

# Mitrovica Rock School

Independent Auditor's Report and financial statements  
for the year ended December 31, 2015



# 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, 2015, 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 is responsible for the preparation and fair presentation of these financial statements in accordance with Kosovo Accounting Standards. 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.

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.

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.

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, 2015 and the results of its operation for the year then ended in conformity with accounting principals generally accepted in Kosovo.

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ACA – Audit & Consulting Associates  
Prishtina, Kosova  
March, 2016

**Mitrovica Rock School**  
**Balance Sheet**  
For the year ended December 31, 2015

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	As of December 31, 2015 (in EUR)	As of December 31, 2014 (in EUR)
<b>ASSETS</b>		145
<b>Non-current assets</b>		
Property and equipment	-	-
	<hr/>	<hr/>
Total non-current assets	-	-
<b>Current assets</b>		
Accounts Receivable	3 -	17,925
Other Receivables	145	-
Cash and bank balances	4 18,427	4,779
Total current assets	<hr/> 18,572	<hr/> 22,704
<b>TOTAL ASSETS</b>	<hr/> <b>18,572</b>	<hr/> <b>22,704</b>
<b>LIABILITIES AND RESERVES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	5 15,436	17,023
Other Liabilities	-	270
Deferred Revenue	6 3,136	5,608
Total current liabilities	<hr/> 18,572	<hr/> 22,901
<b>Reserves</b>		
Retained surplus	-	-
Net (deficit)/surplus for the year	-	(197)
Total reserves	<hr/> -	<hr/> (197)
<b>TOTAL LIABILITIES AND RESERVES</b>	<hr/> <b>18,572</b>	<hr/> <b>22,704</b>

The financial statements have been signed on March 29, 2016 by:

**Dafina Kosova**

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**Executive Director of Mitrovica Rock School**

The accompanying notes from 1 to 16 form an integral part of these financial statements

**Mitrovica Rock School**  
**Statement of Revenue and expenditures**  
**For the year ended December 31, 2015**

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	Notes	Year ended December 31, 2015 (in EUR)	Year ended December 31, 2014 (in EUR)
<b>Income</b>			
Grant Incomes	7	118,102	163,043
<b>Total income</b>		<b>118,102</b>	<b>163,043</b>
<b>Expenditure</b>			
Staff salaries and benefits	8	62,511	103,418
Travel & Transport	9	9,485	13,932
Equipment & Supplies	10	8,318	886
Local Office	11	6,362	8,790
Project Activities	12	11,303	5,265
Mitrovica Rock School Facilities	13	14,725	18,220
Other	14	5,398	12,604
Penalty on late VAT registering		-	125
<b>Total expenditure</b>		<b>118,102</b>	<b>163,240</b>
<b>Net (Deficit)/surplus for the year</b>		<b>-</b>	<b>(197)</b>

The accompanying notes from 1 to 16 form an integral part of these financial statements

**Mitrovica Rock School**  
**Statement of Changes in Net Assets**  
**For the year ended December 31, 2015**

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	<b>As of 31 December, 2015</b> <b>(in EUR)</b>
Opening balance as at January 1st, 2014	-
Net deficit/surplus for the year ended December 31, 2014	-
<b>Balance as at December 31, 2014</b>	-
Net deficit/surplus for the year ended December 31, 2015	-
<b>Balance as at December 31, 2015</b>	-

The accompanying notes from 1 to 16 form an integral part of these financial statements.

**Mitrovica Rock School**  
**Statement of Cash Flows**  
**For the year ended December 31, 2015**

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	Year ended December 31, 2015 (in EUR)	Year ended December 31, 2014 (in EUR)
<b>Cash flows from operating activities</b>		
(Deficit)/surplus for the period	-	(197)
Adjustment for:		
Depreciation	-	-
Other Adjustments (last year's profit)	197	-
Change in receivables	17,925	(4,429)
Change in other receivables	(145)	-
Change in payables	(1,857)	13,022
Change in other current liabilities	(2,472)	(3,619)
<b>Net cash from operating activities</b>	<b>13,649</b>	<b>4,777</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>13,649</b>	<b>4,777</b>
Cash and cash equivalents at 1 January	4,779	2
<b>Cash and cash equivalents at 31 December</b>	<b>18,427</b>	<b>4,779</b>

The accompanying notes from 1 to 16 form an integral part of these financial statements.

