
Roma Education Fund

Zug (Switzerland)

Report of the statutory auditors to the Board on the financial statements 2016





Report of the statutory auditors on the limited statutory examination to the Board of Roma Education Fund Zug (Switzerland)

As statutory auditors, we have examined the financial statements of Roma Education Fund, Zug (Switzerland), which comprise the statements of income and expenditure, balance sheet and notes, for the year ended 31 December 2016.

These financial statements are the responsibility of the Board. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of foundation personnel and analytical procedures as well as detailed tests of foundation documents as considered appropriate in the circumstances. However, the testing of the operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the foundation's deed.

PricewaterhouseCoopers AG

Enrico Strozzi
Audit expert
Auditor in charge

Urs W. Hunziker
Audit expert

Zurich, 28 March 2017

Enclosure

Financial statements (statements of income and expenditure, balance sheet and notes)

STATEMENTS OF INCOME AND EXPENDITURE 2016 AND 2015

	Note	2016 EUR	2015 EUR
Donations received <i>(no restrictions)</i>	4.1	6,641,129	6,578,198
Project support and other program refund	4.2	63,229	93,443
Total operating income		6,704,358	6,671,641
Project support program	4.3	-1,556,429	-1,830,261
Tertiary scholarships	4.4	-1,890,497	-2,131,612
Communications	4.5	-40,687	-132,536
Policy development and capacity building	4.6	-236,902	-248,595
UNICEF funded projects	4.7	0	-7,459
REF Romania and its partners capacity building	4.8	0	-1,627
VELUX Project	4.9	-933	0
Grants to:			
Roma Education Fund, Hungary		-1,524,811	-1,346,301
Roma Education Fund, Romania		-479,668	-141,569
Grants to Roma Education Fund, Slovakia		-285,025	-179,095
Grants according to objectives of the foundation		-6,014,952	-6,019,055
Accounting, financial and legal services		-173,941	-128,371
Provision to cover risks in loans and receivables	4.10	-350,000	-400,000
Administrative costs		-523,941	-528,371
Total operating expenses		-6,538,893	-6,547,426
OPERATING RESULT		165,465	124,215
Interest income		46	392
Gain from foreign exchange		0	191,661
Loss from foreign exchange		-33,592	0
Financial income		-33,546	192,053
Bank charges and interest		-20,849	-17,606
Financial costs		-20,849	-17,606
Financial result		-54,395	174,447
PROFIT OF THE YEAR		111,070	298,662

Zug, March 23, 2017

ROMA EDUCATION FUND

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ROMA EDUCATION FUND, ZUG

BALANCE SHEETS AS AT DECEMBER 31, 2016 AND 2015

ASSETS	Note	12/31/2016 EUR	12/31/2015 EUR
Cash and cash equivalents	5.1	3,278,445	2,513,648
Other current assets		440	3,549
Accrued income		56,589	24,795
Total current assets		3,335,474	2,541,992
Recoverable grants	5.2	0	360,841
Short term loan to related parties	5.3	575,000	875,000
Total non-current assets		575,000	1,235,841
TOTAL ASSETS		3,910,474	3,777,833
 LIABILITIES			
Accrued expenses		24,000	29,000
Total short-term liabilities		24,000	29,000
Provisions for projects granted	5.4	3,014,501	2,980,589
Other provisions	5.5	431,077	438,418
Total non-current Liabilities		3,445,578	3,419,007
Foundation Capital at January 1		329,826	31,164
Profit of the year		111,070	298,662
Foundation Capital at December 31		440,896	329,826
TOTAL LIABILITIES		3,910,474	3,777,833

Zug, March 23, 2017

ROMA EDUCATION FUND

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Hary Fejz
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NOTES OF THE FINANCIAL STATEMENTS 2016 AND 2015

1 GENERAL INFORMATION

Name of the foundation	ROMA EDUCATION FUND, Zug
Legal form	Foundation according to art. 80 ff. Swiss Civil Code
Legal basis	Public Deed dated January 05, 2005
Domicile	Baarerstrasse 12, Zug
Foundation board	Andrzej Migrar (chairman) Kinga Göncz (vice chairman) Lisa Jordan (member) Jana Enzler (member) Pierre Mirel (member) Nicoleta Bitu (member) Sybille Suter Tejada (member) William Lazarus Bila (member) Miriam Sherman (member)
Auditor	PricewaterhouseCoopers AG, Zurich
Supervisory authority	Swiss Federal Supervisory Authority for Foundations

