



Mitrovica Rock School

Independent Auditor's Report and financial individual statements  
for the year ended December 31, 2019

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, 2019, 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, 2019, 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.

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Astrit.Musa – Statutory Auditor

ACA – Audit & Consulting Associates

Prishtine, Kosovo

March 2020



**Mitrovica Rock School**  
**Statement of Financial Position**  
**For the year ended December 31, 2019**

		As of December 31, 2019 (in EUR)	As of December 31, 2018 (in EUR)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		-	-
Total non-current assets		-	-
<b>Current assets</b>			
Accounts Receivable	5	1,498	2,258
Other Receivables		-	328
Cash and bank balances	4	4,523	18,357
Total current assets		6,021	20,942
<b>TOTAL ASSETS</b>		<b>6,021</b>	<b>20,942</b>
<b>LIABILITIES AND RESERVES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	6	1,857	6,255
Deferred Revenues and Other Liabilities	7	4,164	14,687
Deferred Revenue	5	-	-
Total current liabilities		6,021	20,942
<b>Reserves</b>			
Retained surplus		-	-
Net (deficit)/surplus for the year		-	-
Total reserves		-	-
<b>TOTAL LIABILITIES AND RESERVES</b>		<b>6,021</b>	<b>20,942</b>

The financial statements have been signed on March, 2020 by:

  
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 Milizza Kosova  
 Legal Representative



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, 2019**

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	Notes	Year ended December 31, 2019 (in EUR)	Year ended December 31, 2018 (in EUR)
<b>Income</b>			
Income from Donors	8	112,665	100,849
<b>Total income</b>		<b>112,665</b>	<b>100,849</b>
<b>Expenditure</b>			
Staff salaries and benefits	9	63,298	52,980
Travel & Transport	10	4,595	8,005
Equipment & Supplies	11	13,764	997
Local Office	12	5,249	4,990
Project Activities	13	5,686	12,909
Mitrovica Rock School Facilities	14	17,415	16,422
Other	15	2,657	4,545
<b>Total expenditure</b>		<b>112,665</b>	<b>100,849</b>
<b>Net (Deficit)/surplus for the year</b>		<b>-</b>	<b>-</b>

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, 2019**

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	<b>As of 31 December, 2019 (in EUR)</b>
Opening balance as at January 1st, 2018	-
Net deficit/surplus for the year ended December 31, 2018	- <hr/>
<b>Balance as at December 31, 2018</b>	-
Net deficit/surplus for the year ended December 31, 2019	- <hr/>
<b>Balance as at December 31, 2019</b>	- <hr/> <hr/>

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, 2019**

	Year ended December 31, 2019 (in EUR)	Year ended December 31, 2018 (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	(10,523)	10,774
Change in receivables	759	3,743
Change in other receivables	328	(170)
Change in payables	(4,398)	255
Change in other current liabilities	-	-
<b>Net cash from operating activities</b>	<b>(13,834)</b>	<b>14,602</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>(13,834)</b>	<b>14,602</b>
Cash and cash equivalents at 1 January	18,357	3,755
<b>Cash and cash equivalents at 31 December</b>	<b>4,523</b>	<b>18,357</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, 2019**

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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. In 2018 we gave our first mixed-band concerts in Mitrovica itself, a tradition we continued in 2019, with mixed concerts held for mixed audiences in Mitrovica in July and December.

From August 2008 through December 2019, over 1,300 youth have attended the MRS. The school has had 49 ethnically mixed bands (24 cover bands, 25 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 2019**

2019 was a year of new beginnings and growth:

- We cemented new partnerships with Roma Rock School and Music School Enterprise in Skopje, giving our students the chance to connect with young musicians in the region
- We held our first summer school in Shuto Orizari, Skopje
- We formed five new ethnically mixed bands, while five more continued to work together, all writing original songs
- We established Mitrovica's first shared recording studio

While our city remains divided, our music scene is not. This year and every year since 2008, we have lived our motto "Music Connects."

#### **2019 in numbers:**

- 116 Rock School students (58 north, 58 south), ages 11 to 26, participated in 1,777 skills lessons and 182 band coaching sessions
- 10 mixed bands with 43 members (20 north, 22 south and 1 Macedonian) held 96 rehearsals and gave 13 concerts in north and south Mitrovica, Grancania, Pristina, Leposavic, Brezovica, Novo Selo, Skopje and Belgrade
- 1,860 parents and friends attended mixed band concerts

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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- 18 staff: 4 junior teachers; 6 trainees, ages 15-27; 6 senior teachers, 3 management team members (one of whom doubles as a teacher), from north and south Mitrovica
- 30 inter-ethnic workshops year-round: teachers work with inter-ethnic groups on both sides of Mitrovica
- 15 studio days, where mixed bands recorded the songs they wrote together
- 11 press reports in five languages

**Mitrovica Rock School**  
**Notes to the Financial Statements (Continued)**  
**For the year ended December 31, 2019**

**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>
IFRS 1	Annual Improvements to IFRS 2014–2016 Cycle	Beginning on or after January 2018
IAS 28	Annual Improvements to IFRS 2014–2016 Cycle	Beginning on or after January 2018
IFRS 15	Revenue from Contracts with Customers	Beginning on or after January 2018
IFRS 9	Financial Instruments	Beginning on or after January 2018
IAS 40	Transfers of Investment Property (Amendments to IAS 40)	Beginning on or after January 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	Beginning on or after January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Beginning on or after January 2018
IFRS 16	Leases	Beginning on or after January 2019
IFRS 9	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Beginning on or after January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Beginning on or after January 2019
IAS 12, IAS 23, IFRS 3 and IFRS 11	Annual Improvements to IFRS 2015-2017 Cycle	Beginning on or after January 2019
IAS 19	Plan Amendment, Curtailment or	Beginning on or after

