

Mitrovica Rock School

Independent Auditor's Report and individual financial statements
for the year ended December 31, 2016

Mitrovica Rock School

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INDEPENDENT AUDITORS' REPORT

To the management of Mitrovica Rock School

We have audited the accompanying financial statements Mitrovica Rock School, which comprise the balance sheet as at December 31, 2016, and the statement of revenue and expenditure, statement of changes in net assets and cash flow statement for the year then ended, and other explanatory notes.

Management responsibility for financial statements

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

Auditor responsibility

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

Scope of services

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Auditor's opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitrovica Rock School as of December 31, 2016 and the results of its operation for the year then ended in conformity with International Financial Reporting Standards (IFRS).


Audit
ACA – Audit & Consulting Associates
Prishtina, Kosova
March, 2017



Mitrovica Rock School
Balance Sheet
For the year ended December 31, 2016

	As of December 31, 2016 (in EUR)	As of December 31, 2015 (in EUR)
ASSETS		
Non-current assets		
Property and equipment	-	-
Total non-current assets	<u>-</u>	<u>-</u>
Current assets		
Accounts Receivable	-	-
Other Receivables	-	145
Cash and bank balances	3 1,342	18,427
Total current assets	<u>1,342</u>	<u>18,572</u>
TOTAL ASSETS	<u>1,342</u>	<u>18,572</u>
LIABILITIES AND RESERVES		
Current liabilities		
Accounts payable and accrued expenses	4 -	15,436
Deferred Revenue and other	5 1,722	3,136
Total current liabilities	<u>1,722</u>	<u>18,572</u>
Reserves		
Retained surplus		-
Net (deficit)/surplus for the year	<u>(381)</u>	-
Total reserves	<u>(381)</u>	-
TOTAL LIABILITIES AND RESERVES	<u>1,342</u>	<u>18,572</u>

The financial statements have been signed on March, 2017 by:



Milizza Kosova
Legal Representative

The accompanying notes from 1 to 15 form an integral part of these financial statements

Mitrovica Rock School
Statement of Revenue and expenditures
For the year ended December 31, 2016

	Notes	Year ended December 31, 2016 (in EUR)	Year ended December 31, 2015 (in EUR)
Income			
Grant Incomes	6	84,152	118,102
Total income		<u>84,152</u>	<u>118,102</u>
Expenditure			
Staff salaries and benefits	7	38,048	62,511
Travel & Transport	8	13,101	9,485
Equipment & Supplies	9	3,261	8,318
Local Office	10	4,829	6,362
Project Activities	11	5,113	11,303
Mitrovica Rock School Facilities	12	14,895	14,725
Other	13	5,287	5,398
Penalty on late VAT registering			
Total expenditure		<u>84,533</u>	<u>118,102</u>
Net (Deficit)/surplus for the year		<u>(381)</u>	<u>(0)</u>

The accompanying notes from 1 to 15 form an integral part of these financial statements

Mitrovica Rock School
Statement of Changes in Net Assets
For the year ended December 31, 2016

	As of 31 December, 2016 (in EUR)
Opening balance as at January 1st, 2015	-
Net deficit/surplus for the year ended December 31, 2015	<u>-</u>
Balance as at December 31, 2015	-
Net deficit/surplus for the year ended December 31, 2016	(381)
Balance as at December 31, 2016	<u><u>(381)</u></u>

The accompanying notes from 1 to 15 form an integral part of these financial statements.

Mitrovica Rock School
Statement of Cash Flows
For the year ended December 31, 2016

	Year ended December 31, 2016 (in EUR)	Year ended December 31, 2015 (in EUR)
Cash flows from operating activities		
(Deficit)/surplus for the period	(381)	-
Adjustment for:		
Depreciation		-
Other Adjustments (last years profit)	-	197
Change in deferred revenues	(1,414)	
Change in receivables		17,925
Change in other receivables	145	(145)
Change in payables	(15,436)	1,857
Change in other current liabilities	0	(2,472)
Net cash from operating activities	(17,086)	13,649
Cash flows from investing activities		
Acquisition of property and equipment	-	-
Net cash used in investing activities	-	-
Net increase in cash and cash equivalents	(17,086)	13,649
Cash and cash equivalents at 1 January	18,427	4,779
Cash and cash equivalents at 31 December	1,342	18,427

The accompanying notes from 1 to 15 form an integral part of these financial statements.