2 ORGANIZATION AND OBJECTIVES OF THE FOUNDATION

2.1 Objectives of the Foundation

The objectives of the foundation are to contribute to closing the gap in educational outcomes between Roma and non-Roma, including through the desegregation of educational systems primarily (but not exclusively) in Central and Eastern Europe and the countries that have formally joined the Decade of Roma Inclusion; in particular

- a) through support of projects and programs that improve educational outcomes for Roma in the context of the Decade of Roma Inclusion 2005-2015 with a particular emphasis on scaling up interventions that have been successfully piloted;
- b) through support of activities that are respectful and inclusive of Roma and the wishes of the Roma community;
- c) through providing a forum for advocacy and discussion of Roma education issues;
- d) through becoming a centralized source of information on Roma education issues.

The Foundation may participate in projects of other organizations with similar objectives or support Swiss or foreign organizations with similar objectives. It may engage in all actions arising from, and related to, its activities. It may acquire real estate and related rights and title in Switzerland and abroad.

2.2 Organization of Roma Education Fund (REF)

The Roma Education Fund entities are established as legally separate foundations in Switzerland, Hungary and Romania respectively. The three Roma Education Fund entities work together based on a memorandum of understanding signed by each entity. Each country foundation has its separate board with independent members for their decisions. These boards engaged in Switzerland and Hungary a company called AdminGroup as their independent bookkeepers. Furthermore AdminGroup Ltd. in Hungary established an expense coding system to ensure cost analysis among the several programs of the Roma Education Funds and supports the foundations with consultations in their financial operations.

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

3 SIGNIFICANT ACCOUNTING POLICIES AND VALUATION PRINCIPLES

3.1 Financial Reporting

The present financial statements are set out in accordance with the 32nd Part of the Swiss Code of Obligations.

The main accounting and valuation principles used, which are not already specified by the Code of Obligations, are described here after.

3.2 Estimates and Assumptions made by the Board / Management

Financial reporting requires the foundation board to decide on valuations and assessments which could influence the foundation's assets and liabilities, including contingent liabilities, on the date of the balance sheet as well as to evaluate the expenses and revenues during the period under review. Within the legal parameters the board decides at its discretion on valuation and accounting criteria. To protect the foundation depreciations, value adjustments and provisions may be made in line with applicable principles of prudence, beyond the scope of what is economically required.

3.3 Currency Translations

The books of the foundation are maintained in Euro (EUR) since the majority of its transactions are denominated in this currency. Transactions in currencies other than EUR are translated at the daily rate.

The following exchange rates were used for currency translation at year end:

	<u>31.12.2016</u>	<u>31.12.2015</u>
Swiss Franc	1.0715	1.0829
British Pound	1.1722	1.4693
Hungarian Forint	0.003223	0.00346
US Dollar	0.95010	0.9911

Monetary assets and liabilities in foreign currencies are converted into the currency in which the company operates at the exchange rate on the balance sheet day. Any profits or losses resulting from the exchange are recorded in the statement of income and expenses.

Non-monetary assets and liabilities at historical costs are converted at the foreign exchange rate at the time of the transaction. Foreign exchange losses are recorded as expense.

3.4 Reporting Period

The annual financial reporting period starts on January 1 and ends on December 31.

3.5 Basic Principles

The financial statements are prepared assuming a going concern basis and are expressed in Swiss Francs (CHF). Generally zero values and negative confirmations are not contained in these financial statements.

3.6 Principles of Accounting

The main accounting principles laid out below:

INCOME

Donations Received

The donation income is recognized at nominal value when received. Promised donations are not recorded for prudency reasons, donation income is presented on a cash basis.

Interest Income

Interest income is recorded and timely appointed by using the effective rates by banks.

