

Roma Education Fund Hungary

Special Purpose Financial Information

for the Board of Trustees and the donors of the Foundation

31 December 2018

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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 2018 – in which the total assets and total liabilities are EUR 2,080,037 the loss for the year is EUR 144,415 –, 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 2018 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, 29 March 2019



Zoltán Herczeg

Moore Stephens Hezicomp Kft.

H-1146 Budapest, Hermina út 17

Chamber's registry no.: 001490



Zoltán Herczeg

Member of Chamber of Auditors'

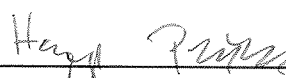
Chamber's membership no.: 005223

Roma Education Fund Hungary (ROA)

Balance Sheet as of December 31, 2018

		310,14	321,51
		REF Hungary	REF Hungary
		2017	2018
		EUR	EUR
Cash at banks	1	892 165	1 898 765
Time deposits		-	-
Receivables	2	57 816	39 911
Loan to REF Romania	8	-	-
Inventories		-	-
Securities		-	-
Other current assets	3	70 349	116 721
Total current assets		1 020 330	2 055 397
Recoverable Grants		-	-
Long term loan to Roma Education Fund, Romania		-	-
Intangible assets	5	293	163
Tangible assets	4	32 666	24 477
Financial investments		-	-
Total long term assets		32 959	24 640
Total assets		1 053 289	2 080 037
Liabilities	6	157 048	108 265
Accrued expenses and deferred income	7	76 798	1 724 249
Liability to REF Switzerland		54 485	-
Loan from Council of Europe Development Bank		-	-
Long term loan from Open Society Institute		-	-
Total liabilities and provisions		288 331	1 832 514
Foundation capital as of December 31		764 958	247 523
Total liabilities and foundation capital		1 053 289	2 080 037

March 29, 2019



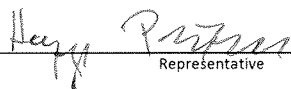
 Representative

ROMA OKTATÁSI ALAP
 H-1056 Budapest, József Attila utca 136.
 Adószám: 2411-0902-02
 Képviselet vezetője: ...

ROMA EDUCATION FUND Hungary (ROA)
Statement of Income and Expenditure 2018

		309,21	318,87
		REF Hungary 2017	REF Hungary 2018
		EUR	EUR
INCOME			
Donations received from third parties	1	1 423 000	1 803 702
Donations received from REF Switzerland	1	2 223 958	1 648 321
Project Support and other Program Refund	2	-	-
Other income		1 368	17 156
Interest Income		292	97
Gain on Foreign Exchange		2 470	39 690
Total Income		3 651 088	3 508 966
EXPENDITURE			
Project Support Program	3	-	35 905
Tertiary Scholarships	4	139 741	187 631
EU Roma pilot-A Good Start and complimentary projects	5	136	-
Communications	6	311 133	72 349
Policy development and capacity building	7	313 841	135 476
REF Romania - Ready, Set, Go	8	2 887	-
REF Romania and its partners capacity building	9	262	-
HEIM project	10	14 316	-
Konik Camp project in Montenegro	11	301 749	308 896
IPA Macedonia - Fostering Social Inclusion	12	307 476	11 317
KfW - Improved education and Integration Serbia	13	537 583	1 132 424
Velux project	14	72 741	149 294
CEI Fund project	15	39 866	34 925
Grant to REF Slovakia (VELUX project)	14	53 179	60 068
Grants to REF Romania (Velux project and Policy development)	14	206 847	236 634
DG NEAR-Increased education opportunities for Roma students in Western balkan and Turkey	16	-	437 562
Total Programs and Grants		2 301 757	2 802 481
Administrative expenses		976 160	839 819
Interest expense		64	58
Losses on foreign exchange		15 738	11 023
Total Expenditure		3 293 719	3 653 381
Excess of income over expenditure		357 369	(144 415)

March 29, 2019


 Representative

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 H-2076 Budapest, József ut. 45
 Adószám: 23620762-02
 Bejegyzési szám: 2013

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 Serbia was established on 30th January, 2019

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: HeziHold 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. In 2018 the income is not presented on a cash basis, the received amounts are decreased, the already not spent parts of them are shown as deferred income.

