

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

- ANNUAL REPORT 2018 -

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

CH/TS

Alkmaar, June 18, 2019

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 2018 and the profit and loss account for the year 2018 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

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.

In 2018 Musicians Without Borders continued its process of growth and its progress toward professionalization and sustainability. This process was envisioned in the current strategic plan (2017-2019), with the aim of establishing a stable funding basis while sustaining programmatic growth by strengthening and implementing practices and procedures to support trainers, project managers and office staff, increasing the quality and effectiveness of MWB's programs, activities and initiatives.

A main focus has been the improvement of the services provided by MWB to its office and field staff by developing and implementing new policies grounded in internationally recognized principles and guidelines, relevant to work with children and other vulnerable people. The organization also recognizes its responsibility and duty of care towards its own personnel involved in this work.

In 2018, Musicians Without Borders succeeded in raising sufficient financial support for all on-going projects. This year has seen the continuation and expansion of project activities and organizational partnerships. In 2018, our Mitrovica Rock School celebrated its 10th anniversary and saw the successful launch of the Music Connects program, in partnership with two rock music schools based in Skopje, North Macedonia. Music Connects expands the program's scope and results, while assuring its continuity for the coming two and a half years. Our project Soy Música in El Salvador led MWB to a supportive role with another Salvadoran music project, Armonia Cuscatleca, expanding our regional impact and helping to sustain a valuable initiative. MWB's Welcome Notes Europe project has developed partnerships with NGOs working on behalf of refugees in Europe, while our work to create the Art27 platform has brought into being a network of European arts organizations working for social inclusion. In Rwanda, MWB's Rwanda Youth Music is now completely organized and implemented by a Rwandan team, including the training of new Community Music Leaders. Several Rwandan trainers have joined MWB's international trainer team and are expanding their work to Congo and Tanzania. MWB's other longstanding project, Palestine Community Music, has strengthened its collaboration with the music project Sounds of Palestine, and established an active partnership with the UK-based Music As Therapy, training its Palestinian team in this valuable music therapy based approach.

The expansion in infrastructure and program impact is made possible by MWB's expanding donor base, (private, institutional, corporate) to which the organization appeals individually through its networking and relationship contacts and publicly through its website, social media, e- and printed newsletters, and events. Diversifying funding sources has been a chosen strategy through two strategic plans, as a crucial condition for financial sustainability.

The overall growth is reflected in an increase of 48% of the total income raised over that of last year, (2018: €975,320 vs. 2017: €658,102) with the main significant increase due to the projects' results. The overall increase in expenditures, compared to 2017, is 23% (2018: €812,415 vs. 2017: €660,838). The organizational budget illustrates MWB's concentration on costs of objectives (89% of total expenditures spent on objectives). These include MWB's projects and programs, its training and development program, and its advocacy work. This increase is in line with the organizational strategy and 2018 budget: Musicians Without Borders achieved its objectives, realizing 98% of what had been planned.

The positive result has allowed the MWB to consolidate its reserves, which insures the organization's operations in case of a future adverse financial situation. The organization commits to maintain the reserves appropriate to the organizational budget for its own long-term sustainability and to support operations in the next year. The budget's growth, and the programmatic growth it reflects, also implies larger commitments and increased risks. The organization recognizes the importance of building a more stable base of resources and not being dependent on day-to-day fundraising, especially as MWB is committed to multiple-year grants and partnerships, working in vulnerable contexts: unexpected changes or urgency to respond to may arise at any moment.

Musicians Without Borders is entering the final year of the current strategic plan. As we continue our steady programmatic growth, 2019 will also be a year of evaluation, learning and reflection to support the planning for the coming 3-year period. We are proud of the positive trend of the past five years, giving the organization the necessary strong foundation upon which to build for the coming years. We are proud of the organization's development, as Musicians Without Borders looks forward to celebrate its 20th Anniversary in 2019. Above all, we are proud of the contribution we are able to make, using the power of music to contribute to peacebuilding around the world.