EXPENSES

Programs and grants

The program and grant expenses paid out are recognized at nominal value. Costs already known are accrued. The grants are presented at the actual year on total contractual value while other program related expenses are recognised at the value paid.

Administrative expenses

This item includes administrative expenses of the operation, capital & equipment, contractors, HR related expenses of the administrative staff and their travel expenditures which do not directly belongs to the projects. The administrative expenses are recognized at nominal value. Costs already known are accrued.

Partner expenses

Where REF is a main project leader (direct contract with the donor) and funds are channelled to partners, all expenses relating to partners are presented as REF expenditure in the financial statement due to the fact that REF is in charge of reporting the entire project cost.

BALANCE SHEET

Cash and cash equivalents

These items include cash on hand and bank account balances. All items are recorded at nominal value.

Receivables and other current assets

Receivables are recorded at nominal value, except the receivables in foreign currency. Receivables maintained in foreign currency are recorded at the exchange rate of the transaction day and revaluated on the exchange rates published by OANDA at year end.

Receivables not expected to be recovered on the basis of individual rating (enduring and significant) are value adjusted. In case of small amounts receivables considered per debtor are applied in accordance with the accounting principles in per cent impairment.

Rules of 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 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

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Receivables and other current assets (cont.)

Revolving loans provided by the foundations are monitored every 6 months with evaluation sheet including action proposal as well.

Any creation of provision or value adjustment are defined based on the Swiss Accounting Principles.

Costs paid for during but not relating to the financial year are activated as deferred cost.

Accrued costs

Expenses already incurred but not invoiced in the financial year are recognised as accrued cost.

Recoverable grants

Recoverable grants are shown at nominal value.

ROMA EDUCATION FUND, ZUG

4 NOTES TO THE STATEMENT OF INCOME

4.1 Details on Donations received - 2012 - 2016

	2016 EUR	2015 EUR	2014 EUR	2013 EUR	2012 EUR	Total EUR
DFID United Kingdom (through World Bank Trust Fund)	0	50,000	50,000	0	0	100,000
ERSTE Group AG	0	0	500,000	0	0	500,000
European Commission	0	0	0	1,808	0	1,808
European Commission DG Regio		0	0	16,558	0	16,558
European Council	0	0	0	7,788	0	7,788
EVZ Stiftung "Erinnerung, Verantwortung und Zukunft"	262,000	234,000	221,000	0	179,400	896,400
Foundation Open Society Institute	4,916,294	4,492,342	2,094,538	4,363,123	6,584,344	22,450,641
Fundacion Secretariado Gitano	0	0	0	7,936	5,965	13,901
HH Management Ltd.	0	181,159	0	0	0	181,159
International Bank for Reconstruction and Development	0	0	291,925	290,366	703,918	1,286,209
Karl Popper Foundation	0	0	0	87,928	0	87,928
Mirabaud Pierre	0	1,000	0	0	0	1,000
Mirabaud wedding donations	0	0	35,466	0	0	35,466
Morgan Stanley	0	0	197	0	0	197
Network of European Foundations	0	119,600	0	155,072	120,000	394,672
Norwegian Family Donation	0	0	21,342	24,882	28,135	74,359
Porticus Vienna	90,000	100,000	0	0	0	190,000
Salzburg Global Seminar Inc. USA	0	0	0	0	1,026	1,026
Soros-Bolton Event	0	0	0	33,469	0	33,469
Soros-Bolton Wedding Donatio	0	0	13,345	0	0	13,345
Statutory Town of Ostrava	7,200	6,200	6,200	6,200	0	25,800
Swedish International Development Cooperation Agency	503,894	542,160	0	1,042,250	0	2,088,304
Swiss Agency for Development and Cooperation	850,000	832,618	350,000	700,000	800,000	3,532,618
UNICEF	0	0	57,458	0	0	57,458
US Embassy Slovakia	0	1,677	0	0	0	1,677
Velux and Villium Fond	0	1,034	0	0	0	1,034
World Bank Community Connection Fund	11,544	11,838	5,776	8,375	9,717	47,250
World Vision International	0	4,565	0	0	0	4,565
Individuals	197	5	0	450	0	652
Total	6,641,129	6,578,198	3,647,247	6,746,205	8,432,505	32,045,284

4 NOTES TO THE STATEMENT OF INCOME (cont.)

4.2 Project support program refund

Concluded projects are reviewed, mostly by external parties with documentation in a compulsory report. If not all the funds were used they are refunded to the Roma Education Fund.