Mitrovica Rock School
Notes to the Financial Statements
For the year ended December 31, 2016

1. INTRODUCTION

The Mitrovica Rock School ("Rock School") is a non-governmental organization registered under the laws of Kosovo at the end of 2012. It started as a project of Musicians without Borders (MwB) and Community Building Mitrovica (CBM) in order to bridge ethnic, ideological and religious divides between people, especially youth, in north and south Mitrovica and throughout the Kosovo region through music.

Due to the security situation, the Rock School was unable to realize its original plan of establishing the school in one single location, working instead from branches in north and south Mitrovica and, for the first seven 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 inside Mitrovica.

From August 2008 through December 2016, over 1,000 youth have attended the Rock School and approximately 235 students have played in ethnically mixed bands. On average, the Rock School delivers over 100 activities per month (lessons, workshops, band sessions, concerts, presentations, etc.), making it one of Mitrovica's most active organizations. The Rock School has been featured in hundreds of media reports and has been hailed for its original approach to reconciliation and integration.

The Mitrovica Rock School in 2016

In 2016, the Mitrovica Rock School took several important steps towards integrating its activities in Mitrovica: It organized seven ethnically mixed training weeks in Mitrovica, with ten mixed bands formed by 44 youth (23 from north, 21 from south Mitrovica) rehearsing on both sides of the city. The Rock School held eight ethnically mixed concerts in Kosovo, bringing audience from both sides of Mitrovica. And it launched a pilot integrating ethnically mixed workshops into its daily lesson program. 113 students, ages 12-25, participated in our daily program.

In May 2016, flagship band The Artchitects visited New York City at the invitation of experiential marketing agency Pop2Life to meet with industry experts as well as ethno-musicologist Jane Sugarman of the City University of New York (CUNY).

From August 21 to 28, 2016, seven ethnically mixed bands came together in Skopje, Macedonia, for the Rock School's annual summer school, where the bands wrote own material, made studio recordings, and performed for an audience from north and south Mitrovica as well as Skopje.

The high number of ethnically mixed activities in Mitrovica and Kosovo in 2016 have signaled an important change to the program and for the city, increasing participants' mobility and contributing to the normalization of inter-ethnic cooperation among the city's youth

Mitrovica Rock School
Notes to the Financial Statements
For the year ended December 31, 2016

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Attached 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 "Mitrovica Rock School" during 2015.

2.2 Currency of presentation

Reporting of occurred transactions of NGO "Mitrovica Rock School" for this period is done in EUROS ("EUR"), thus Financial Statements are prepared in EUROS as well, which is the official currency used in Kosovo since January 2002. "Mitrovica Rock School" for his cash inflows and cash outflows uses two bank accounts in Pro Credit Bank.

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.

2.3.1 Property and equipment

Property and equipment are stated at cost, or fair value for purchased or donated assets, less accumulated depreciation and provision for impairment where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the statement of revenue and expenditure. The estimated recoverable amount is the higher of an asset's net selling price and its value-in-use.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The cost or fair value of purchased or donated property and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to their present location and condition necessary for their intended use.

Depreciation is provided on a straight-line basis calculated to write off the recorded cost or fair value of property and equipment over their estimated useful lives.

Mitrovica Rock School
Notes to the Financial Statements
For the year ended December 31, 2016

3. CASH AND BANK BALANCES

Cash and cash equivalents as of December 31, 2015 are composed as follows:

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Cash in hand	-	-
Cash bank account - ProCredit	-	10,202
Cash bank account - ProCredit	1,342	8,225
Total Cash and Bank Balances	<u>1,342</u>	<u>18,427</u>

Organization has two open bank accounts in Pro Credit Bank.

4. ACCOUNTS PAYABLE

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Musicians Without Border	-	15,436
Total Accounts Payable	<u>-</u>	<u>15,436</u>

Organization has no liabilities in the end of the year 2016.

5. DEFERRED REVENUES

As deferred revenues which will be encountered as Income in year 2017.

