

Albanian Red Cross
Independent Audit Report and Financial Statements
as at and for the year ended December 31, 2023

forv/s
mazars

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INDEPENDENT AUDITOR'S REPORT**To the Management of Albanian Red Cross****Opinion**

We have audited the financial statements of Albanian Red Cross ("the Organization"), which comprise statement of financial position as at December 31, 2023, statement of income and expenses, statement of changes in fund balance and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis method of accounting, which is a basis of accounting other than accounting principles generally accepted in Albania. Our opinion is not modified with respect to this matter.

Other Information

Management is responsible for the Other Information. Other Information comprises the information provided in the Performance Activity Report, prepared by the Management in accordance with Article 22 of the Law. No. 25/2018 date January 19, 2019 "On accounting and financial statements", amended, but does not include the financial statements and our auditors' report thereon. The Performance Activity Report is expected to be made available after the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we do not convey any conclusion that provides assurance about this information.

Other Information (continued)

In relation to the audit of the financial statements, we have the responsibility to read other information, identified as above when they are available to us and assess whether these information have material inaccuracy with financial statements or the acknowledgement we have received during audit or otherwise, if they appear to be material misstatement. After reading of the Performance Activity Report, if we conclude that there are material misstatement, we are required to communicate the issue with those charged with governance.

Other matters

The financial statements of **Albanian Red Cross** for the year ended December 31, 2022 were audited by another auditor which has expressed an unmodified opinion over the financial statements on 23 April 2024.

Restriction on Distribution and Use

Our report is intended solely for the information and use of the management of the Organization and its donors, and should not be further distributed to other parties or used for any other purposes without our prior written consent.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation according to cash modified basis of accounting.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

February 13, 2025



Emin Duraku, Str. Binjaket Build,
No. 5, 1013, Tirane, Albania
NLHS: K32123006W

Diana Ylli (Golemi)

Statutory Auditor

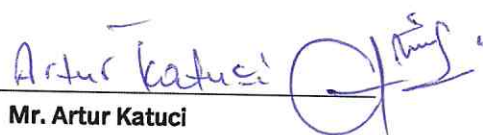
Albanian Red Cross

Statement of financial position as at December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

	Notes	December 31, 2023	Restatement December 31, 2022	Restatement January 01, 2022
Assets				
Non-current assets				
Property and equipment, net	4	44,556,086	48,001,738	58,082,010
Other assets	8	241,303,601	337,791,459	220,321,628
Total non-current assets		285,859,687	385,793,197	278,403,638
Current assets				
Cash and cash equivalents	5	288,732,253	282,856,015	241,456,914
Investments	6	10,000,000	5,000,000	3,250,000
Other receivables	7	-	5,000,000	3,250,000
Other assets	8	119,466,720	42,379,146	101,073,946
Prepayments	9	-	2,985,499	-
Total current assets		418,198,971	338,220,660	349,030,860
Total assets		704,058,658	724,013,857	627,434,498
Liabilities and fund balance				
Non-current liabilities				
Deferred grant		-	-	-
Fund balance		696,376,873	716,053,477	621,644,506
Total non-current liabilities		696,376,873	716,053,477	621,644,506
Current liabilities				
Other liabilities	10	7,681,784	7,960,380	5,789,992
Total current liabilities		7,681,784	7,960,380	5,789,992
Total liabilities and Fund Balance		704,058,657	724,013,857	627,434,498

The General Secretary of Albanian Red Cross has authorised these financial statements for issue on March 19, 2024.


Mr. Artur Katuci
 General Secretary


Ms. Elvetina Stillo
 Finance Manager

The balance sheet is to be read in conjunction with the notes set out on pages 8 to 23 and forming part of the financial statements.

Albanian Red Cross**Statement of activities for the year ended December 31, 2023***(All amounts are expressed in LEK, unless otherwise stated)*

	Notes	December 31, 2023	December 31, 2022
Income			
Donors	11	35,073,766	43,668,762
Branches' activities	12	83,435,943	82,267,192
Head office income	13	94,739,491	155,022,684
Total Income		213,249,200	280,958,638
Expenses			
Program expenses	14	(72,916,716)	(64,652,999)
Administrative expenses	15	(123,818,889)	(114,344,773)
Depreciation	4	(11,449,851)	(14,627,235)
Total Expenses		(208,185,456)	(193,625,007)
Surplus of income over expenses		5,063,744	87,333,631
Net financing income			
Interest income	17	9,302,585	13,984,054
Net foreign exchange (loss)/gains	16	(34,042,937)	(6,908,714)
Total financing loss		(24,740,352)	7,075,340
Surplus for the year		(19,676,608)	94,408,971

The statement of income and expenses is to be read in conjunction with the notes set out on pages 8 to 25 and forming part of the financial statements.

