

TO THE BOARD OF
STICHTING MUSICIANS WITHOUT BORDERS
TOLHUISWEG 1
1031 CL AMSTERDAM

- ANNUAL REPORT 2017 -

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Stichting Musicians Without Borders
Attn. Ms. L.J. Hassler
Tolhuisweg 1
1031 CL AMSTERDAM

CHO/mc

Alkmaar, July 6, 2018

ACCOUNTANT'S COMPILATION REPORT

Dear Ms. Hassler,

The financial statements of Stichting Musicians Without Borders at Amsterdam have been compiled by us using the information provided by you. The financial statements comprise the balance sheet as at 31 December 2017 and the profit and loss account for the year 2017 with the accompanying explanatory notes. These notes include a summary of the accounting policies which have been applied.

This compilation engagement has been performed by us in accordance with Dutch law, including the Dutch Standard 4410, "Compilation engagements", which is applicable to accountants. The standard requires us to assist you in the preparation and presentation of the financial statements in accordance with accounting policies generally accepted in the Netherlands. To this end we have applied our professional expertise in accounting and financial reporting.

In a compilation engagement, you are responsible for ensuring that you provide us with all relevant information and that this information is correct. Therefore, we have conducted our work in accordance with the applicable regulations, on the assumption that you have fulfilled your responsibility. To conclude our work, we have read the financial statements as a whole to consider whether the financial statements as presented correspond with our understanding of Musicians Without Borders. We have not performed any audit or review procedures which would enable us to express an opinion or a conclusion as to the fair presentation of the financial statements.

During this engagement we have complied with the relevant ethical requirements prescribed by the "Verordening Gedrags- en Beroepsregels Accountants" (VGBA). You and other users of these financial statements may therefore assume that we have conducted the engagement in a professional, competent and objective manner and with due care and integrity and that we will treat all information provided to us as confidential.

For further information on the nature and scope of a compilation engagement and the VGBA we refer you to www.nba.nl/uitleg-samenstellingsverklaring.

ACCOUNTANTSKANTOOR DE MAN B.V.



C.G.M. Baltus
Accountant-Administratieconulent

FINANCIAL SUMMARY (by the foundation)

Musicians without Borders (MwB) is a non-profit Netherlands-based foundation that uses the power of music to bridge divides, connect communities, and heal the wounds of war.

2017 has been a year of growth for Musicians without Borders. As stated in the current strategic plan (MwB Strategic Plan 2017-2019) our focus is to upscale the organization as a whole, increasing the scope and impact of our work. In 2017 we increased the stability of our current programs while expanding our work to new regions through ‘community partnerships’; developed and improved training processes for scalability; explored synergies and created partnerships world-wide; and grew our base of private and institutional donors. Key to achieve these essential steps was the increase of our organization’s human resources capacity, supporting every aspect of MwB’s work.

These developments are reflected in the significant increase of expenditures on objectives, a growth of 28% since 2016, mainly due to the successful continuation of our long-term programs in Kosovo, Palestine, Rwanda and Europe (refugee projects), the implementation of two new programs in El Salvador, and the further development of MwB’s Training Programs. In 2017 we offered our third annual Training of Trainers, to 49 participants, held in the Netherlands; a third edition of our advanced community music training program in partnership with both The School for Oriental and African Studies (SOAS, University of London – UK) and The School for International Training (SIT) in Vermont (USA); and a training curriculum and course for our new project Welcome Notes, tailored to address the growing interest in using music as a tool to support and engage refugee communities across Europe (training course held in The Netherlands, Italy, Germany).

Thanks to the successful implementation of MwB’s strategic plan in 2017, our total expenditures increased to a total of € 660,838 (2016: € 515,829), in line with the budget, of which € 566,012 (2016: € 441,133) was spent on objectives, € 63,994 (2016: € 40,046) on fundraising and € 30,832 (2016: 34,650) on management and administration. The total expenditure on objectives can be split between projects costs (€ 427,594) and costs of information, education and awareness-raising actions (€ 138,418).

The growth in our overall budget reflects both the expansion of our project portfolio and organizational growth, aimed at qualitative improvements across the board, including developments in Monitoring, Evaluation & Learning (MEL), Training of Trainers (ToT), advocacy, visibility, and policies and protocols. Although the organization maintained its relatively low percentage of management and administration expenditures, concentrating most of its resources on programs, the increased number of projects, activities and outreach requires a professional base to integrate growth and organizational development successfully.

MwB invested in its fundraising capacity by hiring a freelance fundraiser who helped to relieve the fundraising burden on project managers, and provided the stability needed to free time of core staff to develop MwB's program portfolio and quality assurance measures, as well as its advocacy work around the world.

