

FINANS AUDIT SERVICES SRL

Str. Tunari nr.19 sector 2, Bucuresti

CIF: RO16593524

J40/11234/2004

Aut CAFR: 531/2004

Tel/fax: 021212 3100

Mobil: 0726 771 213

eMail: finansaudit@yahoo.com

Banca BCR Tunari – RO14 RNCB 0286 0011 3020 0001

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**INDEPENDENT AUDITOR'S REPORT ON SPECIAL PURPOSE FINANCIAL
INFORMATION PREPARED FOR ROMA EDUCATION FUND (REF)**

To the Board of Directors,

Fundatia Roma Education Fund Romania

Report on special purpose financial information prepared for REF

1. In accordance with your instructions dated February 4, 2015 we have audited the special purpose financial information of Fundatia Roma Education Fund Romania on December 31, 2014, for the year then ended on pages 1 to 10 of the accompanying financial reporting package of the Roma Education Fund. This special purpose financial information have been prepared only to enable Roma Education Fund to prepare its financial statements in a comparable view.

Management's Responsibility for the special purpose financial information

2. Management is responsible for the preparation and fair presentation of these special purpose financial information in accordance with accounting policies and instructions contained in the Roma Education Fund's accounting policies manual dated on February 4, 2015. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the special purpose financial information that is 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.

Auditor's responsibility

3. 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. Those standards 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.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information for a special purpose, 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 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 made by management, as well as evaluating the overall presentation of the special purpose financial information.

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

Opinion

6. In our opinion, the special purpose financial information for Fundatia Roma Education Fund on December 31, 2014, for the year then ended, have been prepared, in all material respects, in accordance with the instructions and the accounting policies presented in the Roma Education Fund accounting policies manual.

Other issues - Restriction of Use

7. Attached special purpose financial information have been prepared in order to provide to Fundatia Roma Education Fund necessary information for the preparation of the REF financial statements. Therefore, special purpose financial information are not intended to present the financial position, results of operations and a full set of notes to the financial statements of the Fundatia Roma Education Fund Romania on December 31.2014 in conformity with accounting principles and practices and laws of Romania, namely the Order of Minister of Public Finance no. 1969/2007 with subsequent amendments.
8. This report is intended solely for use by PricewaterhouseCoopers AG and the REF community, in connection with its use of the REF financial statements of Roma Education Fund foundations.

Date 04.03.2015
Bucharest

AUDITOR FINANCIAR
Alexandrina POPESCU





Roma Education Fund (REF), Romania

Notes to the Financial Statements 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. Each REF entity has its separate board with independent members for their decisions. These boards engaged in Switzerland and Hungary AdminGroup to act as their independent bookkeepers. Furthermore AdminGroup Ltd. in Hungary established an expense coding system to ensure cost analysis among the several programs implemented by the REF Entities and supports the entities with consultations in their financial operations.

1.2 List of REF Entities

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

2 Book-keeping 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 by middle of 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).

The annual and audit reports of REF Entities according to this REF Accounting Policy will be published on the REF website.

3 Accounting principles

3.1 General terms

The books of the REF Entities are basically maintained in local currency as of legal requirement with the exception of REF Switzerland where the books are maintained in EUR since its functional currency is 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.

3.1.1 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. Specific rules for the REF Entities are summarized below:

REF Switzerland Transactions in currencies other than EUR are translated at the daily rate. All balance sheet positions at the year-end are translated at the relevant year-end rate (USD/EUR, CHF/EUR, etc.).

All exchange rates are based on a publication of OANDA.

REF Hungary 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.

REF Romania All local currency positions in the profit and loss statement of REF Romania shall be translated from RON into EUR at the yearly average exchange rate of RON/EUR. All balance sheet positions at year end are translated at the year-end rate of RON/EUR. All exchange rates are based on a publication of the Romanian National Bank.

REF Slovakia Transactions in currencies other than EUR are translated at the daily rate. All balance sheet positions at the year-end are translated at the relevant year-end rate (USD/EUR, CHF/EUR, etc.). All exchange rates are based on a publication of the Eur Central Bank.