Albanian Red Cross
Statement of changes in fund balance for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

	Fund generated through donors	Funds generated by Albanian Red Cross	Total
	Restricted	Unrestricted	Total
Fund balance at 1 January 2021	278,729,160	310,493,983	589,223,143
Total surplus / (deficit) for the year	8,727,793	23,693,570	32,421,363
Fund balance at 31 December 2021	287,456,953	334,187,553	621,644,506
Fund balance at 1 January 2022	287,456,953	334,187,553	621,644,506
Total surplus / (deficit) for the year	(255,040)	94,664,011	94,408,971
Fund balance at 31 December 2022	287,201,913	428,851,564	716,053,477
Fund balance at 1 January 2023	287,201,913	428,851,564	716,053,477
Total surplus / (deficit) for the year	(17,155,222)	(2,521,383)	(19,676,605)
Fund balance at 31 December 2023	270,046,691	426,330,181	696,376,872

The statement of Changes in Fund Balance is to be read in conjunction with the notes set out on pages 8 to 25 and forming part of the financial statements.

Albanian Red Cross**Notes to the financial statements for the year ended December 31, 2023***(All amounts are expressed in LEK, unless otherwise stated)*

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash flows from operating activities		
Surplus for the year	(19,676,605)	94,408,971
<i>Adjustments for:</i>		
Depreciation	4 11,449,851	14,627,235
Interest income	(9,302,587)	(13,984,054)
<i>Changes in operating assets and liabilities</i>		
Increase in prepayments	2,985,498	(2,985,499)
Increase/ (Decrease) in liabilities	(278,596)	2,170,388
Interest received	9,302,587	13,984,054
Net cash from operating activities	(5,519,852)	108,221,095
Investing activities		
Acquisition of property and equipment	4 (8,004,200)	(4,546,963)
Investments	-	(3,500,000)
Withdrawal/deposits in time deposits	19,400,284	(58,775,241)
Net cash from investment activities	11,396,084	(66,822,204)
Net increase in cash and cash equivalents	5,876,233	41,398,891
Cash and cash equivalents, beginning of the year	282,856,015	241,457,124
Cash and cash equivalents at 31 December	5 288,732,248	282,856,015

The statement of Cash Flows is to be read in conjunction with the notes set out on pages 8 to 25 and forming part of the financial statements.

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

1. GENERAL INFORMATION

The Albanian Red Cross (hereinafter "ARC" or the "Organization") was founded in 1921 and in 1923 was recognized by the International Committee of Red Cross ("ICRC"), also becoming a member of the International Federation of Red Cross and Red Crescent Societies. In 1969, the ARC suspended its activities, which were resumed 22 years later, in 1991. The ARC was established in Albania as a non-profit organization. ARC carries out projects such as health care, disaster relief, professional and institutional development and the promotion of humanitarian values.

As at December 31, 2023, ARC had 39 branches (2022: 39) throughout the country, with full time staff 59 (2022: 59), part-time staff 13 (2022: 18) and 2750 supporting volunteers Ju (2022: 2,295).

President and General Secretary as at December 31, 2023 and 2022 are:

Mr. Ylli Alushi - President

Mr. Artur Katuci - General Secretary

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The accompanying financial statements have been prepared on the modified cash basis method of accounting which differs from Albanian and International Financial Reporting Standards. On this basis income is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred. The cash basis is modified to recognise on an accrual basis depreciation, non-cash contributions donated in the form of depreciable assets and personnel related costs.

Going Concern

Management prepared Financial Statements on a going concern basis. In making this judgement management considered the Organization's financial positions, current intentions, profitability of operations and access to financial resources, and analyzed the impact of recent financial crisis on future operations of the Organization. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Organization's ability to continue as a going concern. Therefore, the financial statements were prepared on the going concerning basis.

The accompanying financial statements are presented in Albanian Lek. The financial statements aggregate the activities and balance of Organisation's head office and its branches.

The ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation may have an impact on the European and global economy. The entity does not have any significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. This may lead to material adjustments to the carrying value of certain assets and liabilities within the next financial year. At this stage, management is not able to reliably estimate the impact as events are unfolding day by day. The long-term impact may also affect trading volumes, cash flow, and profitability. Nevertheless, at the date of these financial statements, the Bank continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency transactions

Foreign currency transactions are converted into Lek at the exchange rate at the beginning of each month. Monetary assets and liabilities denominated in foreign currency included in the balance sheet are converted into Lek at the year-end exchange rate. Property and equipment in foreign currencies have been converted into Lek at the historical exchange rate. Resulting exchange differences are recognized in the statement of income and expenses for the year. In converting foreign currency transactions, the Organization refers to the exchange rate of Bank of Albania.

3.2 Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation for property and equipment is calculated on straight-line basis, at rates, which approximate average economic useful lives. Land is not depreciated. The useful lives are as follows:

Buildings	20 years
Computers and Equipment	4 years
Office Supplies	5 years
Vehicles	5 years

Residual value, useful life and depreciation methods are reviewed and adjusted when appropriate. Changes in the amortization method will be recognized as changes in accounting rules. No indicators have emerged, indicating a need for an asset revaluation.

3.3 Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid bank deposits with an original maturity of three months or less. Deposits with maturity between 1 to 12 months are classified as short-term. Deposits with maturity 12 months and more are classified as long-term.

3.4 Investments

Investments is comprised from investments in other entities. The funds for performing this investment belong to other income that Albania Red Cross gains from its activities, and not from the donations given from donors. The investments are treated under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost. The carrying amount is then increased or decreased to recognise the investor's share of the subsequent profit or loss of the investee and to include that share of the investee's profit or loss in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee and for the investee's other comprehensive income.

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Personnel and related costs

The Organisation recognises personnel related costs on an accrual basis of accounting. These costs comprise wages and salaries, social insurance contributions and personal income tax. Accounts payable at year end represent accrued personnel and related costs.

3.6 Fund Balance

Fund balance generated through donors relate to contributions for which the donor-imposed restrictions on destination of funds, limiting ARC's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by meeting certain requirements. Funds generated through own activities include those fund balances generated by ARC activities and awareness promotions for which the use is not restricted by a donor agreement, even though its use may be limited in other respects, such as yearly budget plan, purpose of donation, contract and by board designation.

3.7 Income recognition

Donation income derives principally from donations received from donors for specific projects and from the International Federation of Red Cross ("IFRC"). Income from branches mainly derives from first aid courses, local donations, membership fees and other courses organised locally by the branches. All donations are recognised as income when received rather than when earned. Other incomes also recorded when received rather than when earned.

Non-cash contributions donated in the form of depreciable assets (e.g. buildings) are recognized in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Organisation will comply with the conditions attaching to such contributions. These contributions are recognised in the statement of income and expenses as grant income on a systematic basis over the useful life of the respective asset.

Non-cash contributions donated in the form of non-depreciable assets (e.g. land) are recognized in the statement of income and expenses as grant income immediately.

Non-cash contributions donated in the form of assets for which the Organisation has not yet estimated the initial costs or fair value, assets donated prior to its establishment in 1991 for which no legal title is obtained and services in kind are not reflected in the financial statements.

3.8 Taxation

Based on the Law No. 7864, dated September 29, 1994 "On Albanian Red Cross", the activity of the Organisation is exempt from income tax.

The Organisation is liable for the personal income tax, social insurance contributions, withholding taxes and acts as an agent to collect and report the taxes to the Tax Authorities.

Albanian Red Cross**Notes to the financial statements for the year ended December 31, 2023***(All amounts are expressed in LEK, unless otherwise stated)***3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.9 Restatement of Statement of financial position**

	<u>December 31, 2022</u>	<i>Adjustments</i>	<u>December 31, 2022</u>	Ref.
Assets				
Non-current assets				
Property and equipment, net	48,001,738		48,001,738	
Other assets	337,791,459		337,791,459	
Total non - current assets	385,793,197	-	385,793,197	
Current assets				
Cash and cash equivalents	282,856,015		282,856,015	
Investments	10,000,000	<i>(5,000,000)</i>	5,000,000	[a]
Other receivables		<i>5,000,000</i>	5,000,000	[b]
Other assets	42,379,146		42,379,146	
Prepayments	2,985,499		2,985,499	
Total current assets	338,220,660	-	338,220,660	
Total assets	724,013,857	-	724,013,857	
Liabilities and fund balance				
Non-current liabilities				
Deferred grant	-		-	
Fund balance	716,053,477		716,053,477	
Total non-current liabilities	716,053,477	-	716,053,477	
Current liabilities				
Other liabilities	7,960,380		7,960,380	
Total current liabilities	7,960,380	-	7,960,380	
Total liabilities and Fund Balance	724,013,857	-	724,013,857	

