

**Roma Education Fund Hungary**

**Special Purpose Financial Information**

**for the Board of Trustees and the donors of the Foundation**

**31 December 2015**

## **INDEPENDENT AUDITOR'S REPORT**

On the special purpose financial information of Roma Education Fund Hungary

Reg. no.: 9793

Address: H-1066 Budapest Teréz krt. 46

To the Board of Directors of Roma Education Fund Hungary

We have audited the accompanying special purpose financial information of Roma Education Fund Hungary (hereinafter: 'Foundation'), including a balance sheet as of 31 December 2015 – in which the total assets and total liabilities are EUR 1,890,304 the profit for the year is EUR 240,308 –, and the related statement of income and expenditure and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Special Purpose Financial Information**

Management is responsible for the preparation and presentation of this special purpose financial information in accordance with policies and instructions contained in REF's Accountancy Policy and for such internal control as management determines is necessary to enable the preparation of the special purpose financial information that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the special purpose financial information 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, if any, made by management, as well as evaluating the overall presentation of the special purpose financial information.

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

## Opinion

In our opinion, the accompanying special purpose financial information for Roma Education Fund Hungary as of 31 December 2015 and for the year then ended has been prepared, in all material respects, in accordance with the policies and instructions contained in the REF's Accountancy Policy.

## Restriction on Use and Distribution

This special purpose financial information has been prepared for purposes of providing information to the Board of Trustees with a yearly financial report in EUR financial data of the Foundation. As a result, the special purpose financial information may not be suitable for any another purpose.

This audit report issued on the attached special purpose financial information has been prepared solely for the Foundation and its donors for the above-mentioned purpose, and shall not be used for any other purpose, and shall not be published or shall not be referred to in full or in part without our prior written consent.

Budapest, 08 March 2016



Zoltán Herczeg

Moore Stephens Hezicomp Kft.

H-1146 Budapest, Hermina út 17

Chamber's registry no.: 001490



Zoltán Herczeg

Member of Chamber of Auditors'

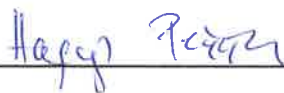
Chamber's membership no.: 005223

# Roma Education Fund Hungary (ROA)

## Balance Sheet as of December 31, 2015

	314.89	313.12
	REF Hungary	REF Hungary
	<u>2014</u>	<u>2015</u>
	EUR	EUR
Cash at banks	221,280	272,266
Time deposits	-	-
Receivables	36,099	51,772
Loan to REF Romania	675,000	1,500,000
Inventories	8,387	7,751
Securities	-	-
Other current assets	47,194	41,515
<b>Total current assets</b>	<b>987,960</b>	<b>1,873,304</b>
Recoverable Grants	-	-
Long term loan to Roma Education Fund, Romania	-	-
Intangible assets	11,299	2,727
Tangible assets	12,249	14,273
Financial investments	-	-
<b>Total long term assets</b>	<b>23,548</b>	<b>17,000</b>
<b>Total assets</b>	<b>1,011,508</b>	<b>1,890,304</b>
Liabilities	96,952	73,892
Accrued expenses and deferred income	107,702	106,904
Liability to REF Switzerland	-	305,000
Loan from Council of Europe Development Bank	820,000	1,180,000
<b>Total liabilities and provisions</b>	<b>1,024,654</b>	<b>1,665,796</b>
<b>Foundation capital as of December 31</b>	<b>-13,146</b>	<b>224,508</b>
<b>Total liabilities and foundation capital</b>	<b>1,011,508</b>	<b>1,890,304</b>