# **Mitrovica Rock School**

## **Notes to the Financial Statements**

### **For the year ended December 31, 2015**

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#### **1. INTRODUCTION**

The Mitrovica Rock School (“the Rock School”) is a non-governmental organization registered under the laws of Kosovo by the end of 2012. It started as a project in 2008 at the initiative of local musicians, 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 operates through two branches one in the North and the other one in the South of the city, even though the initial plan was to establish the school in one single location (basement of the Cultural Center on the south foot of the main bridge) but that was proven “a bridge too far”: the divide was too rigid and participants from the north could not be persuaded to cross the main bridge for daily lessons. So instead, the project was restructured: daily lessons were given at separate but connected branches in north and south Mitrovica and students came together for regular summer schools and training weeks in “neutral territory.”

Over 350 youth attended the school and approximately 150 students played in mixed bands during the annual Skopje Summer Schools.

The Rock School fills a huge gap in the city's youth and culture scenes and contributes to inter-ethnic relationship building. With its long-term approach and high-quality program, the Mitrovica Rock School has become a credible, locally owned institution that has gained the trust of beneficiaries, parents and the wider communities on both sides of the divide. Most importantly, it offers an invaluable experience to its participants to meet and play with youth from the other side of their own town in a place where “only the music matters.”



**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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**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 Roch 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, 2015**

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**3. ACCOUNTS RECEIVABLE**

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
CBM NGO	-	-
CRYM	-	-
MRS Members	-	-
EC/EIDHR project	-	17,472
VAT Receivable	-	453
Musicians without Borders	-	-
<b>Total Accounts Receivable</b>	<b>-</b>	<b>17,925</b>

**4. CASH AND BANK BALANCES**

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

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
Cash in hand	-	-
Cash bank account - ProCredit	18,427	4779
<b>Total Cash and Bank Balances</b>	<b>18,427</b>	<b>4,779</b>

Organization has two open bank accounts in Pro Credit Bank.

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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**5. ACCOUNTS PAYABLE**

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
Musicians - contracted staff	-	-
Rent	-	-
C.B.M. NGO	-	-
Tax Administration	-	-
Pension Contributions	-	-
Universal N.T.	-	130
HIB Petrol	-	20
Musicians Without Border	15,436	16,714
Utilities	-	159
<b>Total Accounts Payable</b>	<b>15,436</b>	<b>17,023</b>

Accounts Payable are the liabilities which will be paid in forthcoming year 2016.

**6. DEFERRED REVENUES**

As deferred revenues which will be encountered as Income in year 2016.

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
KCSF	-	-
Musicians without Borders - MwB	-	-
Deferred revenues MRS	775	-
Own source of revenues	-	1,163
Deferred Revenues VAT	637	-
Members Due	1,715	4,445
<b>Total Deferred Revenue</b>	<b>3,127</b>	<b>5,608</b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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**7. INCOME**

Organization has received Grants from various donors as presented below:

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
Income from MwB	1,821	6,683
Income from Caritas Lux	-	-
Income from KCSF	-	1,439
Income from Austrian Embassy	-	10,000
Income from UNMIK	20,895	-
Income from US Embassy	-	-
Income from Netherlands Embassy	12,690	-
Income from German Embassy	18,510	31,740
Income Haella Foundation MwB	4,162	-
Income Robert Bosch Stiftung MwB	6,452	-
Income from EC/EIDHR project	39,855	107,830
Municipality of Mitrovica	-	410
Members Due	5,014	6,200
Own source of income	2,100	4,350
Other Income	6,603	-
Deferred Income	-	(5,608)
<b>Total grant incomes</b>	<b>118,102</b>	<b>163,043</b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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**8. STAFF SALARIES AND BENEFITS**

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
Branch Managers	4,574	9,828
Teachers Org. Duties	13,345	15,503
Student Trainees	4,050	8,814
Director	8,604	8,247
Deputy Director	-	-
Development and Communication Officer	4,570	4,250
Local MRS Administrator	1,270	4,430
Local MwB Administrator	2,093	2,944
Program Manager	12,441	22,200
Program Coordinator	4,658	16,654
Fundraising and Communication Officer	-	350
Finance & Admin.	-	1,754
Per Diem for participants	4,410	6,669
Per Diem for Coordinator and Assistant	1,232	150
Cleaning Person	1,265	1,624
In House Capacity Building	-	-
<b>Total Staff Salaries and Benefits</b>	<b>62,511</b>	<b>103,418</b>