The development of MwB's Monitoring, Evaluation and Learning (MEL) systems was led by Chris Nicholson, MwB's regional program manager in Central East Africa and certified music therapist, with advice from Dr. Angela Impey, Associate Head of Music, Convenor of MA Music in Development at SOAS (University of London). The close of 2017 saw the finalization and publication of MwB's Theory of Change, which informs MwB monitoring and evaluation across all programs. Further, monitoring and evaluation tools have been developed and trialled in MwB programs in Palestine, Rwanda, Kosovo and El Salvador, focusing on access to making music guided by MwB's core principles: safety, inclusion, equality, creativity, and quality. MwB organized a one-day professional development training for staff, trainers and program managers with sessions on safety and security, trauma and self-care and the new MEL (monitoring, evaluation, learning) protocol.

The total income in 2017 was € 658,102, an increase of 12% over the previous year. The total income was generated by the organization's own fundraising activities, the Director's presentations abroad, merchandise campaigns and benefit events in the Netherlands and around the world. Of the total income, 64% (€ 423,489) was granted for projects and the remaining 36% (€ 234,613) was raised as general income. Of the total income in 2017, 86% was spent on objectives. Not visible in this figure are funds raised by MwB's program manager on behalf of the Mitrovica Rock School, which were transferred by the donors directly to the local NGO Mitrovica Rock School.

The result of 2017 does not show significant change in the organization's reserves. After allocation of the result of 2017, the total amount of the Allocation Reserve/funds is € 44,733 and the General/Continuity Reserve is € 54,624 which insures the organization's continuity in case of any adverse financial situation in the future. Other than this Continuity Reserve, the organization does not have any additional secured funds.

For more information about the foundation, its organization, activities, events and personnel, please refer to Musicians without Borders' Annual Report 2017, published on our website.

Musicians Without Borders
AMSTERDAM

BALANCE SHEET AS AT

ASSETS	December 31, 2017		December 31, 2016	
	€	€	€	€
Current Assets				
Receivables and prepayments	(1)	81,536		29,085
Cash at Bank	(2)	80,281		122,107
TOTAL ASSETS		<u>161,817</u>		<u>151,192</u>

DECEMBER 31, 2017

	December 31, 2017		December 31, 2016	
	€	€	€	€
LIABILITIES				
Equity		(3)		
General reserve	54,624		56,466	
Allocation funds and reserves	44,733		45,627	
		99,357		102,093
Current liabilities		(4)		
		62,460		49,099
TOTAL EQUITY AND LIABILITIES		161,817		151,192

Musicians Without Borders
AMSTERDAM

STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2017

	Actual 2017 €	Budget 2017 €	Actual 2016 €
<u>INCOME</u>			
Income own fundraising	(5) 652,883	665,700	578,146
Income from governments	(6) 5,219	10,000	8,845
Income from bank accounts	0,000	-	0,078
Total income	658,102	675,700	587,069
<u>EXPENSES</u>			
Expenditures on objectives	(7)		
- Information and education	138,418	49,917	87,679
- Music projects	427,594	511,939	353,454
Expenditures to generate income	(7)		
- Costs of direct fundraising	61,040	76,261	37,755
- Costs of bank accounts	2,954	2,000	2,291
Management and administration	(7)		
- Costs of management and administration	30,832	37,583	34,650
Total expenses	660,838	677,700	515,829
Result before allocation reserve	-2,736	-2,000	71,240
Withdrawal allocation reserve 2017	45,627	32,000	34,288
Withdrawal general reserve 2017	2,405		
Allocation reserve projects 2017	-44,733		-45,627
<u>FINAL RESULT</u>	0,563	30,000	59,901
Appropriation of result:			
Added / charged to earmarked funds and reserves	-0,894		11,339
Added / charged to general reserves	-1,842		59,901
	-2,736		71,240

	Actual 2017 %	Budget 2017 %	Actual 2016 %
Total costs of direct fundraising in % of income from direct fundraising	10	12	7
Total costs of management and administration in % of total income	5	6	6
Total expenditures on objectives in % of total income	86	83	75
Total expenditures on objectives in % of total expenditures	86	83	86

Result appropriation

Following the result appropriation proposed by the Executive Board and pursuant to the Articles of association the result of 2017 (- € 2,736) will be processed as follows:

	2017 €	2016 €
Added to allocation reserve	44,733	45,627
Withdrawal from allocation reserve in the year	-45,627	-34,288
	-0,894	11,339
Addition to general reserve	0,563	0,000
Withdrawal from general reserve in the year	-2,405	59,901
<u>Result</u>	<u>-2,736</u>	<u>71,240</u>

CASH FLOW OVERVIEW 2017

	2017		2016	
	€	€	€	€
Cash flow from operational activities				
Result		-2,736		71,240
Depreciations		-		-
		-2,736		71,240
<u>Changes in working capital:</u>				
- changes in receivables and prepayments	-52,451		5,461	
- changes in current liabilities	13,361		17,361	
		-39,090		-11,900
		-41,826		59,340
<u>Cash flow from investment activities</u>				
Investments tangible fixed assets	-		-	
		-		-
<u>Net cash flow</u>		-41,826		59,340
Opening balance cash and cash equivalents		122,107		62,767
Closing balance cash and cash equivalents		80,281		122,107

PRINCIPLES OF VALUATION

GENERAL

The annual accounts are drawn up according to the accounting principles generally accepted in the Netherlands pursuing RJ 650 (Fundraising Organizations). The annual account is in Euros and will be compared by the board with the approved budget 2017 and the actual account 2017.