For more information about the foundation, its organization, activities and events, please refer to Musicians without Borders' Annual Report 2018, published on our website.

Musicians Without Borders
AMSTERDAM

BALANCE SHEET AS AT

ASSETS	December 31, 2018		December 31, 2017	
	€	€	€	€
Current Assets				
Receivables and prepayments	(1)	75,797		81,536
Cash at Bank	(2)	255,941		80,281
TOTAL ASSETS		<u>331,738</u>		<u>161,817</u>

DECEMBER 31, 2018

	December 31, 2018		December 31, 2017	
	€	€	€	€
LIABILITIES				
Equity	(3)			
General reserve		127,759		54,624
Allocation funds and reserves		134,503		44,733
		262,262		99,357
Current liabilities	(4)			
		69,476		62,460
TOTAL EQUITY AND LIABILITIES		331,738		161,817

Musicians Without Borders
AMSTERDAM

STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2018

	Actual 2018 €	Budget 2018 €	Actual 2017 €
<u>INCOME</u>			
Income own fundraising	(5) 814,872	798,400	652,883
Income from governments	(6) 160,448	9,000	5,219
Income from bank accounts	0,000	-	0,000
Total income	975,320	807,400	658,102
 <u>EXPENSES</u>			
Expenditures on objectives	(7)		
- Information and education	121,555	140,527	138,418
- Music projects	600,198	574,958	427,594
Expenditures to generate income	(7)		
- Costs of direct fundraising	50,686	69,279	61,040
- Costs of bank accounts	2,533	2,185	2,954
Management and administration	(7)		
- Costs of management and administration	37,443	39,451	30,832
Total expenses	812,415	826,400	660,838
Result before allocation reserve	162,905	-19,000	-2,736
Withdrawal allocation funds and reserves 2018	44,733	30,000	45,627
Withdrawal general reserve 2018	11,300		2,405
Allocation funds and reserves projects 2018	-134,503		-44,733
<u>FINAL RESULT</u>	84,435	11,000	0,563
 Appropriation of result:			
Added / charged to allocation funds and reserves	89,770		-0,894
Added / charged to general reserves	73,135		-1,842
	162,905		-2,736

	Actual 2018 %	Budget 2018 %	Actual 2017 %
Total costs of direct fundraising in % of income from direct fundraising	7	9	10
Total costs of management and administration in % of total income	4	5	5
Total expenditures on objectives in % of total income	74	89	86
Total expenditures on objectives in % of total expenditures	89	87	86

Result appropriation

Following the result appropriation proposed by the Executive Board and pursuant to the Articles of association the result of 2018 (€ 162,905) will be processed as follows:

	2018 €		2017 €
Added to allocation funds and reserves	134,503		44,733
Withdrawal from allocation funds and reserves	-44,733		-45,627
	89,770		-0,894
Addition to general reserve	84,435		0,563
Withdrawal from general reserve	-11,300		-2,405
<u>Result</u>	<u>162,905</u>		<u>-2,736</u>

CASH FLOW OVERVIEW 2018

	2018		2017	
	€	€	€	€
Cash flow from operational activities				
Result		162,905		-2,736
Depreciations		-		-
		162,905		-2,736
<u>Changes in working capital:</u>				
- changes in receivables and prepayments	5,740		-52,451	
- changes in current liabilities	7,015		13,361	
		12,755		-39,090
		175,660		-41,826
<u>Cash flow from investment activities</u>				
Investments tangible fixed assets	-		-	
		-		-
<u>Net cash flow</u>		175,660		-41,826
Opening balance cash and cash equivalents		80,281		122,107
Closing balance cash and cash equivalents		255,941		80,281

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 2018 and the actual account 2018.

