

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 2013 – in which the total assets and total liabilities are EUR 471,381 the loss for the year is EUR 357,143 –, 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 2013 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, 17 March 2014



Imre Herczeg

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Imre Herczeg

Member of Chamber of Auditors'

Chamber's membership no.: 005287

Roma Education Fund Hungary (ROA)

Balance Sheet as of December 31, 2013

	291.29 REF Hungary 2012 EUR	296.91 REF Hungary 2013 EUR
Cash at banks	398,610	27,759
Time deposits	-	-
Receivables	45,930	47,500
Loan to REF Romania	-	319,999
Inventories	7,717	6,766
Securities	-	-
Other current assets	49,888	30,396
Total current assets	502,145	432,420
Recoverable Grants	-	-
Long term loan to Roma Education Fund, Romania	-	-
Intangible assets	2,568	22,074
Tangible assets	22,768	16,887
Financial investments	-	-
Total long term assets	25,336	38,961
Total assets	527,481	471,381
Liabilities	73,552	69,307
Accrued expenses and deferred income	13,643	7,278
Provisions for projects granted	-	-
Loan from Council of Europe Development Bank	-	319,999
Total liabilities and provisions	87,195	396,584
Foundation capital as of December 31	440,286	74,797
Total liabilities and foundation capital	527,481	471,381

March 17, 2014

Representative

ROMA EDUCATION FUND Hungary (ROA)
Statement of Income and Expenditure 2013

289.42 296.92

	REF Hungary 2012 EUR	REF Hungary 2013 EUR
INCOME		
Donations received from third parties	438,060	87,255
Donations received from REF Switzerland	1,034,832	925,556
Project Support and other Program Refund	9,523	46,411
Other income	7,458	3,882
Interest Income	1,026	714
Gain on Foreign Exchange	52	5,261
Total Income	1,490,951	1,069,079
EXPENDITURE		
Project Support Program	-	6,160
Tertiary Scholarships	67,219	207,390
EU Roma pilot-A Good Start and complimentary projects	665,344	99,676
Hungarian Microregion Development Program	126,771	-
Communications	38,563	92,163
Policy development and capacity building	255,307	336,891
International family project	10,746	4,698
REF Romania- Equal opportunities	71,214	29,792
REF Romania capacity building, platform, UNICEF	-	1,650
Progress project in Slovakia	-	5,933
Konik Camp project in Montenegro	-	180,180
Total Pograms and Grants	1,235,164	964,533
Administrative expenses	531,338	459,413
Loss on recoverable grants		
Losses on foreign exchange	20,192	2,276
Total Expenditure	1,786,694	1,426,222
Total Internal Transfers	-	-
Excess of income over expenditure	(295,743)	(357,143)



March 17, 2014

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Roma Education Fund Hungary (ROA)

Notes to the Financial Statements 2013 and 2012

I. Financial organization

Organization 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 several consultations in their financial operations.

Establishment of Roma Education Fund

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

Roma Education Fund Hungary (ROA)

Notes to the Financial Statements 2013 and 2012

II. REF Accounting principles

GENERAL TERMS

The books are basically maintained in local currency as of legal requirement and translated into EUR. To compare and for a better understanding these financial statements are presented in EUR.

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.

Reporting Period

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

Comparability with prior year

Financial statements have to present the prior year and the actual reporting period from January 1, to December 31. Major errors from previous years have to be restated and presented. Errors shall be construed as major in our cases if, in the year when discovered by the audit the aggregate amounts of all error (either negative or positive) for the same year and after effect thereof "increasing or decreasing the equity" exceed 2% of the balance sheet total of the financial year audited.

Roma Education Fund Hungary (ROA)

Notes to the Financial Statements 2013 and 2012

INCOME

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.

Interest Income

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

EXPENSES

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 of project support program have to be presented at the actual year on total contractual value while other program related expenses on the value are paid.

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.

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.

BALANCE SHEET

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.

Roma Education Fund Hungary (ROA)

Notes to the Financial Statements 2013 and 2012

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. (No use the revaluation model of assets.)

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 respective National Bank 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 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.