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, 5 or 7 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 or 5 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, 2014-2018

RECEIVED BY REF HUNGARY	2 014	2 015	2 016	2 017	2 018	Total
Bernard Van Leer Foundation	68 111	0	0	0	0	68 111
CFCD Macedonia	0	0	81 821	152 670	31 318	265 809
CEI Fund EBRD	0	0	0	25 740	19 487	45 227
European Commission	0	0	0	0	328 033	328 033
HELP HILFE	283 934	118 769	75 721	312 558	100 343	891 325
KfW1	0	0	799 461	406 183	1 169 423	2 375 067
Bureau of Education Montenegro	0	0	8 418	0	0	8 418
Ministry for Human and Minorities Montenegro	76 242	0	79 657	80 240	35 428	271 567
Ministry of Slovak Republic	5 955	54 045	0	0	0	60 000
OSCE	46 313	86 438	59 581	46 463	0	238 795
REF Romania (ESF/EEA projects)	44 709	27 399	3 727	0	0	75 835
The Velux Foundations	92 435	245 861	0	397 662	114 209	850 167
Research Executive Agency	0	40 622	0	0	0	40 622
Other donors, Individuals	26 401	7 118	9 632	1 484	5 462	50 097
Total received by REF Hungary	644 100	580 252	1 118 018	1 423 000	1 803 702	5 569 072
REF Switzerland	1 085 625	1 505 972	1 191 179	2 223 958	1 648 321	7 655 055
Total donation income	1 729 725	2 086 224	2 309 197	3 646 958	3 452 023	13 224 127

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 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.

7 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.

8 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 Oktási Alap is the international project partner of REF Romania in the implementation of this project.

9 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.

10 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.

11 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.

12 IPA Macedonia-Fostering Social Inclusion

The project «Improving Roma Employment through Education and training» is implemented at five locations in Macedonia together with two implementation partners. The aim of the project is increasing the long-term employability of marginalized Roma communities through adult education and training, literacy programmes, and increased access to early childhood education and care. The project is financed by the Ministry of Finance of Macedonia as contracting authority through IPA-Human Resource Development budget in the framework of external actions of the European Union.

13 KfW - Improved education and Integration Serbia

In the framework of the project of «Improved Education and Integration Opportunities for Roma in Serbia (Phase 1)» KfW supports REF to improve access to education and employment opportunities for Roma in the Republic of Serbia. This project is composed of three components: (i) the promotion of secondary school education for Roma youth, (ii) the promotion of employability of graduates of the REF secondary school programme and (iii) the promotion of the re-integration of migrants returning to Serbia from Germany.

14 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.

15 CEI Project

The project < Professional intergovernmental know-how exchange on the implementation of large scale Secondary School Scholarship and Mentoring Program for Roma Students> aims to strengthen the capacities of the relevant Ministries in Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia which are currently partnering with the Roma Education Fund (REF) on the project management of the secondary scholarship and mentorship program for 4,833 Roma students in these countries. The project aims to transfer the monitoring and evaluation knowledge of the Roma Education Fund to the beneficiaries (Ministries and project staff), as well as to ensure the exchange of practices among the governmental institutions on the secondary scholarship and mentorship program.

16 EU Regional Action for Roma Education

The project “Increased Education Opportunities for Roma Students and Roma Youth in Western Balkans and Turkey” aims to reduce the Roma/non-Roma gap in participation to and completion of quality education, to improve Roma students’ transition between education and employment, and promote durable systemic change and de-segregation within education systems in the Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia and Turkey. The project is funded by European Union and co-funded by OSI.

4 Details of the Balance Sheet

1	Cash at banks		
		2017	2018
		EUR	EUR
	Petty cash	1,235	2,162
	Cash at bank	890,930	1,896,603
	TotalCashandBank	892,165	1,898,765
2	Receivables		
		2017	2018
		EUR	EUR
	Receivables from employees	6,139	1,512
	Advances to suppliers	31,470	23,410
	Other receivables	20,336	14,989
	Total Receivables	57,816	39,911
3	Other current assets		
		2017	2018
		EUR	EUR
	Prepaid insurance	37,741	38,866
	Prepaid rental fee	12,714	0
	Other	50,106	13,353
	Donations	0	64,502
	Total Other current assets	70,349	116,721
4	Tangible assets		
		2017	2018
		EUR	EUR
	Office remodelling	9,463	9,129
	Office equipments	178,626	175,706
	Accumulated depreciation	(155,423)	(160,358)
	Total Tangible assets	32,666	24,477
5	Intangible assets		
		2017	2018
		EUR	EUR
	Softwares and rights	53,550	51,945
	Accumulated depreciation	(53,257)	(51,782)
	Total Intangible assets	293	163

6 Liabilities

	2017	2018
	EUR	EUR
Suppliers	51,367	23,739
Payroll and related taxes	105,681	75,083
Provisions	0	9,422
Other liabilities	0	21
Total Liabilities	157,048	108,265

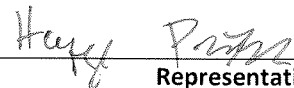
7 Accrued expenses and deferred income

	2017	2018
	EUR	EUR
Audit fee	4,604	36,706
Accrued donation expense	59,122	0
Other accrued expenses	13,072	36,528
Deferred income	0	1,651,015
Total Accrued expenses	76,798	1,724,249

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. The withdrawn amount of EUR 680,000 was fully repaid as of 31 December 2017.

March 29, 2019


 Representative

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