March 8, 2016



Representative



# ROMA EDUCATION FUND Hungary (ROA)

## Statement of Income and Expenditure 2015

	308.66	309.76
	REF Hungary 2014	REF Hungary 2015
	EUR	EUR
<b>INCOME</b>		
Donations received from third parties	644,100	580,252
Donations received from REF Switzerland	1,085,625	1,505,972
Project Support and other Program Refund	-	-
Other income	3,058	1,253
Interest Income	839	497
Gain on Foreign Exchange	13,941	1,017
<b>Total Income</b>	<b>1,747,563</b>	<b>2,088,991</b>
<b>EXPENDITURE</b>		
Project Support Program	90,159	67,663
Tertiary Scholarships	345,253	189,479
EU Roma pilot-A Good Start and complimentary projects	5,986	7,880
Communications	84,196	94,673
Policy development and capacity building	256,097	270,024
International family project	-	-
REF Romania- Equal opportunities	-	18,458
REF Romania and its partners capacity building	11,075	9,362
REF Romania - Ready, Set, Go	3,865	17,879
HEIM project	-	26,588
Konik Camp project in Montenegro	273,947	218,285
Progress project in Slovakia	29,922	18,198
UNICEF	16,851	-
Medjimure project	14,719	-
Velux project	50,443	64,410
OSCE-TARI project	72,095	111,971
Grant to REF Slovakia (VELUX project)	16,403	-
Funding capital of REF Slovakia	6,616	-
<b>Total Programs and Grants</b>	<b>1,277,627</b>	<b>1,114,870</b>
Administrative expenses	554,275	722,288
Interest expense	-	588
Losses on foreign exchange	1,024	10,937
<b>Total Expenditure</b>	<b>1,832,926</b>	<b>1,848,683</b>
<b>Excess of income over expenditure</b>	<b>(85,363)</b>	<b>240,308</b>

March 8, 2016



Representative



**Roma Education Fund Hungary (ROA)**  
**Notes to the Financial Statements 2015 and 2014**

## 1 Financial organization

### 1.1 Organization of Roma Education Fund („REF“)

The network of Roma Education Fund, four entities („REF Entities“) that are established as legally separate foundations in Switzerland, Hungary, Romania and Slovakia, respectively. The REF Entities cooperate based on a memorandum of understanding to achieve their shared primary objective to close the gap in educational outcomes between Roma and non-Roma. REF established and maintains an expense coding system to ensure cost analysis according to the various programs and activities performed by REF Entities.

### 1.2 List of REF Entities

- Roma Education Fund Switzerland was established in 2005
- Roma Education Fund Hungary was established in 2006
- Roma Education Fund Romania was established in 2009
- Roma Education Fund Slovakia was established in 2014

Roma Education Fund Hungary opened a branch office in 2013 in Serbia and in Montenegro, whose figures are presented in the books of Roma Education Fund Hungary.

### 1.3 Bookkeeping and reporting requirements

The business and reporting period is defined on a yearly basis, starting at January 1 and ending at December 31. In general, the financial statements of each legal entity should be prepared in February of the following year in accordance with this policy.

REF Entities maintain double-entry bookkeeping. The bookkeeping is maintained in local currency. The reports are compiled by the commissioned accounting firm as follows:

- REF Switzerland: Admingroup Services AG, Zug;
- REF Hungary: Admingroup Ltd., Budapest;
- REF Romania: REF Romania staff (national standards) and AdminGroup Ltd., Budapest (REF Accounting Policy);
- REF Slovakia: Ing Tatiana Hannelová.

The audit is made by PWC Switzerland for REF Switzerland, by Moore Stephens Hezicomp Ltd. for REF Hungary, Finans Audit Services Srl for REF Romania and BDR, spol. s r.o for REF Slovakia.

All financial statements according to the REF Accounting Policy (including the statement of income and expenditure, the balance sheet and the notes) have to be presented in EUR (where necessary additionally in local currency) and have to be issued in English (including the audit reports).

## 2 Accounting principles

### 2.1 General terms

The books are basically maintained in local currency as of legal requirement and translated into EUR. Many of the financial transactions of REF Entities are denominated in Euro (EUR). To compare and for a better understanding these financial statements are presented in EUR.

#### 2.1.1 Currency Translation

All resulting unrealized and realized gains and losses from currency translations are recorded in a separate position in the statement of income and expenditure. All local currency positions in the profit and loss statement of REF Hungary shall be translated from HUF into EUR at the yearly average exchange rate of HUF/EUR. All balance sheet positions at year end are translated at the year-end rate of HUF/EUR. All exchange rates are based on a publication of the Hungarian National Bank.

