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Nr. 396/26.02.2016

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 January 8, 2015, we have audited the special purpose financial information of Fundatia Roma Education Fund Romania on December 31, 2015, for the year then ended on pages 1 to 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 January 8, 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, 2015, 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 31.2015 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
26.02.2016
Bucharest,

AUDITOR FINANCIAR
Alexandrina POPESCU





Roma Education Fund (REF), Romania

Notes to the Financial Statements 2015

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, starts 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.





4 Statement of Income & Expenses 2015 (cash based)

EUR	Notes	2015	2014
Donations received from third parties	1	3,148,120	1,050,075
Donations received from REF Switzerland		141,569	0
Other income		0	727
Interest Income		4	0
Gain on Foreign Exchange		7,894	2,438
Reversal of previous year income		-95,369	0
Total Income		3,212,218	1,053,240
RMUSP – Tertiary Scholarships	2	9,943	15,955
RHSP – Roma Health Scholarship Program	3	13,737	0
ESF 132996 – Roma Children and Parents Want to Go to School	4	1,570,767	278,893
ESF 140080 – Integrated Educational Services for Roma Communities	5	1,394,278	205,036
ESF 141790 – Enhancing Young Roma People's Access to Higher Education	6	276,083	107,541
ESF 60443 – Equal Opportunities in Education for an Inclusive Society	7	604	515,639
ESF 55876 – School after School – First Step for Educational and Professional Success	8	4,009	103,458
ESF 62047 – Roma Professionals in Health Program	9	12	3,378
HEIM – Higher Education Internationalisation and Mobility (as part of REF Romania and its partners capacity building)	10	3,953	0
EVS4ALL	11	1,741	0
Norwegian Fund RO-25 – Ready! Set! Go!	12	305,218	0
REF Romania and its partners capacity building	13	87,010	139,251
Losses on foreign exchange		60,864	3,926
Total Expenditure		3,728,219	1,373,077
Excess of income over expenditure		516,001	-319,837



5 Balance Sheet as of December 31, 2015 (cash based)

EUR		31.12.2014	31.12.2015
Cash at banks	14	751,394	54,718
Receivables	15	2,082,725	2,288,526
Inventory	16	0	3,485
Total current assets		2,834,119	2,346,729
Tangible assets		13,526	9,287
Total long term assets		13,526	9,287
Total assets		2,847,645	2,356,016
Liabilities	17	45,424	88,320
Accounts payable to Partners	18	1,661,024	2,019,206
Short term loans Agentia de Monitorizare a Presei		92,866	92,866
Short term loans REF Hungary/Switzerland		2,069,774	320,000
Long term loans REF Hungary		-	355,000
Total liabilities and provisions		3,869,088	2,875,392
Foundation capital as of January 1		-519,376	-203,300
Restatement of Foundation capital		-	1,203
Excess of income over expenditure		-516,001	-319,837
Year-end Translation Difference		13,934	2,558
Foundation capital as of December 31		-1,021,443	-519,376
Total liabilities and foundation capital		2,847,645	2,356,016

Year-end Nat'l Bank Rate 31.12.2014 - 4.4821

Average exchange rate 2014 - 4.4446

Year-end Nat'l Bank Rate 31.12.2015 - 4.5245

Average exchange rate 2015 - 4.4450





6 Notes to the Statement of Income and Expenditure 2015

1 Details on Donations received from third parties 2014-2015 (EUR)

EUR	31.12.2013	31.12.2014	31.12.2015
RMUSP – Tertiary Scholarships	0	0	0
RHSP – Roma Health Scholarship Program	0	0	13,398
ESF 132996 – Roma Children and Parents Want to Go to School	0	141,526	1,033,783
ESF 140080 – Integrated Educational Services for Roma Communities	0	129,646	470,178
ESF 141790 – Enhancing Young Roma People's Access to Higher Education	0	46,004	271,312
ESF 60443 – Equal Opportunities in Education for an Inclusive Society	1,096,758	265,001	0
ESF 55876 – School after School – First Step for Educational and Professional Success	2,136,538	161,293	0
ESF 62047 – Roma Professionals in Health Program	309,648	306,605	92,036
HEIM – Higher Education Internationalisation and Mobility (as part of REF Romania and its partners capacity building)	0	0	0
EVS4ALL	0	0	0
Norwegian Fund RO-25 – Ready! Set! Go!	0	0	1,199,072
REF Romania and its partners capacity building (including Telekom Foundation 508 EUR, BNBusiness 900 EUR, For You Asig 1,372 EUR)	0	3,165	132,439
62085 – Youth on Labor Market	97,148	0	0
FSG – International Family Project	1,400	0	0
2% tax on income	23	0	0
Total donations	3,641,515	1,053,240	3,212,218

2-3 RMUSP – Tertiary Scholarships and RHSP – Roma Health Scholarship Program

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)

4 ESF 132996 – Roma Children and Parents Want to Go to School

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.

