

**ROMA EDUCATION FOUNDATION,
BELGRADE**

**Financial Statements
Year Ended 31 December 2021 and
Independent Auditors' Report**

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INDEPENDENT AUDITORS' REPORT

To the Management of Roma Education Foundation, Belgrade

Qualified Opinion

We have audited the financial statements of Roma Education Foundation, Belgrade (hereinafter: the "Foundation"), which comprise the balance sheet as at 31 December 2021 and the income statement for the year then ended, and a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 December 2021, and its financial performance for the year then ended in accordance with the accounting regulations of the Republic of Serbia.

Basis for Qualified Opinion

As disclosed in note 8 to the financial statements, long-term provisions as of 31 December 2021 amount to RSD 130,726 thousand. The provisions include the amount of RSD 126,493 thousand that relates to undistributed surplus of income over expenses from the current and prior years. In accordance with the Serbian accounting regulations such amounts should be recorded as deferred income. Accordingly, long-term provisions are overstated and deferred income is understated by RSD 126,493 thousand.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the Foundation for 2020 were not subject to the audit.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Management of Roma Education Foundation, Belgrade (continued)

Going Concern

The Foundation's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Foundation or to cease the operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of going concern basis of accounting in the preparation of the Foundation's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly, none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Foundation's ability to continue as a going concern.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations of the Republic of Serbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As a part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, sufficient for identification of deficiencies in internal controls that are considered as material weaknesses.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Management of Roma Education Foundation, Belgrade (continued)

Auditors' Responsibility for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Global Audit Services d.o.o.
Global Audit Services d.o.o.
Belgrade
12 April 2022



BALANCE SHEET
As of 31 December 2021
(in RSD 000)

| | <u>Note</u> | <u>2021</u> | <u>(adjusted)</u> <u>2020</u> | <u>2020</u> |
|---|-------------|-----------------------|----------------------------------|----------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | | 186 | 257 | 257 |
| Property, plant and equipment | 5 | 29,714 | 34,545 | 30,312 |
| | | <u>29,900</u> | <u>34,802</u> | <u>30,569</u> |
| Current assets | | | | |
| Inventories | | 312 | - | - |
| Other receivables | | 43 | 39 | 39 |
| Cash equivalents and cash | 6 | 105,536 | 25,722 | 25,722 |
| | | <u>105,891</u> | <u>25,751</u> | <u>25,761</u> |
| TOTAL ASSETS | | <u>135,791</u> | <u>60,563</u> | <u>56,330</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Undistributed surplus of income over expenses | 7 | - | - | 51,006 |
| | | <u>-</u> | <u>-</u> | <u>51,006</u> |
| Provisions and liabilities | | | | |
| Long-term provisions | 8 | 130,726 | 55,239 | - |
| Trade and other payables | | 285 | 374 | 374 |
| Other short-term liabilities | | 317 | 487 | 487 |
| Accruals | | 4,463 | 4,463 | 4,463 |
| | | <u>135,791</u> | <u>60,564</u> | <u>5,324</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>135,791</u> | <u>60,563</u> | <u>56,330</u> |

The accompanying notes on the following pages are an integral part of these financial statements.

Chupi Redjepali
 Director



INCOME STATEMENT

Year Ended 31 December 2021

(in RSD 000)

| | Note | 2021 | 2020 |
|--|------|----------------|----------------|
| OPERATING INCOME | | | |
| Income from grants | 9 | <u>239,660</u> | <u>111,687</u> |
| | | <u>239,660</u> | <u>111,687</u> |
| OPERATING EXPENSES | | | |
| Cost of materials and energy | | 773 | 740 |
| Personnel costs | 10 | 68,675 | 33,743 |
| Costs of operating services | 11 | 42,697 | 1,782 |
| Depreciation expenses | | 5,589 | 7,037 |
| Grant expenses | | 637 | - |
| Other operating expenses | 12 | <u>45,386</u> | <u>21,709</u> |
| | | <u>163,757</u> | <u>65,011</u> |
| OPERATING PROFIT | | | |
| | | <u>75,903</u> | <u>46,676</u> |
| Finance income | | - | 5 |
| Finance expenses | | (416) | <u>(358)</u> |
| NET SURPLUS OF INCOME OVER EXPENSES | | | |
| | | <u>75,487</u> | <u>46,323</u> |

