

**MITROVICA  
ROCK  
SCHOOL**

Mitrovica Rock School

Independent Auditor's Report and financial individual statements  
for the year ended December 31, 2018

Mitrovica Rock School

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## INDEPENDENT AUDITORS' REPORT

To the Management of Mitrovica Rock School - MRS

### ***Opinion***

We have audited the accompanying financial statements of Mitrovica Rock School - MRS, which comprise the statement of financial position as at December 31, 2018, and the statement of revenue and expenditure, statement of changes in fund balances and statement of cash flow for the year then ended, and other explanatory notes.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitrovica Rock School - MRS as of December 31, 2018, results of its operation and the cash flow for the years then ended in conformity with International Financial Reporting Standards.

### ***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 Project financial report section of our report. We are independent of the Business in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and those charged with Governance for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard and the internal controls that the management deems necessary to enable the preparation of financial statements without material misstatement due to fraud or error. For the financial statements preparation, management is responsible for assessing the company's ability to sustainability in the future, disclosing, as necessary, future sustainability issues and using the accounting continuity principle unless management intends to liquidate the Company or Interrupt the operation, or there is no other possible alternative than to do it. 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 total, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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.

  
Astrit Musa – Statutory Auditor  
ACA – Audit & Consulting Associates  
Prishtine, Kosovo  
April 2019



**Mitrovica Rock School**  
**Statement of Financial Position**  
**For the year ended December 31, 2018**

	As of December 31, 2018 (in EUR)	As of December 31, 2017 (in EUR)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property and equipment	-	-
Total non-current assets	-	-
<b>Current assets</b>		
Accounts Receivable	5 2,258	6,000
Other Receivables	328	158
Cash and bank balances	4 18,357	3,755
Total current assets	20,942	9,913
<b>TOTAL ASSETS</b>	<b>20,942</b>	<b>9,913</b>
<b>LIABILITIES AND RESERVES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	6 6,255	6,000
Deferred Revenue and Other Liabilities	7 14,687	3,913
Total current liabilities	20,942	9,913
<b>Reserves</b>		
Retained surplus	-	-
Net (deficit)/surplus for the year	-	-
Total reserves	-	-
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>20,942</b>	<b>9,913</b>

The financial statements have been signed on April, 2019 by:

  
**Milizza Kosova**  
**Legal Representative**  
  
www.mitrovicarockschool.org

The accompanying notes from 1 to 17 form an integral part of these financial statements

**Mitrovica Rock School**  
**Statement of Revenue and Expenditures**  
For the year ended December 31, 2018

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	Notes	Year ended December 31, 2018 (in EUR)	Year ended December 31, 2017 (in EUR)
<b>Income</b>			
Income from Donors	8	100,849	102,719
<b>Total income</b>		<u>100,849</u>	<u>102,719</u>
<b>Expenditure</b>			
Staff salaries and benefits	9	52,980	48,979
Travel & Transport	10	8,005	9,224
Equipment & Supplies	11	997	1,079
Local Office	12	4,990	4,731
Project Activities	13	12,909	21,871
Mitrovica Rock School Facilities	14	16,422	15,694
Other	15	4,545	1,142
<b>Total expenditure</b>		<u>100,849</u>	<u>102,719</u>
<b>Net (Deficit)/surplus for the year</b>		<u>-</u>	<u>-</u>

The accompanying notes from 1 to 17 form an integral part of these financial statements

**Mitrovica Rock School**  
**Statement of Changes in Net Assets**  
**For the year ended December 31, 2018**

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	<b>As of 31 December, 2018</b> <b>(in EUR)</b>
Opening balance as at January 1st, 2017	-
Net deficit/surplus for the year ended December 31, 2017	<u>-</u>
<b>Balance as at December 31, 2017</b>	-
Net deficit/surplus for the year ended December 31, 2018	-
<b>Balance as at December 31, 2018</b>	<u><u>-</u></u>

The accompanying notes from 1 to 17 form an integral part of these financial statements.



**Mitrovica Rock School**  
**Statement of Cash Flows**  
For the year ended December 31, 2018

	Year ended December 31, 2018 (in EUR)	Year ended December 31, 2017 (in EUR)
<b>Cash flows from operating activities</b>		
(Deficit)/surplus for the period	-	-
Adjustment for:	-	-
Depreciation	-	-
Other Adjustments (last years profit)	-	-
Change in deferred revenues	10,774	2,571
Change in receivables	3,743	(6,000)
Change in other receivables	(170)	(158)
Change in payables	256	6,000
Change in other current liabilities	-	-
<b>Net cash from operating activities</b>	<b>14,602</b>	<b>2,413</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	-	-
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>14,602</b>	<b>2,413</b>
Cash and cash equivalents at 1 January	3,755	1,342
<b>Cash and cash equivalents at 31 December</b>	<b>18,357</b>	<b>3,755</b>

The accompanying notes from 1 to 17 form an integral part of these financial statements.



