	<u>87,671</u>
Subtotal	<u>308,685</u>	<u>302,657</u>	<u>158,855</u>
Total Income from grants	<u>1,732,611</u>	<u>1,888,818</u>	<u>1,673,932</u>

13. Other income

Other income in 2018 consisted of interest earned on CNVP funds and miscellaneous income. (The amount due to SNV for closure of offices, based on a decision of the SB and the ED, was recognised as income and removed from the balance sheet.) Details are given below.

Other Income

Net gain from sale of assets	0	0	1,500
Interest income from CNVP funds	27	300	378
Miscellaneous income	<u>1,516</u>	<u> </u>	<u>16</u>
Subtotal	<u>1,543</u>	<u>300</u>	<u>1,895</u>
Total Income	<u>1,734,154</u>	<u>1,889,118</u>	<u>1,675,827</u>

Note on the difference between actual and budget figures of income

The project income is with 92% realisation. The income was less than planned due to the expected LED and Trees2 projects being postponed and rejected, respectively.

Expenditure

14. Personnel

CNVP had 26 full time employees (FTEs) at 1 January 2018, including the Executive Director. During 2018, a new Country Director was appointed for Macedonia from existing staff, one employee was appointed for Bosnia-Herzegovina, and an additional advisor was recruited to work on the CCCC project as a replacement project manager. The total number of employees at 31 December 2018 was 28.

Details about the remuneration of the Executive Director, the Supervisory Board, staff salaries and benefits, as well as other personnel related expenses are given below.

Remuneration for the Executive Director, Ross Bull, consisted in 2018 of salary earned as well as other benefits, totalling 143,000€.

Supervisory Board members receive no remuneration for their activities. They are compensated for reasonable travel and business expenses incurred for board meetings. The total expense incurred for board meetings was € 5,690.

	Actuals from 01 January to 31 December 2018	Budget from 01 January to 31 December 2018	Actuals from 01 January to 31 December 2017
	EUR -	EUR -	EUR -
Executive Director - salary R.Bull	120,000	120,000	120,000
Executive Director - other benefits R.Bull	<u>23,004</u>	<u>23,000</u>	<u>23,004</u>
Subtotal R.Bull Executive Director	<u>143,004</u>	<u>143,000</u>	<u>143,004</u>
Board members - remuneration	0	0	0
Board meetings	<u>5,690</u>	<u>9,000</u>	<u>9,802</u>
Subtotal	<u>5,690</u>	<u>9,000</u>	<u>9,802</u>
Staff salaries	586,996	561,976	586,873
Social security contribution	32,627	26,962	30,923
Medical benefits	16,105	18,000	22,210
Other benefits & expenses	8,956	5,750	5,238
Outstanding Leave Days	442	0	2,381

Severances for NS	53,464	0	0
Subtotal	698,591	612,688	647,624
<hr/>			
External & Temporary Support	17,304	27,158	8,252
<hr/>			
Total personnel expenses	864,589	791,845	808,682

15. Depreciation of tangible fixed assets

The following shows the details of depreciation incurred in the period.

	Actuals from 01 January to 31 December 2018	Budget from 01 January to 31 December 2018	Actuals from 01 January to 31 December 2017
<u>Depreciation fixed assets</u>			
Depreciation vehicles	39,271	39,191	67,325
Depreciation office equipment	5,923	3,700	10,799
<hr/>			
Total depreciation expense	45,194	42,891	78,124

16. Other expenses

Other expenses include operating business expenses and project expenses.

	Actuals from 01 January to 31 December 2018	Budget from 01 January to 31 December 2018	Actuals from 01 January to 31 December 2017
<u>Other expenses</u>			
	EUR -	EUR -	EUR -
<u>A. Operating expenses</u>			
Fuel & vehicle expenses	38,779	38,500	34,934

Travel & lodging	53,821	44,000	42,691
Office rent	44,293	46,230	60,395
Utilities & office maintenance	20,820	24,240	22,211
Communication & mailing	10,933	12,050	9,964
Office expense	32,883	44,500	30,344
Accounting & audit fees	46,245	38,950	29,887
Bank costs & x-rate differences	9,243	6,000	5,045
Other expenses	<u>39,408</u>	<u>22,300</u>	<u>9,509</u>
Subtotal	<u>296,425</u>	<u>276,770</u>	<u>244,980</u>

B. Project expenses

Programme Support	395,063	456,900	346,004
Local Capacity Building	128,152	244,000	184,992
Consultancy	133,694	79,500	97,422
Partnership cost	<u>95,845</u>	<u>-</u>	<u>22,549</u>
Subtotal	<u>752,754</u>	<u>780,400</u>	<u>650,968</u>

Note on the difference between actual and budget figures of expenditure

The personnel cost was higher than planned due to the severance package for seven redundant staff in Albania, the cost for engagement of new employees in Bosnia-Herzegovina, and the increased cost for the changed responsibilities of two employees in Macedonia. The operating cost was also higher than planned mainly due to lower budgeted cost for audits, and increased business development costs related to the engagement of consultants. The project costs are in line with the project plan.