GENERAL NOTES FOR VALUATION ASSETS AND LIABILITIES

Receivables and liabilities

Receivables are recognized at nominal value, less any provision of doubtful accounts. The current liabilities are recognized at nominal value.

PRINCIPLES OF DETERMINATION OF RESULT

General

Revenues and expenses in the statement of income and expenses are allocated to the period to which they relate. The result is determined as the difference between income generated by contributions and other sources, and the costs and other charges for the year.

Costs allocation

The expenses are attributed to the year to which they relate.

All costs are allocated among the cost categories "expenditures on objectives", "expenditures for generate income" and "management and administration". This was done by the VFI expressed breakdown of other costs.

CASH FLOW OVERVIEW

The cash flow overview is compiled according to the indirect method. Cash flows from foreign currencies are converted with the average exchange rate. Exchange rate differences are shown separately in the cash flow overview. The received and paid interest is included in the cash flow from operational activities.

NOTES TO BALANCE SHEET

	<u>31.12.2017</u>	<u>31.12.2016</u>
	€	€
Receivables and prepayments	(1)	
The receivables and prepayments are specified as follows:		
Benefits, funds, donations still to receive (1.1)	70,040	19,700
Other receivables and prepayments (1.2)	<u>11,496</u>	<u>9,385</u>
Total	<u><u>81,536</u></u>	<u><u>29,085</u></u>
A provision for doubtful receivable is unnecessary.		
Benefits, funds, donations still to receive (1.1)		
Receivables for the projects:	55,328	0,934
Total amount for general organizational costs:		
Contributions and pledges	1,080	0,400
Donations and gifts	13,632	18,288
Interest bank account	<u>0,000</u>	<u>0,078</u>
	<u><u>70,040</u></u>	<u><u>19,700</u></u>
Other receivables and prepayments (1.2)		
Prepayments for the projects	8,491	6,165
General costs (deposit, insurance, telephone and website domain registration)	2,871	1,968
Other receivables	<u>0,134</u>	<u>1,252</u>
	<u><u>11,496</u></u>	<u><u>9,385</u></u>

	31.12.2017	31.12.2016
	€	€
Cash at bank (2)		
Petty cash HQ office	0,327	1,586
Petty cash Mitrovica Rock School	0,238	0,193
ING Bank - operating account <i>NL 11 INGB 0008 1148 42</i>	20,266	60,204
ING Bank - savings account <i>NL 11 INGB 0008 1148 42</i>	0,078	0,000
Rabobank (3)	0,662	13,506
Triodos bank (3) <i>NL43TRIO0390271586</i>	55,253	43,296
Paypal	3,457	3,322
	80,281	122,107

The cash is freely available to the foundation.

Equity (3)

	Actual 2017	Actual 2016
	€	€
General reserve		
Opening balance January 1	56,466	-3,435
Withdrawal from general reserve in the year to allocation reserve	-2,405	
Appropriated result	0,563	59,901
Closing balance December 31	54,624	56,466

Allocation funds and reserves

Opening balance January 1	45,627	34,288
Withdrawal from allocation reserve	-3,299	
Appropriated result	2,405	11,339
Closing balance December 31	44,733	45,627

Allocation reserve/funds

Allocation reserves are reserves for which the Executive Board determined a restriction on spending. Allocation reserves are not required to be paid by year-end 2017. The executive board may remove the restriction on spending. The allocated funds earmarked by donors must be spent on a specific purpose. (i.e. project).

	<u>Actual</u> 2017 €	<u>Actual</u> 2016 €
The allocation funds and reserves are specified as follows:		
<i>Allocation funds</i>		
Kosovo - Mitroviva Rock School	1,730	0,389
Palestine Community Music	5,680	11,911
Rwanda Youth Music	19,518	12,625
N. Ireland - Music Bridge	0,677	1,047
Uganda Community Music For Community health	1,040	7,092
Welcome Notes Netherlands	3,506	6,563
Training development	0,000	6,000
El Salvador - Armonia Cusacatleca	6,211	0,000
	38,362	45,627
<i>Allocation reserves</i>		
Rwanda Youth Music	6,371	0,000
TOTAL	44,733	45,627

Current liabilities (4)