**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**1. INTRODUCTION**

The Mitrovica Rock School (MRS) is a non-governmental organization registered under the laws of Kosovo at the end of 2012. The school started in 2008 as a project of Musicians Without Borders (MWB) and Community Building Mitrovica (CBM), founded with the aim to bridge ethnic, ideological and religious divides between youth in north and south Mitrovica through music.

Due to the security situation, the MRS was unable to realize its original goal of establishing the school in a single location, working instead from branches in north and south Mitrovica and, for the first years, bringing youth together in band camps and training weeks outside Kosovo. Since 2011, the Rock School has been working with long-term ethnically mixed bands who write their own material, a growing program which increasingly became the face of the school. By year-end 2015, the mixed band program had grown to such an extent as to make travel abroad unsustainable, and students agreed to come together in Mitrovica.

From August 2008 through December 2018, over 1,200 youth have attended the MRS. The school has had 44 ethnically mixed bands (24 cover bands, 20 original bands). On average, the MRS delivers around 230 activities per month (lessons, workshops, band sessions, concerts, presentations, etc.), making it one of Mitrovica's most active organizations. The MRS has been featured in hundreds of media reports and has been hailed for its original approach to reconciliation.

**The Mitrovica Rock School in 2018**

2018 was marked by political tensions between Pristina and Belgrade which played out directly on the streets of Mitrovica. Remarkably, the MRS was not significantly affected. Multi-ethnic training weeks and workshops continued according to plan, and ethnically mixed bands were highly active. In October, the Mitrovica Rock School celebrated its tenth anniversary with its first-ever public concerts of multi-ethnic bands on both sides of Mitrovica – previously considered too unsafe. All mixed bands were eager to perform to both events. In December, mixed band High Frequency recorded an album of seven original songs.

2018 was also the year in which the project Music Connects was launched. Led by Musicians without Borders, the project expands the MRS's approach to reconciliation and inclusion to two more rock schools, Music School Enterprise and Roma Rock School, both in Skopje, Macedonia. Music Connects also expanded the involvement of Fontys Rockacademie, sending regular teams of teachers and students to build the capacity of the three participating rock schools. Finally, film house Hatched-MV started the production of its documentary "Music Connects: The Real School of Rock," and released two (of eight) "micro-trailers" announcing the film.

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**2018 in numbers:**

- 107 Rock School students (45 north, 62 south), ages 11 to 26, participated in 1,778 skills lessons and band coaching sessions
- 7 mixed bands with 31 members (13 north, 18 south) held 98 rehearsals and gave 16 concerts
- 1,585 parents and friends attended mixed band concerts in Mitrovica, Pristina, Gračanica and Skopje, together
- 15 staff, 7 of whom are former students: 4 junior teachers; 3 trainees, ages 18-27; 6 senior teachers, 3 management team members (one of whom doubles as a teacher), from north and south Mitrovica
- 42 inter-ethnic workshops year-round: teachers work with inter-ethnic groups on both sides of Mitrovica.
- 11 studio days, where mixed bands recorded the songs they wrote together.
- 14 press reports in seven languages



**Mitrovica Rock School**  
**Notes to the Financial Statements (Continued)**  
**For the year ended December 31, 2018**

**2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**2.1 Standards and Interpretations effective in the current period**

Below are presented the amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee which are effective for the current period:

<b>Standard</b>	<b>Description</b>	<b>Effective date</b>
Amendment to IFRS 14	Regulatory Deferral Accounts	beginning on or after 1 January 2016
Amendment to IFRS 10	Consolidated Financial Statements	beginning on or after 1 January 2016
Amendment to IFRS 11	Joint Arrangements	beginning on or after 1 January 2016
Amendment to IFRS 12	Disclosure of Interests in other Entities	beginning on or after 1 January 2017
Amendment to IAS 1	Presentation of Financial Statements	beginning on or after 1 January 2016
Amendment to IAS 7	Disclosure Initiative	beginning on or after 1 January 2017
Amendment to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	beginning on or after 1 January 2017
Amendment to IAS 16	Property, Plant and Equipment	beginning on or after 1 January 2016
Amendment to IAS 27	Separate Financial Statements	beginning on or after 1 January 2016
Amendment to IAS 28	Investments in Associates and Joint Ventures	beginning on or after 1 January 2016
Amendment to IAS 38	Intangible Assets	beginning on or after 1 January 2016
Amendment to IAS 41	Agriculture-Bearer Plants	beginning on or after 1 January 2016
Amendment to different standards	Improvements to IFRS (2012-2014 Cycle)-resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to remove inconsistencies and clarifying wording	annual periods beginning on or after January 1, 2016
Amendment to different standards	Improvements to IFRS (2010-2012 Cycle) - The annual project resulting	beginning on or after 1 July 2014