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

	Settlement (Amendments to IAS 19)	January 2019
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**2.2 Standards and interpretations in issue not yet effective**

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

Standard	Description	Effective date
CF	Conceptual Framework for Financial Reporting	Beginning on or after January 2020
IFRS 3	Definition of a Business (Amendments to IFRS 3)	Beginning on or after January 2020
IAS 1 and IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	Beginning on or after January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	Beginning on or after January 2020
IFRS 17	Insurance Contracts	Beginning on or after January 2021
Practice Statement 2	Making Materiality Judgements	No effective date as non-mandatory guidance

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, 2019**

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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 2019.

**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, 2019**

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**4. CASH AND BANK BALANCES**

Cash and cash equivalents as of December 31, 2019 are composed as follows:

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Cash in hand	138	-
Cash bank	4,385	18,357
<b>Total Cash and Bank Balances</b>	<b>4,523</b>	<b>18,357</b>

**5. ACCOUNTS RECEIVABLE**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Musicians without Borders	1,498	
CfC Center	-	2,000
MRS Members fee tuition	-	258
<b>Total Accounts Receivable</b>	<b>1,498</b>	<b>2,258</b>

**6. ACCOUNTS PAYABLE**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Musicians Without Border	1,685	5,907
Utilities	24	14
Pivdzana DOO	-	236
Taxi Albana	-	23
MTS DOO	33	31
Hib Petrol	-	45
Other	111	-
<b>Total Accounts Payable</b>	<b>1,857</b>	<b>6,255</b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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**7. DEFERRED REVENUES**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Members Due	-	-
Musicians without Borders - MwB	-	13,343
Deferred revenues MRS	4,164	1,338
<b>Total Deferred Revenue</b>	<b>4,164</b>	<b>14,681</b>
Other Liabilities	-	6
<b>Total other liabilities</b>	<b>4,164</b>	<b>14,687</b>

**8. INCOMES**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Income from Embassy of the Federal Republic of Germany in Pristina, Kosovo	79,993	24,937
Income from Musicians Without Borders	28,343	64,895
Income from Australian Embassy to the Republic of Kosovo	2,329	4,905
Own source of income	502	888
Income from Austrian Development Agency	-	10,000
Income from Qendra Multimedia	-	5,000
Members Due	-	4,348
Other Income	1,498	557
Deferred Income	-	(14,681)
<b>Total Incomes from Donors</b>	<b>112,665</b>	<b>100,849</b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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**9. STAFF SALARIES AND BENEFITS**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Teachers Org. Duties	31,122	27,539
Director	18,650	8,089
Student Trainees	7,297	4,027
Finance & Admin.	3,350	-
Cleaning Person	2,879	1,132
Local MRS Administrator	-	4,568
Program Manager	-	7,075
Driver	-	551
<b>Total Staff Salaries and Benefits</b>	<b>63,298</b>	<b>52,980</b>

**10. TRAVEL AND TRANSPORT**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Local Transportation	3,248	-
Transport and other travel expenses	147	4,742
Van, Mitrovica to Macedonia	1200	1,200
Other Local Travel	-	2,063
<b>Total Travel and Transportation Expenses</b>	<b>4,595</b>	<b>8,005</b>

**11. EQUIPMENT AND SUPPLIES**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Instruments/equipment MRS north and South	13,764	997
<b>Total Equipment and Supplies Expenses</b>	<b>13,764</b>	<b>997</b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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**12. LOCAL OFFICE**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Office materials MRS, CBM, MwB	693	3,062
Office rent local management team Mitrovica	2,637	1,457
Office utilities Mitrovica (electricity, garbage collection)	429	227
Communication costs teachers/branch managers	1,490	244
<b>Total Local Office</b>	<b>5,249</b>	<b>4,990</b>

**13. PROJECT ACTIVITIES**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Concerts and promotional events	2,658	-
Bank Fees	539	433
Training, Visibility and Accountability	1,689	6,555
Audit at project-end	800	800
Accommodation/subsistence train	-	1,222
Project-end external evaluation of achievement of goals	-	1,926
Building/Rehearsal Room/Concert Stage	-	1,973
<b>Total Project Activities</b>	<b>5,686</b>	<b>12,909</b>

**14. MITROVICA ROCK SCHOOL FACILITIES**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Rent north branch building	7,693	3,004
Rent south branch building	8,614	12,905
Utilities south branch	1,108	513
<b>Total School Facilities</b>	<b>17,415</b>	<b>16,422</b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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**15. OTHER COSTS**

	<b>December 31, 2019 (in EUR)</b>	<b>December 31, 2018 (in EUR)</b>
Panelling/soundproofing	1,986	-
Representation cost	94	225
Visibility	-	980
Communication	-	307
Travelling cost for the staff from Prishtina	577	2,693
Indirect costs	-	340
<b>Total Other Costs</b>	<b>2,657</b>	<b>4,545</b>

**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.