Description of the adjustments made:

As per the act of incorporation dated July 30, 2020, EN-KKSH (Auxiliary Economy of the Red Cross) was established with two partners: the Albanian Red Cross and Mr. Gjergji Legisi. The company's initial capital was set at 10,000,000 ALL, divided into two equal shares of 5,000,000 ALL each. The act specifies that the capital would be fully paid by the Albanian Red Cross in three instalments, as follows

1. 04.09.2020 - Transfer to EN-KKSH: 3,000,000 ALL
2. 17.02.2021 - Transfer to EN-KKSH: 3,500,000 ALL
3. 24.01.2022 - Transfer to EN-KKSH: 3,500,000 ALL

As a result of this case, all payments were completed on December 31, 2022. In its financial statement of positions, the ARC should have recognized ALL 5,000,000 as an investment and ALL 5,000,000 as a receivable from Mr. Legisi.

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Restatement of Statement of financial position (continued)

	<u>January 01, 2022</u>	<i>Adjustments</i>	<u>January 01, 2022</u>	Ref.
Assets				
Non-current assets				
Property and equipment, net	58,082,010		58,082,010	
Other assets	220,321,628		220,321,628	
Total non - current assets	278,403,638	-	278,403,638	
Current assets				
Cash and cash equivalents	241,456,914		241,456,914	
Investments	6,500,000	<i>(3,250,000)</i>	3,250,000	[a]
E drejte Gjergji	-	<i>3,250,000</i>	3,250,000	[b]
Other assets	101,073,946		101,073,946	
Prepayments	-		-	
Total current assets	349,030,860	-	349,030,860	
Total assets	627,434,498	-	627,434,498	
Liabilities and fund balance				
Non-current liabilities				
Deferred grant	-		-	
Fund balance	621,644,506		621,644,506	
Total non-current liabilities	621,644,506	-	621,644,506	
Current liabilities				
Other liabilities	5,789,992		5,789,992	
Total current liabilities	5,789,992	-	5,789,992	
Total liabilities and Fund Balance	627,434,498	-	627,434,498	

Description of the adjustments made:

As per the act of incorporation dated July 30, 2020, EN-KKSH (Auxiliary Economy of the Red Cross) was established with two partners: the Albanian Red Cross and Mr. Gjergji Legisi. The company's initial capital was set at 10,000,000 ALL, divided into two equal shares of 5,000,000 ALL each. The act specifies that the capital would be fully paid by the Albanian Red Cross in three instalments, as follows

1. 04.09.2020 - Transfer to EN-KKSH: 3,000,000 ALL
2. 17.02.2021 - Transfer to EN-KKSH: 3,500,000 ALL

As a result of this case, total payments made as of December 31, 2021, amounted to ALL 6,500,000. In its financial statement of positions, the ARC should have recognized ALL 3,250,000 as an investment and ALL 3,250,000 as a receivable from Mr. Legisi.

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

4. Property and equipment

Property and equipment are composed as follows:

<i>Cost</i>	Land and Buildings	Computers and Equipment	Office supplies	Vehicles	Total
At 1 January 2022	509,475,324	17,263,257	26,754,654	18,898,879	572,392,114
Additions	-	287,727	303,492	3,955,744	4,546,963
Equipment out of use	-	(4,462,307)	(918,593)	-	(5,380,900)
At 31 December 2022	509,475,324	13,088,677	26,139,553	22,854,623	571,558,177
At 1 January 2023	509,475,324	13,088,677	26,139,553	22,854,623	571,558,177
Additions	7,220,200	255,000	529,000	-	8,004,200
At 31 December 2023	516,695,524	13,343,677	26,668,553	22,854,623	579,562,377
Accumulated depreciation					
At 1 January 2022	(472,618,181)	(13,479,903)	(18,770,210)	(9,441,810)	(514,310,104)
Depreciation for the year	(5,847,169)	(788,436)	(4,430,591)	(3,561,039)	(14,627,235)
Depreciation for the year for equipment out of use	-	4,462,307	918,593	-	5,380,900
At 31 December 2022	(478,465,350)	(9,806,032)	(22,282,208)	(13,002,849)	(523,556,439)
At 1 January 2023	(478,465,350)	(9,806,032)	(22,282,208)	(13,002,849)	(523,556,439)
Depreciation for the year	(4,261,101)	(1,269,008)	(2,292,775)	(3,626,968)	(11,449,851)
At 31 December 2023	(482,726,451)	(11,075,040)	(24,574,983)	(16,629,817)	(535,006,291)
Carrying amount					
At 31 December 2022	31,009,974	3,282,645	3,857,345	9,851,774	48,001,738
At 31 December 2023	33,969,073	2,268,637	2,093,570	6,224,807	44,556,087

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

4. Property and equipment (continued)

No tangible asset is used as loan collateral from banks and third parties (2022: none).