**9. TRAVEL AND TRANSPORT**

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
Netherlands to Macedonia,	-	-
Van, Mitrovica to Macedonia	1,300	-
Airline tickets for trainers and participants	4,849	6,978
Trasnsport Skopje Airport - Hotel - Equipment Transport	1,349	-
Various Travel in and Around Skopje	170	-
Bus travel Kosovo-Macedonia ☒	-	2,660
Travel Kosovo - Netherlands	-	2,247
A-Team students Kosovo-Netherlands	-	-
International travel ☒ Other	-	-
Local Travel	825	895
Other Local Travel	992	1,152
<b>Total Travel and Transportation Expenses</b>	<b>9,485</b>	<b>13,932</b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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**10. EQUIPMENT AND SUPPLIES**

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
Instrument accessories	6,719	614
Rent of PA system MRS concerts in Mitrovica	-	272
Laptops for Rock School branches	1,499	-
Printer for the south branch	100	-
<b>Total Equipment and Supplies Expenses</b>	<b><u>8,318</u></b>	<b><u>886</u></b>

**11. LOCAL OFFICE**

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
Office rent local management team Mitrovica	2,668	2,637
Office rent regional Mwb office Belgrade	-	2,575
Office materials MRS (toner, paper, office supplies)	334	1,057
Consumables MRS (coffee, tea, water, small office items)	422	362
Cleaning materials MRS	-	-
Office materials Mwb (toner, paper, office supplies)	527	367
Office utilities Mitrovica (electricity, garbage collection)	727	180
Communication costs teachers/branch managers	189	295
Communication costs local management team	773	809
Internet fees	506	455
Softwear fees	217	53
<b>Total Local Office</b>	<b><u>6,362</u></b>	<b><u>8,790</u></b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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**12. PROJECT ACTIVITIES**

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
Per diems A-Team mixed band tour	-	-
Project-related cost of external admin MwB	899	-
Hotel costs A-Team student tour (7)	-	-
Audit at project-end <sup>2</sup>	2,000	-
Meals 1 participants/1 coach A-Team tour	-	-
Project-end external evaluation of achievement of goals	3,290	-
Participation in contest	-	80
Final CD presentation for community members	400	-
Building/Rehearsal Room/Concert Stage	-	-
Lodging for 15 Participants (Full Board)	-	-
Per Diem 15 Participants	-	-
Food/Drinks	-	119
Ambassadors Band Programe Costs	-	2,753
Awards/Memorabilia for Participants	-	-
Logistics in Macedonia (Local Facilitating Agency)	-	-
Program Coordinator 40%, 2 Months	-	-
Bank Fees	320	513
Project Activities - Other	4,393	1,800
<b>Total Project Activities</b>	<b><u>11,303</u></b>	<b><u>5,265</u></b>

**13. MITROVICA ROCK SCHOOL FACILITIES**

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
Rent south branch building <sup>2</sup>	6,593	6,642
Rent north branch building <sup>2</sup>	6,379	9,406
Utilities south branch	1,318	1,418
Utilities north branch <sup>2</sup>	435	755
Small building repairs north and south <sup>2</sup>	-	-
<b>Total School Facilities</b>	<b><u>14,725</u></b>	<b><u>18,220</u></b>

**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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**14. OTHER COSTS**

	<b>December 31, 2015 (in EUR)</b>	<b>December 31, 2014 (in EUR)</b>
Visibility	248	1,428
Contingency	-	-
Activity 2: Ambassador Band Program	1,257	-
Auditing	-	892
Communication	562	1,206
Representation cost	76	175
Indirect costs	2,480	2,637
Apartment accommodation for Mwb trainers	525	1,725
Penalties from Tax Authorities	250	-
Excess transferred to Mwb	-	4,540
<b>Total Other Costs</b>	<b>5,398</b>	<b>12,604</b>



**Mitrovica Rock School**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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**15. 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.

**16. 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.