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

	from improvements in quality of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to remove inconsistencies and clarifying wording	
Amendment to different standards	Improvements to IFRS (2011-2013 Cycle)-resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to remove inconsistencies and clarifying wording	annual periods beginning on or after July 1, 2014

**2.2 Standards and interpretations in issue not yet effective**

In these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

Standard	Description	Effective date
IFRS 1	Amendments resulting from <i>Annual Improvements 2014–2016 Cycle</i> (removing short-term exemptions)	beginning on or after 1 January 2018
IFRS 2	Classification and Measurement of Share-based Payment transactions	beginning on or after 1 January 2018
IFRS 3	Amendments resulting from <i>Annual Improvements 2015–2017 Cycle</i> (remeasurement of previously held interest)	beginning on or after 1 January 2019
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	beginning on or after 1 January 2018
IFRS 9	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	beginning on or after 1 January 2019
IFRS 11	Amendments resulting from <i>Annual Improvements 2015–2017 Cycle</i> (remeasurement of	beginning on or after 1 January 2019



**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

	previously held interest)	
IFRS 15	Clarifications to IFRS 15	beginning on or after 1 January 2018
IFRS 16	Leases	beginning on or after 1 January 2019
IFRS 17	Original issue	beginning on or after 1 January 2021
IAS 12	Amendments resulting from <i>Annual Improvements 2015–2017 Cycle</i> (income tax consequences of dividends)	beginning on or after 1 January 2019
IAS 19	Amendments regarding plan amendments, curtailments or settlements	beginning on or after 1 January 2019
IAS 23	Amendments resulting from <i>Annual Improvements 2015–2017 Cycle</i> (borrowing costs eligible for capitalisation)	beginning on or after 1 January 2019
IAS 28	Amendments resulting from <i>Annual Improvements 2014–2016 Cycle</i> (clarifying certain fair value measurements)	beginning on or after 1 January 2018
IAS 28	Amendments regarding long-term interests in associates and joint ventures	beginning on or after 1 January 2019
IAS 40	Amendments to clarify transfers or property to, or from, investment property	beginning on or after 1 January 2018

The organization has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the entity in the period of initial application.

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Basis of preparation**

Financial Statements are prepared for reporting purposes in accordance with applicable laws of Kosovo, and represent the entire picture of economic events that occurred in "MRS" during 2018.

**3.2 Currency of presentation**

The reporting currency of MRS is the European Union currency unit Euro ("EUR").

**3.3 Significant accounting policies**

A summary of the most significant accounting policies adopted in the preparation of the financial statements is presented below:

**3.3.1 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents are considered to be cash on hand and at banks and in operating accounts at banks with an original maturity of three months or less.

**3.3.2 Revenue recognition**

Revenues from grants are recognized as income on a straight-line basis over the period of the operation.

**3.3.3 Expenses recognition**

Expenses incurred for generation incomes are recognized in that period with the historical costs.

**3.3.4 Taxation**

MRS was established as a non-governmental organization, therefore it has responsibility and acts as an NGO according to the laws in force in Kosovo.

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**4. CASH AND BANK BALANCES**

Cash and cash equivalents as of December 31, 2018 are composed as follows:

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
Cash in hand	-	-
Cash bank	18,357	3,755
<b>Total Cash and Bank Balances</b>	<u><u>18,357</u></u>	<u><u>3,755</u></u>

**5. ACCOUNTS RECEIVABLE**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
CfC Center	2,000	-
Swiss Cooperation Office	-	6,000
MRS members fee tuition	258	-
<b>Total Accounts Receivable</b>	<u><u>2,258</u></u>	<u><u>6,000</u></u>

**6. ACCOUNTS PAYABLE**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
Utilities	14	-
Pivdzana DOO	236	-
Taxi Albana	23	-
MTS DOO	31	-
Hib Petrol	45	-
Musicians Without Border	5,907	6,000
<b>Total Accounts Payable</b>	<u><u>6,255</u></u>	<u><u>6,000</u></u>



**Mitrovica Rock School**  
**Notes to the Financial Statements**  
For the year ended December 31, 2018

**7. DEFERRED REVENUES**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
Musicians without Borders - MwB	13,343	-
Defered revenues MRS	1,338	3,907
Defered Revenues VAT	-	-
Members Due	-	-
<b>Total Deferred Revenue</b>	<b>14,681</b>	<b>3,907</b>
Other Liabilities	6	6
<b>Total other liabilities</b>	<b>14,687</b>	<b>3,913</b>

As deferred revenues which will be encountered as Income in year 2019.