The Organization has not obtained legal title to the following properties as of December 31, 2023:

- The land on which Tirana headquarters are located, which as per decision taken in Tirana Judicial District Court on June 4, 2018, shall be registered as a property of ARC on Real Estate Registration Office. As of the date of this financial statements the defendant Ministry of Finance, has not appealed this decision. ARC is in process of obtaining the ownership certificate. This asset has not yet been recorded on the fixed asset register from ARC.
- Durres Branch building confirmed for construction from Urban Planning Section. Legal title is not yet obtained because the Organization has not purchased the land on which the office is located, which is state property, and no response has been obtained from Property Handling Agency, with regard to ARC requirement for the recognition of ownership for the land and building in question. No legal procedures have been yet initiated in this regard. This asset has not yet been recorded on the fixed asset register from ARC.
- Part of the office building located in Elbasan, which has been subsequently constructed in the year 2000, for which the owner according to the certificate of ownership, due to an application process error, is the former branch secretary. The transfer of ownership from former branch secretary to ARC cannot be done without the deed of donation by the former secretary. No legal procedures have been yet initiated in this regard therefore this part of the building has not yet been recorded on the fixed asset register from ARC.
- Albanian Red Cross claims its ownership on a specific land area and building of the Trauma Hospital. ARC claims to take in its ownership the land area not part of the public interest, whereas for the building ARC claims a monetary compensation, since it includes a building of public interest. This is an ongoing case, and it is complicated since it requires a revaluation of the investment made by ARC on the construction of the "Shelter for the poor" (nowadays the Trauma Hospital). The case is still being processed in terms of technical issues and evaluation process.
- Durrës Judicial District Court is processing the case with the land area in Xhafzotaj and Rrashbull, Durres, known as "Cifligu Rreth". ARC claims to take in its ownership this land area or requires a monetary compensation, if the land cannot be taken under the ownership of ARC because of public interests involved. Currently, the case is in the phase of realization and submission of the technical Expertise Act form.
- Saranda Judicial District Court is processing the case of the land areas donated in "Donation Act of Saranda", from the King Zogu I. ARC claims to take in its ownerships these land areas or to be compensated financially in accordance with the value of the land area. The case is currently in the preparatory action phase. The procedural requests of the parties participating in the trial are being evaluated by the court.
- Albanian Red Cross claims ownership on the land areas located in "Pylli i Pishave", Divjake. These land areas were donated in a Donation Act during the era of the King Zogu I. If the areas cannot be taken under the ownership of ARC, because of existing public interests, then ARC claims to be compensated accordingly.

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

4. Property and equipment (continued)

Currently no court hearing has been held as the case is in the communication phase of the claim to the defendants and third parties. The Red Cross is awaiting communication from the court of the Defence Statements of these parties.

The Albanian Red Cross has also legal issues, in which individuals claim ownership on the buildings owned by the ARC. As per December 31, 2023, three citizens claim ownership or monetary compensation for the land area in Saranda branch. This case is being processed by the Saranda Judicial District Court. As there is still no court decision to accept the review of the lawsuit, no billing is made to the legal studio for the representation of the ARC in the position of the defendant in this trial.

There are no contingent assets or liabilities requirements that are met for a respective one to be recognized.

Management has a fixed asset register with assets not recognised in the financial statements being old, and fully amortised, therefore no recoverable amount is expected from them, but that they continue to be in the possession of the Organisation. Once an opportunity arises for these assets to be sold or reused, they will be properly disclosed in the financial statements.

There are some fixed assets which are fully amortized but are still in use by the organization. They are currently held at a nil net book value. For this asset no revaluation has been deemed necessary to be performed for this financial year. The cost of fixed assets which are full amortized is 424,525,454 ALL (391,749,378 ALL : 2022)

Properties where the Organisation has neither obtained legal title nor estimated the initial costs or fair value, are not included in property and equipment at December 31, 2023 (refer to note 15).