3.1.2 Reporting Period

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

3.1.3 Comparability with prior year

Financial statements have to present the prior year and the actual reporting period from January 1, to December 31. Material errors from previous years have to be restated and presented. Errors shall be construed as material in our cases if in the year when discovered by the audit the aggregate amount of all errors (either negative or positive) for the same year and their impact on the Foundation capital exceed 2% of the balance sheet total of the financial year audited.

3.2 Income

3.2.1 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 prudence reasons, which means, that the donation income has to be presented on a cash basis.

3.2.2 Interest Income

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

3.3 Expenses

3.3.1 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.

3.3.2 Administrative expenses

This 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 have to be recognized at nominal value. Already known costs have to be accrued.

3.3.3 Partner expenses

If REF is a main project leader (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.





3.4 Balance sheet

3.4.1 Intangible and tangible asset valuation, depreciation accounting principles

Tangible and intangible assets have to be carried at their costs less depreciation and any accumulated impairment loss.

The useful life of property rights has to be determined by each REF entity.

The useful life of an intellectual product has to be determined by each REF entity.

The qualification and classification of fixed assets have to be determined according to the applicable national rule of each REF entity.

The depreciable amount of a depreciable asset has to be 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 - defined by the applicable national rule of each REF entity - have to be accounted as depreciation in lump sum when it started to use.

REF Entities have to apply extraordinary depreciation by devaluation when the asset is permanently reduced, because it has become redundant and/or damaged. The foundations shouldn't use the revaluation model of assets.

3.4.2 Receivables valuation

Receivables must be 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 respective sources of foreign currency rates as include in section 3.1.1.

- If the receivables are not expected to be recovered on basis of individual rating and this is enduring and significant in this case 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.

Rules of provisioning

The following risks must be 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 the MA





Revolving loans provided by the foundations must be monitored by every 6 months with evaluation sheet which must include action proposal as well.

If these risks are evaluated and indicate the creation of provision, its amount need to be defined based on the national rule.

3.4.3 Deferred costs

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

3.4.4 Accrued costs

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





Notes to the Financial Statements 2014

Roma Education Fund ROMANIA			
Statement of Income & Expenses 2014			
(CASH BASED)			
INCOME	Notes	2014 (EUR)	2013 (EUR)
Donations received from third parties	1	1,050,075	3,641,515
Donations received from REF Switzerland		-	195,661
Project Support Program Refund		-	-
Other income		727	178
Interest Income		-	819
Gain on Foreign Exchange		2,438	9,270
Total Income		1,053,240	3,847,443
EXPENDITURE			
Tertiary Scholarships (RMUSP)	6	15,955	21,967
Educational Support Services for Roma Highschool Students (RO109)	7	-	179,652
International family project – FSG	8	-	4,297
REF Romania – Roma Children and Parents Want to Go to School 132996	12	278,893	-
REF Romania – Integrated Educational Services for Roma Communities 140080	13	205,036	-
REF Romania – Enhancing Young Roma People's Access to Higher Education 141790	14	107,541	-
REF Romania – Equal Opportunities 60443	9	515,639	1,262,594
REF Romania – School after School 55876	10	103,458	1,371,653
REF Romania – Health Program 62047	11	3,378	602,707
REF Romania – Youth on Labor Market 62085		-	149
REF Romania and its partners capacity building		139,251	220,013
UNICEF		-	(36)
Total Programs and Grants		1,369,151	3,662,996
Administrative expenses		-	-
Value Adjustment on long term loan		-	-
Losses on foreign exchange		3,926	46,083
Total Expenditure		1,373,077	3,709,079
Excess of income over expenditure		(319,837)	138,364





Roma Education Fund ROMANIA
Balance Sheet as of December 31, 2014
(CASH BASED)