#### 2.1.2 Reporting Period

The business and reporting period is defined on a yearly basis, starting at January 1 and ending at December 31.

## 2.2 INCOME

### 2.2.1 Donations Received

The donation income has to be recognized at nominal value when received. The promised donation income is not allowed to be recorded for prudency reasons, which means, that the donation income has to be presented on a cash basis.

### 2.2.2 Interest Income

The interest income has to be recorded and timely appointed by using the effective received interest rates by banks.

## 2.3 EXPENSES

### 2.3.1 Programs and Grants

The program and grant expenses paid have to be recognized at nominal value. Already known costs have to be accrued. The grants at the Project Support Program and Tertiary Scholarships have to be presented at the actual year on total contractual value while other program related expenses on the value they are paid.

### 2.3.2 Administrative Expenses

Administrative expenses includes administrative expenses of the operation, capital and equipment, contractors, HR related expenses of the administrative staff and their travel expenditures which do

not directly belong to any individual projects. The administrative expenses have to be recognized at nominal value. Already known costs have to be accrued.

### 2.3.3 Partner expenses

If REF is a main project leader (in direct contract with the donor) and channels funds to Partners all expenses relates to Partners have to be presented as REF expenditure in the financial statement due to the fact that REF is in charge of reporting the entire project cost.

## 2.4 BALANCE SHEET

### 2.4.1 Intangible and tangible asset valuation, depreciation accounting principles

Tangible and intangible assets are carried at their costs less depreciation and any accumulated impairment loss.

The useful life of of tangible assests is determined by a life cycle of 3 years.

The useful life of property rights is determined by a life cycle of 6 years. .

The useful life of an intellectual product is determined by a life cycle of 3 years.

The depreciable amount of a depreciable asset is allocated on a systematic basis using straight line method to each accounting period during the useful life of the asset.

The fixed assets above a certain value is accounted as depreciation in lump sum when it started to use.

The foundation applies extraordinary depreciation by devaluation when the asset is permanently reduced because it has become redundant and/or damaged. The revaluation model of assets is not used.

### 2.4.2 Receivables valuation

Receivables are valued on book value, except the receivables recorded in foreign currency. Valuation rules of *foreign currency receivables and liabilities*:

- Receivables and liabilities maintained in foreign currency are recorded on the exchange rate of the transaction day and revalued on the exchange rates published by the National Bank as of the balance sheet date.
- If the receivables are not expected to be recovered on basis of individual rating and this is enduring and significant, impairment loss is recognised. In the case of small amount receivables considered per debtor are applied in accordance with the accounting Act in percent impairment.

In *provisioning* the following risks are evaluated in case of receivables:

- Risk of the country where the loan was provided (including political risk)
- Risk of the partner
- Risk of the transaction such as:



- In case of European Social Fund („ESF“) related loans, the capacity of the Management Authority („MA“)
- Probability of Reimbursement Request rejection based on MA evaluation
- How cash flow problems can jeopardize to reach minimal indicators which can precipitate project termination by MA

Revolving loans provided by the foundation is monitored by the management every 6 months with evaluation sheet including action proposal as well.

Necessary provisions (if any) are done under national rules.

#### 2.4.3 Deferred costs

Costs are accrued actively which has emerged until the balance sheet date but not relates the activities of the year.

#### 2.4.4 Accrued costs

Costs are accrued which are recognised until the balance sheet preparation and relates the activities of the year.