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Deferred revenues MRS	1,715	775
Deferred Revenues VAT	-	637
Members Due	-	1,715
Total Deferred Revenue	<u>1,715</u>	<u>3,127</u>
Other liabilities	<u>7</u>	<u>-</u>
Total Deferred Revenue and other liabilities	<u>1,722</u>	<u>3,127</u>

Mitrovica Rock School
Notes to the Financial Statements
For the year ended December 31, 2016

6. INCOME

Organization has received Grants from various donors as presented below:

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Income from Mwb	16,144	1,821
Income from Austrian Embassy	10,000	-
Income from UNMIK	8,949	20,895
Income from UNDP	3,500	-
Income from NetherlandsEmbassy	-	12,690
Income from German Embassy	34,036	18,510
Income Haella Foundation Mwb	-	4,162
Income Robert Bosch StiftungMwb	-	6,452
Income from EC/EIDHR project	-	39,855
Members Due	3,634	5,014
Income from Culture for All	5,758	-
Own source of income	1,495	2,100
Other Income	637	6,603
Total grant incomes	84,152.34	118,102

7. STAFF SALARIES AND BENEFITS

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Branch Managers	3,150	4,574
Teachers Org. Duties	3,702	13,345
Student Trainees	9,571	4,050
Director	5,250	8,604
Development and Communication Officer	-	4,570
Local MRS Administrator	2,100	1,270
Local Mwb Administrator	2,000	2,093
Program Manager	-	12,441
Program Coordinator	-	4,658
MRS trainee project coordinator	3,000	-
Music instructor	9,274	-
Per Diem for participants	-	4,410
Per Diem for Coordinator and Assistant	-	1,232
Cleaning Person	-	1,265
Total Staff Salaries and Benefits	38,048	62,511

Mitrovica Rock School
Notes to the Financial Statements
For the year ended December 31, 2016

8. TRAVEL AND TRANSPORT

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Van, Mitrovica to Macedonia	4,540	1,300
Airline tickets for trainers and participants	1,889	4,849
Transport and other travel expenses	1,377	1,519
Local Transportation	5,296	1,817
Total Travel and Transportation Expenses	13,101	9,485

9. EQUIPMENT AND SUPPLIES

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Instrument accessories	404	6,719
Instruments/equipment MRS north and south	2,000	-
Laptops and printer for Rock School branches	856	1,599
Total Equipment and Supplies Expenses	3,261	8,318

10. LOCAL OFFICE

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Office rent local management team Mitrovica	2,637	2,668
Office materials MRS, MWB	951	1,283
Office utilities Mitrovica	508	727
Communication costs local management team	213	962
Internet and software fees	520	723
Total Local Office	4,829	6,362

Mitrovica Rock School
Notes to the Financial Statements
For the year ended December 31, 2016

11. PROJECT ACTIVITIES

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Project-related cost of external admin MwB	-	899
Hotel costs A-Team student tour (7)	-	-
Audit at project-end	708	2,000
Accommodation and meals	1,296	-
MRS inter-ethnic team retreat i	1,744	-
Project-end external evaluation of achievement of goals	-	3,690
Building/Rehearsal Room/Concert Stage	800	-
Bank Fees	415	-
Project Activities - Other	150	4,393
Total Project Activities	<u>5,113</u>	<u>11,303</u>

12. MITROVICA ROCK SCHOOL FACILITIES

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Rent south branch building	4,347	6,593
Rent north branch building	4,185	6,379
Utilities south branch	713	1,318
Utilities north branch	254	435
School rooms north and south Mitrovica	5,395	-
Total School Facilities	<u>14,895</u>	<u>14,725</u>

13. OTHER COSTS

	December 31, 2016 (in EUR)	December 31, 2015 (in EUR)
Visibility	2,116	248
Instruments and Instrument accessories	1,100	-
Activity 2: Ambassador Band Program	200	1,257
Communication	1,008	562
Representation cost	864	76
Indirect costs	-	2,730
Apartment accomodation for MwB trainers	-	525
Total Other Costs	<u>5,287</u>	<u>5,398</u>

Mitrovica Rock School
Notes to the Financial Statements
For the year ended December 31, 2016

14. 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.

15. 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. Mitrovica Rock School is exposed to credit risk in respect of membership fees receivable from its members.

Interest rate risk

The Mitrovica Rock School currently is not exposed to the interest rate risk.

Foreign exchange risk

The Mitrovica Rock School is exposed to foreign exchange risk as transactions are undertaken both in local and foreign currency. Management monitors and sets limits on the level of such exposure by currency and in total. The Mitrovica Rock School does not speculate in or engage in the trading of derivative financial instruments.

Liquidity risk

Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Mitrovica Rock School 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.