Assets	Notes	2014 (EUR)	2013 (EUR)
Cash at banks	24	55,180	235,083
Receivables	25	2,307,835	2,285,922
Inventories	26	3,514	39,493
Securities			
Other current assets			
Total current assets		2,366,529	2,560,498
Recoverable Grants		0	0
Long term loans		0	0
Intangible assets		0	44
Tangible assets		9,365	28,653
Financial investements			
Total long term assets		9,365	28,697
Total assets		2,375,894	2,589,195
Liabilities		89,064	54,546
Accrued expenses and deferred income			
Provisions for projects granted			
Accounts payable to Partners	34	2,036,243	1,660,281
Prefinancing from Management Authority	35	0	0
Short term loans Agentia de Monitorizare a Presei		93,649	184,866
Short term loans REF Switzerland		0	572,802
Short term loans REF Hungary		680,695	320,000
Total liabilities and provisions		2,899,651	2,792,495
Foundation capital as of January 1		-203,960	-339,232
Restatement of Foundation capital		1,203	4,236
Excess of income over expenditure		-319,837	138,364
Year-end Translation Difference		-1,163	-6,668
Foundation capital as of December 31		-523,757	-203,300
Total liabilities and foundation capital		2,375,894	2,589,195

Year-end Nat'l Bank Rate 31.12.2013	4.4847
Year-end Nat'l Bank Rate 31.12.2014	4.4821
Average exchange rate 2014	4.4446



**1 Details on Donations received from third parties 2014**

	31.12.2014 (EUR)	31.12.2013 (EUR)
REF Romania – School after School 55876	161,293	2,136,538
REF Romania – Equal Opportunities 60443	265,001	1,096,758
REF Romania – Health Program 62047	306,605	309,648
REF Romania – Youth on Labor Market 62085	0	97,148
International family project – FSG	0	1,400
2% tax on income	0	23
REF Romania – Roma Children and Parents Want to Go to School 132996	141,526	0
REF Romania – Integrated Educational Services for Roma Communities 140080	129,646	0
REF Romania – Enhancing Young Roma People's Access to Higher Education 141790	46,004	0
Total donations	1,050,075	3.641.515





6. Tertiary education Scholarships

The target of this project is to provide scholarship for tertiary level Roma students, within REF Scholarship Program's (REF SP) Roma Memorial University Scholarship Program (RMUSP) scheme. This position contains the accumulated costs of this year. The REF SP has four scholarship schemes:

- Roma Memorial University Scholarship Program (RMUSP).
- Law and Humanities Program (LHP)
- Roma Health Scholarship Program (RHSP)
- Roma International Scholar Program (RISP)

7. Educational support services for Roma Highschool Students (RO 109)

The main goal is to decrease the educational gap between Roma and non Roma students at high school level by supporting academic development and implicitly to enhance the graduation rate in upper secondary education.

8. International Family Project – FSG

The target of this project is to support networking and knowledge sharing on education issues that arise in family environments in Roma Decade and other European countries and will run until approximately the end of 2013. This position contains the accumulated costs of this year.

9. REF Romania – Equal Opportunities 60443

The target of this project is to increase school success rates for 1,250 Romani children in urban and rural areas and, children and their families have benefitted from the complex intervention package aimed to support school retention and to improve learning outcomes. The project will run until approximately the end of 2013. This position contains the accumulated costs of this year.

10. REF Romania – School After School 55876

The target of this project is to increase the enrollment and academic success in primary education for 2,000 children at risk from early school leaving. The project is implemented in three development regions in Romania and will service 50 schools over two school years and will run until approximately the end of 2013. This position contains the accumulated costs of this year.

11. REF Romania – Health Program 62047

The target of this project is to enable access to education and young Roma's integration in the labor market, specifically in professions with high social prestige as well as those in the medical field and will run until approximately the end of 2013. This position contains the accumulated costs of this year.





12. REF Romania – Roma Children and Parents Want to Go to School 132996

The objective of this project is the development and improvement of skills and abilities Roma people to facilitate their insertion in the labor market, flexible, inclusive, reducing school dropout and ensure equal access to education and will run until August 2015. This position contains the accumulated costs of this year. The target group of the project are pupils from V-VIII grades and their parents.