**8. INCOMES**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
Income from Musicians Without Borders	64,895	39,893
Income from Austrian Development Agency	10,000	-
Income from Australian Embassy to the Republic of Kosovo	4,905	-
Income from Embassy of the Federal Republic of Germany in Pristina, Kosovo	24,937	42,194
Income from Qendra Multimedia	5,000	-
Income from Swiss Cooperation Office	-	20,000
Members Due	4,348	-
Own source of income	888	632
Other Income	557	-
Deferred Income	(14,681)	-
<b>Total Incomes from Donors</b>	<b>100,849</b>	<b>102,719</b>



**Mitrovica Rock School**  
**Notes to the Financial Statements**  
For the year ended December 31, 2018

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**9. STAFF SALARIES AND BENEFITS**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
Branch Managers	-	-
Teachers Org. Duties	27,539	23,595
Student Trainees	4,027	4,758
Director	8,089	-
Development and Communication Officer	-	4,800
Local MRS Administrator	4,568	-
Program Manager	7,075	-
Per Diem for Coordinator and Assistant	-	13,044
Cleaning Person	1,132	1,380
Driver	551	1,402
<b>Total Staff Salaries and Benefits</b>	<b>52,980</b>	<b>48,979</b>

**10. TRAVEL AND TRANSPORT**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
	1,200	2,400
	-	15
	4,742	3,658
	-	1,136
	-	-
	2,063	2,014
	<b>8,005</b>	<b>9,224</b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

**11. EQUIPMENT AND SUPPLIES**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
Instrument accessories	-	-
Instruments/equipment MRS north and south	997	1,079
Instruments/equipment MRS south	-	-
<b>Total Equipment and Supplies Expenses</b>	<b>997</b>	<b>1,079</b>

**12. LOCAL OFFICE**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
Office rent local management team Mitrovica	1,457	2,637
Office rent regional MwB office Belgrade	-	-
Office materials MRS, CBM, MwB	3,062	981
Office utilities Mitrovica (electricity, garbage collection)	227	589
Communication costs teachers/branch managers	244	523
	-	-
<b>Total Local Office</b>	<b>4,990</b>	<b>4,731</b>

**13. PROJECT ACTIVITIES**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
Audit at project-end	800	944
Accommodation/subsistence train	1,222	1,200
Project-end external evaluation of achievement of goals	1,926	-
Building/Rehearsal Room/Concert Stage	1,973	-
Bank Fees	433	282
Training, Visibility and Accountability	6,555	19,445
<b>Total Project Activities</b>	<b>12,909</b>	<b>21,871</b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**14. MITROVICA ROCK SCHOOL FACILITIES**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
Rent south branch building	12,905	6,593
Rent north branch building	3,004	6,379
Utilities south branch	513	1,633
Utilities north branch	-	527
School rooms north Mitrovica an	-	560
School rooms south Mitrovica an	-	-
<b>Total School Facilities</b>	<b><u>16,422</u></b>	<b><u>15,694</u></b>

**15. OTHER COSTS**

	December 31, 2018 (in EUR)	December 31, 2017 (in EUR)
Visibility	980	120
Instrument accessories (strings, drum sticks, etc.)	-	16
Contingency		
Communication	307	900
Representation cost	225	106
Travelling cost for the staff from Prishtina	2,693	-
Indirect costs	340	-
Excess transferred to MWB		
<b>Total Other Costs</b>	<b><u>4,545</u></b>	<b><u>1,142</u></b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**16. RELATED PARTY DISCLOSURE**

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

**17. RISK MANAGEMENT**

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. MRS is not exposed to credit risk in respect of Grant receivable from its Donors.

***Interest rate risk***

The MRS currently is not exposed to the interest rate risk.

***Foreign exchange risk***

MRS has not been exposed to international exchange risk as transactions occur in local currency.

***Liquidity risk***

Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The MRS is committed monitor its liquidity on a periodic basis in order to manage its obligations as and when they shall become due.

***Fair value of financial instruments***

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.