5. Cash and cash equivalents

Cash and cash equivalents consist of balances held in bank accounts. Variance between 2023 and 2022 is attributed to changes in the balances of different currency-denominated current accounts, which derive from new bank accounts opened. Cash and cash equivalents is composed as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cash at banks		
Current accounts in ALL	167,849,180	148,074,397
Current accounts in EUR	49,529,696	54,158,811
Current accounts in USD	66,232,458	73,430,036
Current accounts in CHF	5,120,919	7,192,701
Total	<u>288,732,253</u>	<u>282,855,945</u>

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

6. Investment

EN-KKSH is a subsidiary of ARC founded in 2020 with 50% of the founding capital owned by Albanian Red Cross. The investment in the subsidiary includes the cost of the investment on EN KKSH and subsidiary post-acquisition profits. Investment is composed as follows:

	31 December 2023		31 December 2022	
	%	Amount	%	Amount
Investment for EN-KKSH shpk	100%	10,000,000	50%	5,000,000
		10,000,000		5,000,000

7. Other receivables

Other receivables are comprised as follows:

	31 December 2023	31 December 2022
Other receivables	-	5,000,000
	-	5,000,000

8. Other assets

Other assets comprise the following deposits as of December 31, 2023 and 2022:

a. Short term deposits

	31 December 2023	Interest Rate	31 December 2022	Interest Rate
	Amount		Amount	
ALL	44,314,718	1.2%-2%	10,264,145	1.2%-3%
USD	75,152,002	2.4%	32,115,000	
Total	119,466,720		42,379,145	

Short term deposits represent six deposits (2022: five deposits) placed with local banks with a remaining maturity of between 1 to 12 months.

b. Long term deposits and investment fund

	31 December 2023	Interest Rate	31 December 2022	Interest Rate
	Amount		Amount	
ALL	161,654,995	2%-5.7%	195,557,015	1,7% - 5.5%
EUR	28,182,001	2.2%	56,594,440	
USD	51,466,605	2.2%	85,640,000	1,7% - 2.40%
Total	241,303,601		337,791,459	

Long-term deposits represent six deposits and one Investment fund (2022: nine deposits) placed with local banks with a remaining maturity of between 2 and 5 years (2022: from 2 to 5 years).

Albanian Red Cross**Notes to the financial statements for the year ended December 31, 2023**

(All amounts are expressed in LEK, unless otherwise stated)

9. Prepayments

Prepayment balance is related to new projects that have started in 2022, and they are expected to be finalized during 2023 and after.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Advances to OJF	-	2,985,499
Total	-	2,985,499

10. Other liabilities

Other liabilities are composed as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Social Insurance and personal income tax	3,724,698	3,672,396
Clearing Account	(401,430)	-
Payables to employees	4,038,765	3,837,460
Differences from banks	319,751	450,524
Total	7,681,784	7,960,380

Albanian Red Cross**Notes to the financial statements for the year ended December 31, 2023**

(All amounts are expressed in LEK, unless otherwise stated)

11. Income from donors

Income from donors represents funds received from the International Federation of Red Cross in Budapest ("IFRC") and other donors. Income from donors is composed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
OBSH Vaccination/sensibilization	5,410,200	6,122,600
QKT (Blood promotion)	5,373,700	3,191,750
RESOPP/Serbian RC	5,224,802	5,740,558
IFRC / Flood Resilience	5,164,483	5,936,040
IFRC Scaling Up	4,292,730	-
Vodafone Albania Foundation	3,107,714	1,821,450
Shoken Funds	2,917,186	-
Qatarr Red Crescent / Social project	2,071,085	2,190,206
IFRC Alert HUB	1,106,700	-
ICRC/ HR	474,559	-
Raiffeisen Bank	455,855	361,569
American Embassy	428,078	-
Credins Bank Smile platform	275,983	-
IFRC/ Healthy Aging	-	992,721
Austrian Red Cross	-	13,648,079
Italian Red Cross	-	3,663,789
IFRC PEER	(1,229,310)	-
Total	35,073,765	43,668,762

The funds received during 2023 are composed by restricted funds LEK 36,303,075 (2022: LEK 43,668,762) and unrestricted funds LEK nil (2022: nil).

The amount of 1,229,310 LEK represents the return of funds received from the IFRC PEER.