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>31.12.2018</u>	<u>31.12.2017</u>
	€	€
Receivables and prepayments	(1)	
The receivables and prepayments are specified as follows:		
Benefits, funds, donations still to receive (1.1)	43,716	70,040
Other receivables and prepayments (1.2)	<u>32,081</u>	<u>11,496</u>
Total	<u><u>75,797</u></u>	<u><u>81,536</u></u>
A provision for doubtful receivable is unnecessary.		
Benefits, funds, donations still to receive (1.1)		
Receivables for the projects:	37,311	55,328
Total amount for general organizational costs:		
Contributions and pledges	2,820	1,080
Donations and gifts	3,585	13,632
	<u>43,716</u>	<u>70,040</u>
Other receivables and prepayments (1.2)		
Prepayments for the projects	29,475	8,491
General costs (deposit, insurance, telephone and website domain registration)	2,571	2,871
Other receivables	<u>0,035</u>	<u>0,134</u>
	<u><u>32,081</u></u>	<u><u>11,496</u></u>

	31.12.2018	31.12.2017
	€	€
Cash at bank (2)		
Petty cash HQ office	3,631	0,327
Petty cash Mitrovica Rock School	0,365	0,238
ING Bank - operating account <i>NL 11 INGB 0008 1148 42</i>	23,958	20,266
ING Bank - savings account <i>NL 11 INGB 0008 1148 42</i>	0,000	0,078
Rabobank (3)	3,081	0,662
Triodos bank (3) <i>NL43TRIO0390271586</i>	219,557	55,253
Paypal	5,349	3,457
	255,941	80,281

The cash is freely available to the foundation.

Equity (3)

General reserve

	Actual 2018	Actual 2017
	€	€
Opening balance January 1	54,624	56,466
Withdrawal from general reserve in the year to allocation reserve	-11,300	-2,405
Appropriated result	84,435	0,563
Closing balance December 31	127,759	54,624

Allocation funds and reserves

Opening balance January 1	44,733	45,627
Withdrawal from allocation reserve	-41,960	-3,299
Appropriated result	131,730	2,405
Closing balance December 31	134,503	44,733

Allocation funds and reserves

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 2018. The Executive Board may remove the restriction on spending. The allocated funds earmarked by donors must be spent on a specific purpose.

The allocation funds and reserves are specified as follows:	Actual 2018 <u>€</u>	Actual 2017 <u>€</u>
<i>Allocation funds</i>		
Kosovo - Mitroviva Rock School	71,094	1,730
Palestine Community Music	7,524	5,680
Rwanda Youth Music	21,781	19,518
N. Ireland - Music Bridge	0,000	0,677
Uganda Community Music For Community health	0,000	1,040
Welcome Notes Netherlands	0,420	3,506
Armonia Cuscatleca	6,747	6,211
El Salvador - Soy Música	13,137	0,000
Other funds	<u>11,300</u>	<u>0,000</u>
	132,003	38,362
<i>Allocation reserves</i>		
Rwanda Youth Music	2,500	6,371
TOTAL	<u><u>134,503</u></u>	<u><u>44,733</u></u>
Current liabilities (4)	Actual 31.12.2018 <u>€</u>	Actual 31.12.2017 <u>€</u>
The current liabilities are specified as follows:		
Operational costs still to pay (4.1)	39,208	34,562
Grants and donations received in advance (4.2)	10,377	16,674
Personnel liabilities (4.3)	19,391	10,224
Other current liabilities (4.4)	<u>0,500</u>	<u>1,000</u>
	<u><u>69,476</u></u>	<u><u>62,460</u></u>
Operational costs still to pay (4.1)		
Accountants payable - project countries	26,908	15,618
Accountants payable - head office	<u>12,300</u>	<u>18,944</u>
Total operational costs still to pay (4.1)	<u><u>39,208</u></u>	<u><u>34,562</u></u>
Grants and donations received in advance (4.2)		
Donations received for project and development	10,377	14,674
Other donations received in advance	<u>0</u>	<u>2,000</u>
Total benefits, funds, donations received in advance (4.2)	<u><u>10,377</u></u>	<u><u>16,674</u></u>

	Actual 31.12.2018 <u>€</u>	Actual 31.12.2017 <u>€</u>
Personnel liabilities (4.3)		
Funds for holiday allowance	10,046	6,282
Employment taxes	<u>9,345</u>	<u>3,942</u>
Total other current liabilities (4.3)	<u><u>19,391</u></u>	<u><u>10,224</u></u>
 Other current liabilities (4.4)		
Other payable	<u>0,500</u>	<u>1,000</u>
Total other current liabilities (4.4)	<u><u>0,500</u></u>	<u><u>1,000</u></u>

Obligations that are not included in the balance sheet.