13. REF Romania – Integrated Educational Services for Roma Communities 140080

Development and improvement of skills and abilities of the Roma 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 and will run until August 2015. This position contains the accumulated costs of this year. The target group of the project are pupils from high-school and their parents.

14. REF Romania – Enhancing Young Roma People's Access to Higher Education 141790

The main objective of the project is to enhance Roma youth's access to higher education and to reduce their risk of drop out in the first years by providing 170 study scholarships to Roma students enrolled in 1st and 2nd years of Bachelor and through the implementation of a mentorship scheme for Roma students in 1st year of Bachelor and will run until approximately the end of 2015. This position contains the accumulated costs of this year.

15. REF Romania – Youth on the Labor Market

The target of this project is to facilitate the access of the Roma youth in the labor market in order to reduce their social exclusion, discrimination, and risk of poverty and will run until approximately the end of 2012. This position contains the accumulated costs of this year.

16. UNICEF project

The project aims to support desegregation of Roma Children Education and Improved Data Collection on Roma Children in Moldova in collaboration with Bulgaria and Serbia. This position contains the accumulated costs of this year.

17. 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 2012.

This position contains the accumulated costs of this year.



**5 Notes to the Balance Sheet****24 Cash at banks**

	31.12.2014 (EUR)	31.12.2013 (EUR)
REF Romania	5,544	64,741
REF Romania – School after School 55876	-	2,050
REF Romania – Equal Opportunities 60443	23,939	6,397
REF Romania – Health Program 62047	809	136,160
Tertiary Scholarships (RMUSP)	650	25,735
REF Romania – Roma Children and Parents Want to Go to School 132996	6,844	-
REF Romania – Integrated Educational Services for Roma Communities 140080	2,582	-
REF Romania – Enhancing Young Roma People's Access to Higher Education 141790	14,812	-
Total Cash at banks	55,180	235,083

25 Receivables

	31.12.2014 (EUR)	31.12.2013 (EUR)
1100 Employee Advances	0.00	68.72
1200 Accounts Receivable	2,188,075.58	1,996,191.44
1300 Prefinance advanced to Partner	48,328.35	199,843.52
1500 Recoverable VAT	67,413.03	88,564.68
1750 Prepaid Expenses	4,018.22	1,253.15
Total Receivables	2,307,835.18	2,285,921.51



**26 Inventory**

	31.12.2014 (EUR)	31.12.2013 (EUR)
Inventory REF	2,992	2,994
REF Romania – School after School 55876	116,549	115,507
REF Romania – Equal Opportunities 60443	13,349	13,229
REF Romania – Health Program 62047	469	465
Accumulated depreciation (under national rules)	(129,845)	(92,702)
Total Inventory	3,514	39,493

29 Tangible assets

	31.12.2014 (EUR)	31.12.2013 (EUR)
Tangible assets REF	3,333	3,304
REF Romania – School after School 55876	111,163	110,170
REF Romania – Equal Opportunities 60443	62,588	62,028
REF Romania – Health Program 62047	1,851	1,834
Accumulated depreciations	(169,570)	(148,683)
Total Tangible assets	9,365	28,653

30 Intangible assets

	31.12.2014 (EUR)	31.12.2013 (EUR)
REF Romania	1,404	1,392
REF Romania – Equal Opportunities 60443	97	97
Accumulated depreciation	(1,501)	(1,445)
Total Intangible assets	0	44



**32 Liabilities**

	31.12.2014 (EUR)	31.12.2013 (EUR)
2100 Suppliers	1,461.77	908.46
2200 Salary Payable	87,602.71	53,637.70
Total Liabilities	89,064.48	54,546.16

34 Accounts payables to Partners

	31.12.2014 (EUR)	31.12.2013 (EUR)
REF Romania – Roma Children and Parents Want to Go to School 132996	20,545.57	0.00
REF Romania – Integrated Educational Services for Roma Communities 140080	13,914.77	0.00
REF Romania – School after School 55876	1,055,763.19	986,092.19
REF Romania – Equal Opportunities 60443	946,019.39	674,188.89
Total Accounts payables to Partners	2,036,242.92	1,660,281.08