### 3 Statement of Income and Expenditures

#### 1 Details of donations received from third parties, 2011-2015

Received by REF Hungary	2011	2012	2013	2014	2015	Total
American House Foundation	-	4,902	5,112	-	-	10,014
Ministry of Slovak Republic	-	-	-	5,955	54,045	60,000
Ministry of Human and Minorities Montenegro	-	-	-	76,242	-	76,242
OSCE	-	-	-	46,313	86,438	132,751
Villum Fonden	-	-	-	92,435	245,861	338,296
FER (REF Romania)	-	-	-	44,709	27,399	72,108
Bernard Van Leer Foundation	260,918	68,448	-	68,111	-	397,477
EU-DG REGIO	717,244	236,195	-	-	-	953,439
Fundación Secretariado Gitano(FSG)	-	6,006	-	-	-	6,006
Sandor Demjan Foundation	250,000	-	-	-	-	250,000
TempusFoundation	1,001	788	192	-	-	1,981
UN Development Programme	1,732	-	-	-	-	1,732
WorldBankIBRD	-	8,184	-	-	-	8,184
Help-Hilfe zur Selbsthilfe.V	-	113,537	70,827	283,934	118,769	587,067
Research Executive Agency	-	-	-	-	40,622	40,622
Other donor individuals	-	-	11,124	26,401	7,118	44,643
<b>Total donations from third parties</b>	<b>1,230,895</b>	<b>438,060</b>	<b>87,255</b>	<b>644,100</b>	<b>580,252</b>	<b>2,980,562</b>
REF Switzerland	1,099,388	1,034,832	925,556	1,085,625	1,505,972	5,651,373
<b>Total donation Income</b>	<b>2,330,283</b>	<b>1,472,892</b>	<b>1,012,811</b>	<b>1,729,725</b>	<b>2,086,224</b>	<b>8,631,935</b>

#### 2 Project Support Program Refund

Refunding of unused funds by grantees related to project support granted by REF in the framework of the Project Support Program. The refund represents either an accrual reversal of that part of the grant amount, which was contracted but not paid to the grantee by REF and/or actual refund of the unspent part of the grant, which was already transferred to the grantee.

#### 3 Project Support Program

In the framework of the Project Support Program REF Entities provide grants to consortia of civil society and public institutions to implement education reform projects at all education levels in the Decade of Roma Inclusion countries.

#### 4 Tertiary Scholarships

The target of this project is to provide scholarship for tertiary level Roma students. The Program consists of five components:

- Roma Memorial University Scholarship Program (RMUSP).
- Law and Humanities Program (LHP)
- Roma Health Scholarship Program (RHSP)
- Interregional Scholarship Scheme (RISP)
- Professional Development Fund (PDF)

5 A Good Start and complimentary projects

The target of this project is to ensure that Romani and other poor and excluded children have access to quality Early Childhood Education and Care services in FYR Macedonia, Hungary, Romania, and Slovakia.

6 Konik Camp project in Montenegro

This is an assistance programme for integration and return of displaced persons and residents of Konik camp, in which REF implements the educational component through provision of early childhood development programs.

7 Communication

REF's Communications promotes the exchange of knowledge and experiences, and communicating information on policies and programs that support Roma inclusion in education systems and represents one of the major pillars of REF's activities through conferences, workshops, and publications. This position contains the accumulated costs of this year.

8 Policy Development and Capacity Building

The target of this project is to support studies, technical assistance, strategy development, and learning activities to strengthen dialogue with governments and civil society on education reform and Roma inclusion. This position contains the accumulated costs of this year.

9 REF Romania – Projects supported by the European Social Funds ('ESF')

Roma Oktatási Alap acted as an international project partner of REF Romania in the implementation of two educational projects funded by the European Social Funds and REF Switzerland in Romania and which were successfully closed by 31 December 2015.

The project 'Integrated Educational Services for Roma Communities' aimed at development and improvement of skills and abilities of Roma adults and children in order to facilitate their insertion in a modern, flexible and inclusive labor market by reducing the phenomenon of dropping out and providing equal access to education. The Project targeted young Roma adults who have not completed compulsory education as well as Roma children at risk of early school leaving by providing an integrated service package including mentoring, guidance and counseling, additional educational support and grants.

The project 'Enhancing Roma youth's access to higher education' aimed at enhancing Roma youth's access to higher education and reduce their risk of drop out in the first years by providing study scholarships to Roma students enrolled in 1st of Bachelor studies and through the implementation of a mentorship scheme and provision and development of other services for Roma students.