Albanian Red Cross**Notes to the financial statements for the year ended December 31, 2023**

(All amounts are expressed in LEK, unless otherwise stated)

12. Income from branch activities

Income from branch activities is composed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Local courses	5,673,800	6,891,605
Local donations	7,842,689	8,306,666
Membership fees	10,097,000	9,746,300
First Aid Courses	24,789,375	22,370,075
First Aid Books	30,506,800	27,530,000
Income from renting offices	1,549,000	1,203,000
National Centre for blood donation	2,164,100	5,479,950
Other	813,179	739,596
Total	83,435,943	82,267,192

Income from first aid courses and books mainly arise from first aid courses offered by the Organisation to individuals applying for a driving license. The Government of Albania regulates this service on a nationwide basis and has granted the Organisation with exclusive right to offer such service in order to support implementation of its humanitarian programs. Accordingly, the Steering Council designated such funds as restricted in their purpose.

Membership fees are related to individuals that contribute and donate to ARC paying on a membership quote of 100 ALL, Based on Albanian Red Cross Policy this fee is applicable to any individual who joins Red Cross as a member.

Income from renting offices includes the income from rents that Red Cross generates from the properties that rents.

National Centre for blood donation includes income that the National Blood Centre in Albania donates to Red Cross.

Local donations include funds that are raised for campaigns launched during the year. These include campaigns for orphans and disabled children, elderly, families in need etc. Accordingly, the Steering Council designated such funds as restricted in their purpose.

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

13. Head Office income

Head Office income is composed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
First Aid Courses	66,740,625	60,227,125
First Aid Books	7,626,700	6,882,500
Rent Offices & Warehouses	11,342,377	11,258,163
Funds donated from citizens	2,166,035	73,381,087
Funds donated from citizens for Ukraine	-	2,482,920
Funds donated from citizens for Earthquake/Turkey and Syria	5,100,012	-
Other	1,763,742	790,889
Total	94,739,491	155,022,684

Funds donated from citizens include funds donated by an American citizen fund to be used in different humanitarian activities. Accordingly, the Steering Council designated such funds as restricted in their purpose.

According to the agreement with the Ministry of Public works and transport, organizations should allocate 3% of the income from first aid courses every 6 months. Regarding this financial year, the organization has not allocated and paid this amount to the Ministry because the Ministry has not made any request or verification of income yet.

This amount to be paid in 2023 is 2,745,900 Lek out of 91,530,000 Lek, while for 2022 the amount to be paid was 2,477,916 Lek out of 82,597,200 Lek.

Albanian Red Cross**Notes to the financial statements for the year ended December 31, 2023***(All amounts are expressed in LEK, unless otherwise stated)***14. Program expenses**

Program expenses are composed as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Headquarter programs	63,841,795	53,162,405
Branch programs	9,074,919	11,490,594
TOTAL	72,916,714	64,652,999

Program expenses comprise expenditures covered by funds, for which, the donor imposed specific restrictions (fund generated through donors) and expenditures paid out of unrestricted funds and other funds designated as restricted in their purpose, although not specifically defined by donor agreement (fund generated through own activities).

Program expenses for the years indicated is categorized as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
<i>Headquarter programs</i>		
Social Welfare	12,818,050	16,107,306
Disaster Preparedness& Response	36,722,882	26,137,938
Health&PSS	818,422	118,570
Blood promotion	20,250	85,000
Development	4,293,913	2,418,080
First aid	2,699,633	4,857,298
Youth and Humanitarian Education	2,221,358	947,252
Public relation	1,097,923	197,000
Property administration	363,950	99,925
Headquarters support	2,785,414	2,194,036
	63,841,795	53,162,405
<i>Branches</i>		
Social Welfare	5,465,183	5,918,007
Disaster Preparedness	127,237	273,909
Health program	85,614	107,909
Blood promotion	69,540	56,934
Development	1,168,538	1,054,576
First aid	21,410	46,721
Youth and Humanitarian Education	617,869	620,197
Branch support	1,519,528	3,412,341
	9,074,919	11,490,594
TOTAL	72,916,714	64,652,999

During 2023, there is a significant decrease in Income from donors due to the decrease in donations, and the expenses have been utilized in projects. The organization has worked for the work plan of utilization of the donations in 2023.

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

15. Administrative Expenses

Administrative Expenses for the years indicated are categorized as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Personnel expenses	107,409,298	96,018,563
Operating expenses	16,409,591	18,326,210
TOTAL	123,818,889	114,344,773

Administrative expenses comprise expenditures covered by funds, for which the donor imposed specific restrictions (fund generated through donors) and expenditures paid out of unrestricted funds and other funds designated as restricted in their purpose, although not specifically defined by donor agreement (fund generated own activities).