The refund means accrual reversal of that amount of the grant that was contracted but not paid and/or actual refund of the grant, which was already transferred to the grantee.

4.3 Project Support Program

The target of this project is to provide grants for initiatives by governmental and non-governmental agencies in the Decade of Roma Inclusion countries at all education levels.

4.4 Tertiary Scholarships

The target of this project is to provide scholarship for tertiary level Roma students. This position contains the accumulated costs of this year. 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).

4.5 Communication

REF's Communications promote the exchange of knowledge and experiences, and communicating information on policies and programs that support Roma inclusion in education information on policies and programs that support Roma inclusion in education systems and represent one of the major pillars of REF's activities through conferences, workshops and publications.

4.6 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.

4.7 UNICEF Projects

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.

ROMA EDUCATION FUND

4 NOTES TO THE STATEMENT OF INCOME (cont.)

4.8 REF Romania and its partners capacity building

The target of 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. The program will run until approximately the end of 2016.

4.9 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.

4.10 Provision to cover risks in loans and receivables

Due to the low level of chances to recover the recoverable grants it was decided to write them off completely using the provisions created in 2015.

REF still will continue its efforts to recover these grants.

As per the actual understanding, REF Romania will potentially not be able to fully repay its current outstanding obligations. In order to fully reflect this risk, an additional provision of EUR 350'000 was created.

	31.12.2016	31.12.2015
	EUR	EUR
Provision for risks in loans and receivables at January 1	438,418	438,418
Writ-down of recoverable grants	-357,341	0
Provision to cover risks on loan to REF Romania	350,000	0
Total	431,077	438,418

5 NOTES TO THE BALANCE SHEET

5.1 Cash and Cash Equivalents

Petty Cash	2,488	2,075
Bank Julius Bär, Zürich, current account	3,158,431	2,426,733
Raiffeisenbank, Wien	3,019	7,060
Erste Bank, Wien	114,507	77,780
Total	3,278,445	2,513,648

ROMA EDUCATION FUND

5	NOTES TO THE BALANCE SHEET (cont.)	31.12.2016	31.12.2015
		EUR	EUR
5.2	Recoverable Grants		
	Job Orientation Foundation of Ózd	13,837	13,837
	Association in Szabadszallas for Helping the Underprivileged	14,393	14,393
	Roma Civil Rights Movement	12,235	12,235
	Pro-Ma Future Association	10,000	10,000
	Secondary school of Music Arts and Design in	9,000	9,000
	Roma Civil Association – Karlovy Vary	18,785	18,785
	ROMERO B-A-Z County Roma Intellectual Youth	10,800	10,800
	Association for European Roma Youth	6,400	6,400
	Rom Som Foundation	18,792	18,792
	Fundatia Ruhama (Ruhama Foundation)	17,500	21,000
	Rroma Centre "Amare Rromentza"	35,000	35,000
	Romani CRISS- Roma Center for Social Intervention	35,000	35,000
	Kalyi Jag Roma Arts Association of Public Benefit	6,600	6,600
	Independent Roma Association of Bonyhád	14,724	14,724
	Roma Civic Alliance of Romania” – Asociația Alianța	20,000	20,000
	Bhim Rao Association	24,860	24,860
	ASOCIATIA MEDICILOR REZIDENTI (AMR) - THE	800	800
	Association Center for Education and Social	30,000	30,000
	Fundatia Centrul de Resurse pentru Comunitatile	45,620	45,620
	Cultural Center O Del Amenca	12,995	12,995
	Value adjustment	-357,341	0
		0	360,841
5.3	Short-term loans to related parties		
	Roma Education Fund, Hungary (CAB)	5,000	305,000
	Roma Education Fund, Romania	570,000	570,000
	Total	575,000	875,000
5.4	Provision for Projects Granted		
	Project Support Program	770,968	1,037,289
	Tertiary Scholarship	522,234	872,818
	Operational grants to REF entitites	1,721,299	1,070,482
	Total	3,014,501	2,980,589
5.5	Other Provisions		
	Provision to cover risks on long-term receivables	350,000	400,000
	Provision on recoverable grants and other receivables	81,077	38,418
	Total	431,077	438,418