The accompanying notes on the following pages
are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1. GENERAL INFORMATION

Roma Education Foundation, Belgrade (hereinafter referred as "the Foundation") is established on 30 January 2019 by Roma Education Fund, Zug, Switzerland.

The Foundation is organized as a foundation and is inscribed in the Register of Endowments and Foundations of the Agency for Business Registers.

The principal registered activity code of the Foundation is 9499 - Activity of other organizations on the basis of membership. The Foundation is also registered for activity code 7022 - Business and other management consultancy activities.

Main objectives of the Foundation are promotion and protection of human, civil and minority rights of Roma in the field of education and employment.

Legal representative of the foundation is Mr. Čupri Redžepali.

Registered address of the Foundation is Majke Jevrosime Street 51, Belgrade.

Registration number of the Foundation is 28831234, and its tax identification number is 11260394.

The average number of employees of the Foundation in 2021 was 14 (2020: 6 employees).

The financial statements as of and for the year ended 31 December 2021 were authorised for issue by the management of the Foundation on 3 April 2022.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**Basis of preparation and presentation of financial statements**

The financial statements of the Foundation for 2021 have been prepared in accordance with the applicable accounting and other relevant regulations in the Republic of Serbia.

The financial statements have been prepared in accordance with:

- Law on Accounting (Official Gazette of the Republic of Serbia, no. 73/19 and 44/21),
- International Financial Reporting Standards for Small and Medium Sized Legal Entities - IFRS for SMEs (Official Gazette of the Republic of Serbia, no. 83/18),
- Rulebook on Chart of Accounts and Contents of Accounts in the Chart of Accounts for Other Legal Entities (Official Gazette of the Republic of Serbia, no. 89/20), and
- Rulebook on the Content and Form of Forms of Financial Statements and the Content and Form of the Statistical Report for Other Legal Entities (Official Gazette of the Republic of Serbia no. 89/20).

The Accounting Law stipulates that for the recognition, valuation, presentation and disclosure of positions in financial statements, small and medium-sized legal entities apply the International Financial Reporting Standard for Small and Medium-sized Legal Entities (IFRS for SMEs).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Basis of preparation and presentation of financial statements (continued)

The IFRS for SMEs was adopted by the International Accounting Standards Board (IASB) in July 2009. In June 2015, the IASB adopted a large number of amendments to IFRS for SMEs, and the amended version of IFRS for SMEs has been applied since 1 January 2017.

In preparation and presentation of the financial statements, the Foundation used translation of IFRS for SMEs determined by the Decision of the Ministry of Finance no. 401-00-3683/2018-16 from 10 October 2018.

The accompanying financial statements comply with the stated national regulations and with all the requirements of IFRS for SMEs.

Comparative data

The Foundation adjusted its balance sheet for 2020 and the effects of these adjustments on the individual balance sheet items are summarized in the following schedule:

| Balance sheet item | Effect in 000 RSD |
|---|-------------------|
| Property, plant and equipment | 4,233 |
| Undistributed surplus of income over expenses | (51,006) |
| Long-term provisions | 55,239 |

In addition to the adjustments described above, in accordance with the changes in the Rulesbook on the Content and Form of Forms of Financial Statements and the Content and Form of the Statistical Report for Other Legal Entities, the Foundation reclassified certain data for 2020 in order to provide presentation consistent to the current period.