	<u>Actual</u> 31.12.2017 €	<u>Actual</u> 31.12.2016 €
The current liabilities are specified as follows:		
Operational costs still to pay (4.1)	34,562	35,428
Grants and donations received in advance (4.2)	16,674	0,350
Personnel liabilities (4.3)	10,224	9,842
Other current liabilities (4.4)	1,000	3,479
	62,460	49,099

Operational costs still to pay (4.1)

Accountants payable - project countries	15,618	19,542
Accountants payable - head office	18,944	15,886
	34,562	35,428

Grants and donations received in advance (4.2)

Donations received for project and development	14,674	0,350
Other donations received in advance	2,000	0,000
	16,674	0,350

Total benefits, funds, donations received in advance (4.2)

	<u>Actual</u> <u>31.12.2017</u> €	<u>Actual</u> <u>31.12.2016</u> €
Personnel liabilities (4.3)		
Funds for holiday allowance	6,282	5,907
Employment taxes	<u>3,942</u>	<u>3,935</u>
Total other current liabilities (4.3)	<u>10,224</u>	<u>9,842</u>
Other current liabilities (4.4)		
Other payable	<u>1,000</u>	<u>3,479</u>
Total other current liabilities (4.4)	<u>1,000</u>	<u>3,479</u>

Obligations that are not included in the balance sheet.

The annual liability for rent of the main office was € 7,300.

This figure increased as per March 1, 2017 to € 10,967 due to a move of office to larger quarters.

Rent is paid in advance at the end of every month.

NOTES TO THE STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2017

	2017	Budget 2017	2016
	€	€	€
Income own fundraising (5)			
Donations and gifts	509,946	546,000	465,714
Contributions and pledges	56,100	65,000	50,145
Other income own activities	79,598	53,000	53,459
Other income	3,639	-	1,990
Merchandise	2,900	1,600	2,073
Donations in-kind	0,700	-	4,765
	652,883	665,600	578,146

	2017	2016
	€	€
Income own fundraising		
Single donations individuals	60,265	112,999
Gift funds and foundations	400,014	329,996
Contributors (friends, pledge)	56,100	50,145
Gifts companies, service club, schools	31,145	9,690
Partner organizations	18,522	12,759
Other income own activities	79,598	53,459
Merchandise - t-shirts	2,900	2,073
Donations In-kind	0,700	4,765
Other income	3,639	1,990
	652,883	577,876

Income from governments (6)

Austrian Embassy	0,000	0,768
UNMIK - United Nation Mission in Kosovo	0,000	0,665
EU - Culture of all	0,000	0,552
SCO - Swiss Cooperation Office	0,949	0,000
German Embassy in Pristina, Kosovo	4,270	6,860
	5,219	8,845

Expenses (7)	Objectives		Fundraising			
	Information and education	Music projects	Costs of direct fundraising	Costs of bank accounts	Costs of Overhead and admini- stration	
	€	€	€	€	€	
Work done by third parties	22,442	25,561	36,711	-	8,892	
Staff costs (7.1)	22,668	126,516	13,891	-	13,815	
Bank costs (depreciation) and interest	-	-	-	2,954	-	
Office and general costs	10,045	10,121	10,438	-	8,125	
Project costs	83,263	265,396	-	-	-	
	138,418	427,594	61,040	2,954	30,832	
				Total		
				Total 2017	Budget 2017	Total 2016
				€	€	€
Work done by third parties				93,606	102,000	28,555
Staff costs (7.1)				176,890	177,500	174,128
Bank costs (depreciation) and interest				2,954	2,000	2,291
Office and General costs				38,729	57,695	31,539
Project costs				348,659	338,505	279,316
				660,838	677,700	515,829
				2017		2016
				€		€
Staff costs (7.1)						
Salaries and wages				156,727		150,112
Social security and pension				19,978		18,620
Other				0,185		5,396
				176,890		174,128
				fte's		fte's
Employees				3,19		3,02

Salaries and wages management

A breakdown of the salaries and wages of the management 2017:

Name: L.J. Hassler
Function: Executive Board / Director

Employment

Contract: permanent
Hours: 40
Part-time rate: 100
Period: 01.01.2017 - 31.12.2017

Salary	€	Social security (wg partl)	3,564
Salary	50,616	Taxable allowance	-
Holiday payment	4,049	Pensions (wg partl)	-
Total	<u><u>54,665</u></u>	Other	-
		Payments termination of employment	-

OTHER INFORMATION

Audit statement

No audit has been performed in accordance with the statutory size exemption under Article 396, Title 9, Book 2, of the Dutch Civil Code.

Appropriation of result

On July 3, 2018 the Supervisory Board of Stichting Musicians without Borders, pursuant of the Article of Association, has discussed and approved the Financial Statement of 2017, including the appropriation of the result as proposed by the Executive Board.

Subsequent events

Until the date of this report there are no subsequent events.