10 REF Romania - The "Ready, Set, Go!

The project is targeting early childhood development outcomes for some 1,400 Romani children residing in six of Romania's most disadvantaged counties with the highest absolute number and highest share of Roma population of preschool-age. The project is supported by a grant from Norway through the Norwegian Financial Mechanism 2009-2014, in the framework of the RO 25 Poverty Alleviation Programme in Romania. Roma Oktatási Alap is the international project partner of REF Romania in the implementation of this project.

11 REF Romania and its partners capacity building

This project is to provide capacity building and financial support for REF Romania and its partners for those activities, which are necessary for project implementation but not covered by ESF.

12 Progress project in Slovakia

The project aims Investing in early childhood by promoting innovation and social integration of Roma in Slovakia. REF has an advocacy role in order to share its experience and knowledge on early childhood development.

13 UNICEF project

The objective of the project is to support desegregation of Romani children and improve data collection on Romani children in Moldova including study visits to Bulgaria and Serbia.

14 Medjimure Project

The project aims to support the Integration of disadvantaged groups in regular education system in Međimurje County in Croatia.

15 Velux Project

The project supports the increase of the number of female kindergarten teachers and nurseries of Roma origin in the regions of Czech Republic, Hungary, and Slovakia with high numbers of Roma residents. The program will run until approximately the end of 2022.

16 OSCE TARI Project

The project objective is to decrease dropout rate among Romani secondary school students at risk of dropping out in three main regions of Serbia. The program will run until the end of 2015/6 academic year.

17 HEIM Project

This is a research/innovation project with focus on how principles of equity and inclusion can be applied to internationalisation strategies and programmes in higher education and on developing research and innovation capacity in this field. It will focus on the Roma community in Europe as a critical example of a marginalised group, at both staff and student levels. The project is implemented in a partnership between three universities (Sussex, Umeå and Seville) and REF.

## 4 Details of the Balance Sheet

### 1 Cash at banks

	<b>2014</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Petty cash	178	2,580
Cash at bank	221,102	269,686
<b>Total Cash and Bank</b>	<b>221,280</b>	<b>272,266</b>

### 2 Receivables

	<b>2014</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Receivables from employees	11,382	19,794
Advances to suppliers	24,329	28,216
Other receivables	388	3,762
<b>Total Receivables</b>	<b>36,099</b>	<b>51,772</b>

### 3 Other current assets

	<b>2014</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Prepaid insurance	27,676	21,780
Prepaid rental fee	12,601	12,621
Other	6,917	7,114
<b>Total Other current assets</b>	<b>47,194</b>	<b>41,515</b>

### 4 Tangible assets

	<b>2014</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Office remodelling	9,321	9,374
Office equipments	116,825	129,153
Accumulated depreciation	(113,897)	(124,254)
<b>Total Tangible assets</b>	<b>12,249</b>	<b>14,273</b>

### 5 Intangible assets

	<b>2014</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Softwares and rights	49,735	52,274
Accumulated depreciation	(38,436)	(49,547)
<b>Total Intangible assets</b>	<b>11,299</b>	<b>2,727</b>

6 Liabilities

	<b>2014</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Suppliers	31,932	40,809
Payroll and related taxes	65,020	33,083
<b>Total Liabilities</b>	<b>96,952</b>	<b>73,892</b>

7 Accrued expenses

	<b>2014</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Audit fee	4,113	6,231
Accrued donation expense	74,332	73,984
Other accrued expenses	29,257	26,689
<b>Total Accrued expenses</b>	<b>107,702</b>	<b>106,904</b>

8 Other informations

Roma Oktatási Alap as a borrower entered into a framework loan agreement of EUR 1,500,000 with Council of Europe Development Bank. The primary objective of the loan is to bridge cash flow gaps of partners of REF due to significant delays in reimbursements made by management authorities of ESF funds. REF Hungary received an undertaking of EUR 1,500,000 from Foundation Open Society Institute for the purpose of financing the loan repayment if any partner fails to repay the bridge financing received from REF Hungary.

March 8, 2016

Agap Pevic  
**Representative**