ROMA EDUCATION FUND

6 OTHER LEGALLY REQUIRED INFORMATION

6.1 Administrative expenses

Administrative cost incurred in Hungary	872,181	722,288
corresponding to	40.7%	39.1%
of the total of expenditure in Hungary	2,142,882	1,848,638
Grants to Roma Education Fund, Hungary	1,524,811	1,346,301
Percentage shares of 40.7% resp. 39.1%	620,618	526,005
The cost of administration paid for	815,408	671,982
corresponding to	12.5%	10.3%
of the total of expenditure on programs and grants		

6.2 Audit fees

Total annual audit costs (inclusive VAT)	23,544	20,695
Total annual non-audit costs (inclusive VAT)	12,744	3,240

6.3 Number of employees

The number of full time employees (FTE) in the current and the prior year was below ten on an annual average.

6 OTHER LEGALLY REQUIRED INFORMATION (cont.)**6.4 Financial Statements in Swiss Francs****6.4.1 Statement of Income and Expenditure 2016 and 2015**

	2016	2015
	CHF	CHF
Donations received (<i>no restrictions</i>)	7,237,502	7,113,005
Project support and other program refund	68,906	101,040
Total operating income	7,306,408	7,214,045
Project support program	-1,696,196	-1,979,061
Tertiary scholarships	-2,060,263	-2,304,912
Communications	-44,340	-143,311
Policy development and capacity building	-258,176	-268,805
UNICEF funded projects	0	-8,066
REF Romania and its partners capacity building	0	-1,759
VELUX Project	-1,017	0
Grants to:		
Roma Education Fund, Hungary	-1,661,739	-1,455,755
Roma Education Fund, Romania	-522,742	-153,079
Grants to Roma Education Fund, Slovakia	-310,620	-193,655
Grants according to objectives of the foundation	-6,555,093	-6,508,403
Accounting, financial and legal services	-189,562	-157,845
Provision to cover risks in loans and receivables	-395,822	-432,520
Administrative costs	-585,384	-590,365
Total operating expenses	-7,140,477	-7,098,768
OPERATING RESULT	165,931	115,277
Interest income	50	423
Gain from foreign exchange	0	207,243
Financial income	50	207,666
Bank charges and interest	-22,721	0
Loss from foreign exchange	-22,216	0
Unrealised loss from foreign exchange	-6,444	-42,258
Financial costs	-51,381	-42,258
Financial result	-51,331	165,408
PROFIT OF THE YEAR	114,600	280,685

6 OTHER LEGALLY REQUIRED INFORMATION (cont.)**6.4 Financial Statements in Swiss Francs (cont.)****6.4.2 Balance Sheet as at December 31, 2016 and 2015**

	12/31/2016	12/31/2015
	CHF	CHF
ASSETS		
Cash and cash equivalents	3,512,788	2,722,030
Other current assets	471	3,844
Accrued income	60,634	26,851
Total current assets	3,573,893	2,752,725
Recoverable grants	0	390,755
Short term loan to related parties	616,101	947,538
Total non-current assets	616,101	1,338,293
TOTAL ASSETS	4,189,994	4,091,018
LIABILITIES		
Other short-term liabilities	0	0
Accrued expenses	25,716	31,404
Total short-term liabilities	25,716	31,404
Provisions for projects granted	3,229,977	3,227,680
Other provisions	461,890	474,123
Total non-current Liabilities	3,691,867	3,701,803
Foundation Capital at January 1	357,811	77,126
Profit of the year	114,600	280,685
Foundation Capital at December 31	472,411	357,811
TOTAL LIABILITIES	4,189,994	4,091,018

6.5 Events after the balance sheet date

After the closing of the financial statements until approval by the board, no material events occurred which could affect the relevance of the financial reporting as presented or which should be have been disclosed at this point in time.

Zug, March 23, 2017

Alina *Hary Petrov*