The annual liability for rent of the main office was € 10,967.

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

NOTES TO THE STATEMENT OF INCOME AND EXPENSES FOR THE YEAR 2018

	2018	Budget 2018	2017
	€	€	€
Income own fundraising (5)			
Donations and gifts	674,368	652,000	509,946
Contributions and pledges	58,392	60,000	56,100
Other income own activities	71,404	82,000	79,598
Other income	1,256	2,000	3,639
Merchandise	0,004	2,400	2,900
Donations in-kind	9,448	-	0,700
	814,872	798,400	652,883
Total income own fundraising	814,872	798,400	652,883
 Income own fundraising	 2018		2017
	€		€
Single donations individuals	82,530		60,265
Gift funds and foundations	541,226		400,014
Contributors (friends, pledge)	58,392		56,100
Gifts companies, service club, schools	42,776		31,145
Partner organizations	7,836		18,522
Other income own activities	71,404		79,598
Merchandise - t-shirts	0,004		2,900
Donations In-kind	9,448		0,700
Other income	1,256		3,639
	814,872		652,883
Total income own fundraising	814,872		652,883
 Income from governments (6)			
Austrian Embassy in Pristina, Kosovo	0,814		0,000
Australian Embassy in Vienna, Austria	0,505		0,000
Netherlands Enterprise Agency	153,893		0,000
Swiss Cooperation Office - SCO	0,000		0,949
German Embassy in Pristina, Kosovo	5,236		4,270
	160,448		5,219
Total income from governments	160,448		5,219

Expenses (7)	<u>Objectives</u>		<u>Fundraising</u>		Costs of Overhead and admini- stration
	Information and education	Music projects	Costs of direct fundraising	Costs of bank accounts	
	€	€	€	€	
Work done by third parties	12,705	40,320	17,129	-	2,745
Staff costs (7.1)	42,137	147,388	25,771	-	23,323
Bank costs (depreciation) and interest	-	-	-	2,533	-
Office and general costs	6,792	4,266	7,786	-	11,375
Project costs	59,921	408,224	-	-	-
	<u>121,555</u>	<u>600,198</u>	<u>50,686</u>	<u>2,533</u>	<u>37,443</u>

	<u>Total</u>		
	<u>Total 2018</u>	Budget 2018	<u>Total 2017</u>
	€	€	€
Work done by third parties	72,899	112,000	93,606
Staff costs (7.1)	238,619	204,300	176,890
Bank costs (depreciation) and interest	2,533	2,185	2,954
Office and General costs	30,219	63,525	38,729
Project costs	468,145	444,390	348,659
	<u>812,415</u>	826,400	<u>660,838</u>

Staff costs (7.1)	<u>2018</u>	<u>2017</u>
	€	€
Salaries and wages	205,779	156,727
Social security and pension	29,975	19,978
Other	2,865	0,185
	<u>238,619</u>	<u>176,890</u>
	<u>fte's</u>	<u>fte's</u>
Employees	<u>4,4</u>	<u>3,19</u>

Salaries and wages management

A breakdown of the salaries and wages of the management 2018:

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

Employment

Contract: permanent
Hours: 40
Part-time rate: 100
Period: 01.01.2018 - 31.12.2018

Salary	€	Social security (wg partl)	3,900
		Taxable allowance	-
Salary	50,616	Pensions (wg partl)	-
Holiday payment	4,049	Other	-
Total	<u><u>54,665</u></u>	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 June 7, 2019 the Supervisory Board of Stichting Musicians without Borders, pursuant of the Article of Association, has discussed and approved the Financial Statement of 2018, 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.