Going concern principle

The financial statements have been prepared by applying going concern principle, i.e., assuming that the Foundation will continue to operate indefinitely for the foreseeable future. This assumption is based on the fact that the Foundation is obliged by donor agreements in the coming period and planned operations. In the following reporting periods, the Foundation's management does not expect significant changes in operations.

Due to the circumstances related to the COVID-19 pandemic in the world and in the Republic of Serbia, the situation in international politics, as well as their impact on the possibility of continuing the Foundation's operations, the management prepared plans for continuing operations. Based on the performed analyses until the day of issuance of the financial statements, as well as their potential impact in the future, the Foundation's management believes that there will be no significant deviations in business continuity, and that the continuity of the Foundation's operations is not endangered.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Official and functional reporting currency

The financial statements of the Foundation are presented in thousands of dinars (RSD), which is the functional currency of the Foundation and the official currency in which the financial statements are submitted in the Republic of Serbia. Unless otherwise stated, all amounts in dinars are rounded to the nearest thousand.

Accounting convention

The financial statements have been prepared under the historical cost convention, unless IFRS requires a different valuation basis as described in the accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are initially recognized at cost. Cost is the invoice value increased by all costs that can be directly attributed to bring these assets into function.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated impairment losses and accumulated impairment losses, except for buildings and land which are subsequently measured using the revaluation model.

Equipment is capitalized if its useful life is longer than one year and if its individual value exceeds 50,000 dinars.

Subsequent investments in property, plant and equipment, aimed at extending useful lives or increasing capacity, increase the carrying amount.

Depreciation of property, plant and equipment is calculated at cost, using the straight-line method over the estimated useful lives of the assets, using the following rates:

| Asset category | in % |
|----------------------------|------|
| Computers and IT equipment | 30% |
| Other equipment | 15% |

Depreciation calculation starts from the following month in relation to the month in which the asset was put into use. Depreciation is not calculated on fixed assets in preparation until the assets are ready for their intended purpose.

The asset is derecognised at the time of disposal or if no future use of the asset is expected. Gains or losses on the sale or write-off of an asset (as the difference between the net realizable value and the carrying amount) are recognized in the income statement when the asset is disposed of or written off.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Property, plant and equipment (continued)**

The Foundation estimates the remaining useful lives of property, plant and equipment at the end of each business year. The assessment of the useful life of property, plant and equipment is based on historical experience with similar assets, as well as projected technological advances and changes in economic and industrial factors.

If the current estimate differs from previous estimates, changes in the Foundation's accounts are recorded in accordance with Section 10 of the IFRS for SMEs "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have significant effects on the carrying amount of property, plant and equipment as well as on the amount of depreciation of the current accounting period.

Impairment of assets

At each balance sheet date, the Foundation reviews the carrying amounts of its tangible and intangible assets to determine whether any impairment losses have been incurred. If such indications exist, the recoverable amount of the asset is estimated in order to determine the potential impairment loss. If it is not possible to estimate the recoverable amount of an individual asset, the Foundation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of net selling price and value in use.

If the estimated recoverable amount of an asset (or cash generating unit) is less than its carrying amount, then the carrying amount of that asset is reduced to its recoverable amount. Impairment losses are recognized immediately as an expense.

Cash equivalents and cash

Cash and cash equivalents include cash in hand, funds on current and foreign currency accounts and short-term deposits with maturities of three months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Long-term provisions

Long-term provisions are recorded to cover liabilities arising from the agreed amounts of donations and project grants in the coming years, and relate to provisions for grants to non-profit legal entities. These provisions are estimated by the Foundation, on the basis of actual expected costs, and are reduced at the time the costs are actually incurred.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Salaries and social security costs

Employee benefits are recognized as an expense in the income statement. The Foundation bears the costs of employees related to health insurance, pension insurance, unemployment insurance and the like. These amounts are shown in the income statement within salary costs.

Employee benefits costs and retirement plans

Employee benefits are recognized as an expense in the income statement.