5 ESF 140080 – Integrated Educational Services for Roma Communities

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.

6 ESF 141790 – Enhancing Young Roma People's Access to Higher Education

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.

7 ESF 60443 – Equal Opportunities in Education for an Inclusive Society

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.

8 ESF 55876 – School after School – First Step for Educational and Professional Success

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.

9 ESF 62047 – Roma Professionals in Health Program

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.

10 HEIM – Higher Education Internationalisation and Mobility (as part of REF Romania and its partners capacity building)

This research/innovation project (HEIM) is funded by Horizon 2020 Marie Skłodowska-Curie Actions and focuses on how principles of equity and inclusion can be applied to internationalization strategies and programmes in higher education, as well as on developing research and innovation capacity in this field.





HEIM is interrogating and developing the concept and practices of higher education internationalization in Europe through questions about who is able to participate in and benefit from policy initiatives and strategic interventions, and whether certain social groups are disadvantaged or excluded from the opportunities that mobility offers.

11 EVS4ALL

The two-year pilot project European Voluntary Service for All (EVS4ALL) is an initiative by The Allianz Cultural Foundation, supported by the German NGO IKAB-Bildungswerk. Fourteen foundations, organizations from civil society, and experienced initiatives from the sectors of European youth and voluntary work from six European countries, are participating in implementing EVS4ALL.

12 Norwegian Fund RO-25 – Ready! Set! Go!

The main objective of the project is to increase early childhood development outcomes for Roma children from Romania's most disadvantaged communities. The "Ready Set Go!" project operates in 11 localities in 6 Counties in Romania, reaching to 560 children and their families (as direct beneficiaries), who will be involved in quality educational programs in order for the children to get the best of outcomes during primary school. The project is funded by the Norwegian Financial Mechanism 2009-2014 and will run until April 2017. This position contains the accumulated costs of this year. Kindergarten children, together with their families represent the target group of the project.

13 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.

7 Notes to the Balance Sheet 2015

14 Cash at banks

EUR	31.12.2015	31.12.2014
RMUSP – Tertiary Scholarships	585	645
RHSP – Roma Health Scholarship Program	1,227	0
ESF 132996 – Roma Children and Parents Want to Go to School	13,649	6,787
ESF 140080 – Integrated Educational Services for Roma Communities	26,649	2,560
ESF 141790 – Enhancing Young Roma People's Access to Higher Education	5,200	14,688
ESF 60443 – Equal Opportunities in Education for an Inclusive Society	0	23,739
ESF 62047 – Roma Professionals in Health Program	0	802
Norwegian Fund RO-25 – Ready! Set! Go!	636,979	0
REF Romania	67,105	5,497
Total Cash at banks	751,394	54,718

15 Receivables



ROMA EDUCATION FUND ROMANIA

EUR	31.12.2015	31.12.2014
1100 Employee Advances	5,664	0
1200 Accounts Receivable	1,827,534	2,169,769
1300 Prefinance advanced to Partner	5,060	47,924
1400 Grant Advances	231,059	
1500 Recoverable VAT	8,396	66,848
1750 Prepaid Expenses	3,365	3,985
2999 Unclarified Operations	1,647	
Total Receivables	2,082,725	2,288,526

16 Inventory

EUR	31.12.2015	31.12.2014
ESF 140080 – Integrated Educational Services for Roma Communities	12,033	0
ESF 141790 – Enhancing Young Roma People's Access to Higher Education	401	0
ESF 60443 – Equal Opportunities in Education for an Inclusive Society	13,348	13,237
ESF 55876 – School after School – First Step for Educational and Professional Success	116,538	115,574
ESF 62047 – Roma Professionals in Health Program	469	465
Norwegian Fund RO-25 – Ready! Set! Go!	431	0
Inventory REF	3,992	2,995
Accumulated depreciation (under national rules)	147,212	128,786
Total Inventory	0	3,485

17 Liabilities

EUR	31.12.2015	31.12.2014
2100 Suppliers	2553	1450
2200 Salary Payable	42,871	86,870
Total Liabilities	45,424	88,320

18 Accounts Payables to Partners

EUR	31.12.2015	31.12.2014
ESF 132996 – Roma Children and Parents Want to Go to School	187,016	20,374
ESF 140080 – Integrated Educational Services for Roma Communities	220,080	13,798
ESF 141790 – Enhancing Young Roma People's Access to Higher Education	5,066	0
ESF 60443 – Equal Opportunities in Education for an Inclusive Society	524,331	938,104
ESF 55876 – School after School – First Step for Educational and Professional Success	724,531	1,046,930
Total Accounts payables to Partners	1,661,024	2,019,206