17. Result for the period

Appropriation of balance of income and expenditure

Actuals	Budget	Actuals
from 01 January	from 01	from 01 January
to 31 December	January	to 31 December
	to 31 December	
2018	2018	2017
<hr/>	<hr/>	<hr/>

General reserve	(185,537)	36,403	(39,602)
Appropriated reserve	(39,271)	(39,191)	(67,325)
Result for the period	<u>(224,808)</u>	<u>(2,788)</u>	<u>(106,927)</u>

Note on the difference between actual and budget figures of result

The overall loss is higher than planned due to:

- project income planned but not approved for 2018 LED and TREES2; (LED was expected to start on 1 July 2018, and TREES 2 regional project was rejected);
- opening new office (Bosnia-Herzegovina) that was not budgeted in the plan 2018; (the cost for Bosnia-Herzegovina is included in the Netherlands administration);
- severance package for 7 redundant people in Albania due to finishing FLED project;
- projects in Macedonia with contribution for the project partners covered by CNVP; higher cost for audits and business development than in the initial plan; and
- change of position and increased responsibilities for 2 people in Macedonia that required payment of implied higher salaries.

Pristina, 31 March 2019

Board of Trustees

Mr. Ross Bull
Executive Director

Supervisory Board

Mr. Maarten Bremer
Chair of Supervisory Board

Mr. Thijs van Buuren
Supervisory Board member

Mr. Arno Willems
Supervisory Board member

Mr. Aurel Jupe
Supervisory Board member

Part C: Other Information

Independent auditor's report

Reference is made to the auditor's report attached below.

Appropriation of result according to articles of association

The CNVP Foundation articles of association do not indicate specific requirements for appropriation of the result. Appropriation of the result will be made by the Foundation Board after adoption of the annual accounts by the Supervisory Board within the limits of the goals of CNVP as set out in the articles of association.

Independent auditor's report

To: The Supervisory Board of stichting Connecting Natural Values & People Foundation

Opinion

In our opinion, the abbreviated annual accounts, which comprise the abbreviated balance sheet as at 31 December 2018 and abbreviated statement of financial performance for the year then ended, and related notes, derived from the audited annual accounts 2018 of stichting Connecting Natural Values & People Foundation are consistent, in all material respects, with those annual accounts, in accordance with the principals for the valuation of assets and liabilities and the principles for determining the balance of income and expenditure as disclosed in the abbreviated annual accounts.

Abbreviated annual accounts

The abbreviated annual accounts do not contain all the disclosures required by the Dutch Accounting Standard 640 "not-for-profit organizations". Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Stichting Connecting Natural Values & People Foundation. Those financial statements, and the abbreviated annual accounts, do not reflect the effects of events that occurred subsequent to the date of our report, July 15, 2019, on those financial statements.

The audit Annual accounts and our opinion there on

We expressed an unqualified audit opinion on those financial statements in our report dated July 15, 2019.

Responsibility Board of Trustees

The Board of Trustees is responsible for the preparation of an abbreviation of the audited financial statements on the basis described in the principles for the valuation of assets and liabilities and the principles for determining the balance of income and expenditure.

Auditor's responsibility

Our responsibility is to express an opinion on the abbreviated annual accounts based on our procedures, which were conducted in accordance with Dutch law, including the Dutch Standard on Auditing 810 'Engagements to report on summary financial statements'.

Amsterdam, July 15, 2018

Deloitte Accountants B.V.

Signed on the original: S. Kramer



Building a Greener Economic Environment

CNVP operates in the western Balkan region in the six countries that are seeking to join the EU – Albania, Kosovo, Serbia, Macedonia, Montenegro and Bosnia-Herzegovina.

CNVP focuses on improving natural resource management, forestry, agri-rural development, renewable energy and industrial/household waste management, as well as raising awareness about the impact of climate change on the environment.

CNVP acts as a facilitator to:

- strengthen community capacity to achieve local development goals;
- maximise the production and service potential of rural areas through sustainable and locally controlled natural resource management;
- promote the use of natural resources to improve socio-economic development and rural livelihoods; and
- conserve the bio-diversity of natural resources at a time of serious environmental and climate change.

CNVP's core values

- **Green** - intervening to build a greener socio-economic environment
- **Clean** - promoting the use of renewable energy, and improving household/industrial waste management
- **Seen** - operating in the western Balkans, (as well as exploring project opportunities in Turkey and the Black Sea countries)
- **Lean** - improving the efficiency of CNVP's service delivery, continuously and systematically

CNVP – Building a Greener Economic Environment

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