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

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

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

Deferred costs

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

Accrued costs

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

Roma Education Fund Hungary (ROA)

Notes to the Financial Statements 2013 and 2012

Details to the Statement of Income and Expenditure

Details on Donations received from third parties 2009 - 2013

Received by REF Hungary	2009 Eur	2010 Eur	2011 Eur	2012 Eur	2012 Eur	total Eur
American House Foundation	-	-	-	4,902	5,112	10,014
Bernard Van Leer Foundation	-	-	260,918	68,448	-	329,366
European Commission- DGREGIO	-	956,555	717,244	236,195	-	1,909,994
Fundación Secretariado Gitano(FSG)	-	-	-	6,006	-	6,006
Sandor Demjan Foundation	-	-	250,000	-	-	250,000
Tempus Foundation	1,067	2,025	1,001	788	192	5,073
United Nations Development Programme(UNDP)	-	-	1,732	-	-	1,732
World Bank IBRD	-	6,385	-	8,184	-	14,569
Help-Hilfe zur Selbsthilfe.V	-	-	-	113,537	70,827	184,364
Other donors individuals	-	-	-	-	11,124	11,124
Total donations received from 3rd parties	1,067	964,965	1,230,895	438,060	87,255	2,722,242
REF Switzerland	1,055,693	1,200,000	1,099,388	1,034,832	925,556	5,315,469
Total donation Income	1,056,760	2,164,965	2,330,283	1,472,892	1,012,811	8,037,711

Project Support Program Refund

When projects conclude, they are reviewed, mostly by external parties with documentation in a compulsory report. If not all the funds were used they will be 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 already transferred to the grantee.

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. This position contains the accumulated costs of this year.

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)

EU Roma Pilot – A Good Start and complementary projects

The target of this project is to ensure that all Romani and other poor and excluded children have access to quality ECEC services in 16 localities in rural and urban localities of the most deprived settlements in FYR Macedonia, Hungary, Romania, and Slovakia will run until approximately the end of 2014. This position contains the accumulated costs of this year.

Konik Camp project in Montenegro

This is an Assistance Programme for integration and return of I/DPs and residents of Konik camp in which REF implements the educational component through early childhood development programs.

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.

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.

International Family Project

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 was closed by the end of 2013. This position contains the accumulated costs of this year.

REF Romania— Equal Opportunities

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 was closed by the end of 2013. This position contains the accumulated costs of this year.

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 2014. This position contains the accumulated costs of this year.

Progress project in Slovakia

The project aims Investing in early childhood - 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.

Details to the Balance Sheet

Cash at banks

	2012	2013
	Eur	Eur
Petty cash	213	536
Cash at bank	398,397	27,223
Total Cash and Bank	398,610	27,759

Receivables

	2012	2013
	Eur	Eur
Receivables from employees	14,650	8,615
Advances to suppliers	26,077	23,411
Other receivables	5,203	15,474
Total Receivables	45,930	47,500

Other current assets

	2012	2013
	Eur	Eur
Prepaid insurance	24,182	29,123
Prepaid rental fee	25,367	-
Other	339	1,273
Total Other current assets	49,888	30,396

Tangible assets

	2012	2013
	Eur	Eur
Office remodelling	10,076	9,885
Office equipments	110,893	121,080
Accumulated depreciation	(98,201)	(114,078)
Total Tangible assets	22,768	16,887

Intangible assets

	2012	2013
	Eur	Eur
Softwares and rights	21,796	50,625
Accumulated depreciation	(19,228)	(28,551)
Total Intangible assets	2,568	22,074

Liabilities

	2012	2013
	Eur	Eur
Suppliers	44,152	32,656
Payroll and related taxes	29,400	36,651
Total Liabilities	73,552	69,307

Accrued expenses

	2012	2013
	Eur	Eur
Audit fee	2,372	2,526
Other accrued expenses	11,271	4,752
Total Accrued expenses	13,643	7,278

Other informations

Guaranties

Roma Educacion Fund Hungary (REF Hungary) as a borrower entered into a framework loan agreement of Eur 1,500,000 with Council of Europe Development Bank. The specific objective of the loan is to bridge cashflow gaps of Roma Education Fund Hungary's partners caused by significant delays in payments made from European Structural 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 repaying bridge financing received from REF Hungary.

March 17, 2014



Representative