Personnel Expense is categorized as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Headquarter		
Salaries	29,258,400	25,895,600
Per diem	645,660	958,110
Social charges	7,735,508	6,835,947
Pension and social charges	3,283,425	2,980,734
Volunteers/rep exp	1,555,200	1,320,000
Volunteers/Coordin	4,526,359	3,858,100
Other	5,771,969	8,231,737
Total	52,776,521	50,080,228
Branches		
Salaries	36,071,138	24,703,217
Per diem	-	21,500
Social charges	7,496,910	6,204,068
Pension and social charges	3,113,712	2,644,350
Volunteers/rep exp	2,148,000	4,794,000
Volunteers/Coordin	3,734,399	3,774,900
Other	2,068,618	3,796,300
Total	54,632,777	45,938,335
Total Personnel expenses	107,409,298	96,018,563

Albanian Red Cross**Notes to the financial statements for the year ended December 31, 2023**

(All amounts are expressed in LEK, unless otherwise stated)

15. Administrative Expenses (continued)

Personnel expenses of branches comprise expenditures covered by funds, for which the donor imposed no specific restrictions (fund generated through donors) and expenditures paid out of unrestricted funds and other funds designated as restricted in their purpose, although not specifically defined by donor agreement (fund generated from organization activities).

Personnel expenses of head office are all covered by funds generated from organization activities.

Operating Expense is categorized as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Headquarter		
Advertisement	-	-
Financial charges	303,944	277,199
Office costs	1,320,413	2,009,672
Electricity	472,518	787,902
Water	314,518	59,976
Consultants	1,446,900	816,200
Professional fees	3,230,338	4,965,890
Capital expenditure	251,013	1,802,052
Communication	919,799	811,495
Other	777,162	750,109
Total	9,036,605	12,280,495
Branches		
Advertisement	-	-
Financial charges	712,961	710,390
Office costs	806,471	633,993
Electricity	1,409,925	1,451,670
Water	366,651	352,353
Capital expenditure	3,078,646	1,861,121
Communication	998,332	1,036,188
Total	7,372,986	6,045,715
Total Operating Expenses	16,409,591	18,326,210

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

16. Net foreign exchange losses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Net foreign exchange losses/gains	34,042,937	6,908,714
	34,042,937	6,908,714

The change in net foreign exchange is primarily attributable to fluctuations in the exchange rate. These fluctuations, particularly concerning the exchange rate of the local currency against foreign currencies, have impacted the valuation of foreign currency.

17. Interest income

Interest income balance is comprised by interest on short term ,long-term deposits and investment fund The increase in 2022 is from matured deposits during the year where interest income was scheduled for receipt upon contract expiration.

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income	9,302,585	13,984,054
	9,302,585	13,984,054

18. Contingencies and commitments

Commitments

There are no significant capital commitments contracted at the date of the statement of financial position that are not already recognized in the financial statements.

Litigations

During the normal course of its business, the Organisation may be involved in legal claims or actions of third parties as well as from tax authorities. Based on the opinion of the management of the Organisation, the final conclusion about these matters will not have an effect on the financial position of the Organisation or would not bring changes in assets.

The Organization is not subject to any legal proceedings, claims, and litigation arises in the ordinary course of business.

There are some legal cases in progress as disclosed on PPE note - but the conditions not yet met for an appropriate booking to be made.

Albanian Red Cross

Notes to the financial statements for the year ended December 31, 2023

(All amounts are expressed in LEK, unless otherwise stated)

19. Related party transactions

Related party transactions represent a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. A related party is a party who controls, is controlled by, or is under common control with, the Organization; has an interest in the Organization that gives it significant influence over the Organization; or has joint control over the Organization; is an associate of the Organization; is a joint venture in which the Organization is a venture; or is a member of the key management personnel of the Organization or its parent (including close family members of any of the above mentioned individuals).

Related party transactions for the year ended December 31, 2023 and 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
IFRC	5,164,483	6,928,761
RESOPP/Serbian RC	5,224,802	5,740,558
Austrian Red Cross	-	13,648,079
Italian Red Cross	-	3,663,789
Qatar Red Crescent	2,071,085	2,190,206
Total	<u>12,460,370</u>	<u>32,171,393</u>

20. Events after the reporting date

There are no other events after the reporting date that would require either adjustments or additional disclosures in the financial statements.

forv/s **mazars**

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