All employees of the Foundation are part of the pension plan of the Republic of Serbia. All contributions that are mandatory under the Government's pension plan are reported as an expense in the period in which they are incurred. In the regular course of business, the Foundation pays taxes and contributions on behalf of its employees.

The Foundation is not included in other forms of pension plans and accordingly has no obligations in this respect.

Severance payments

Severance payment is paid when the employment is terminated before the date of regular retirement or when the employee accepts the agreed termination of employment as redundancy in exchange for severance payment. In accordance with the provisions of the Labour Law, the Foundation is obliged to pay severance payment to employees in the amount of two average gross salaries earned in the Republic of Serbia according to the latest published data of the Republic Statistical Office in the month preceding the month of retirement. Severance payments that fall due more than 12 months after the balance sheet date are reduced to their present value. The amount of severance payment for an employee who is redundant is determined by an internal act or employment contract, provided that it cannot be lower than the sum of one third of the employee's salary for each completed year of employment with the Foundation.

Management remunerations

Remuneration paid to the Foundation's management during regular business hours may include contracted salaries and other benefits, which are determined in accordance with the achieved business results.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income and expenses

Income from contingent grants is recognized in the balance sheet at the time the grant is received. Income is recognized based on the provisions of the Grant Agreement.

Expenses are calculated according to accrual basis of accounting.

In the financial year, all income and expenses related to that financial year are recognized, regardless of the date of their collection or payment.

Foreign currency translation

Transactions denominated in foreign currencies are translated into RSD at the average exchange rate determined at the interbank foreign exchange market at the date of transaction.

Assets and liabilities denominated in foreign currencies are translated into RSD at the average exchange rate determined at the interbank foreign exchange market at the balance sheet date.

Assets and liabilities with a currency clause are valued at the agreed foreign exchange rate on the balance sheet date.

Net foreign exchange gains and losses, as well as the positive and negative effects of the currency clause are recognized as financial income and expenses in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate prevailing at date of the initial transaction.

4. CRITICAL ACCOUNTING ESTIMATES

Preparation of the financial statements requires the Foundation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of income and expenses during the reporting period. The estimates and assumptions are based on historical experience, current and expected economic conditions and other information available at the financial statements' preparation date. Actual results may differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT

| | In RSD 000 | | | |
|---------------------------------|------------|------------------------|--------------|---------|
| | Equipment | Leasehold improvements | Other assets | Total |
| Cost | | | | |
| 1 January 2020 | - | - | - | - |
| Additions during the year | 9,386 | 27,874 | 54 | 37,324 |
| 31 December 2020 | 9,386 | 27,874 | 54 | 37,324 |
| 1 January 2021 | 9,386 | 27,874 | 64 | 37,324 |
| Opening balance adjustment | (903) | (1,876) | - | (2,779) |
| 1 January 2021 (adjusted) | 8,483 | 25,998 | 64 | 34,545 |
| Additions during the year | 245 | - | - | 245 |
| Other changes during the year | 423 | - | - | 423 |
| 31 December 2021 | 9,151 | 25,998 | 64 | 35,213 |
| Accumulated depreciation | | | | |
| 1 January 2020 | - | - | - | - |
| Depreciation for the year | 903 | 6,109 | - | 7,012 |
| 31 December 2020 | 903 | 6,109 | - | 7,012 |
| 1 January 2021 | 903 | 6,109 | - | 7,012 |
| Opening balance adjustment | (903) | (6,109) | - | (7,012) |
| 1 January 2021 (adjusted) | - | - | - | - |
| Depreciation for the year | 2,142 | 3,345 | - | 5,487 |
| Other changes during the year | 12 | - | - | 12 |
| 31 December 2021 | 2,154 | 3,345 | - | 5,499 |
| Net book value | | | | |
| 31 December 2021 | 6,997 | 22,653 | 64 | 29,714 |
| 31 December 2020 (adjusted) | 8,483 | 25,998 | 64 | 34,545 |
| 31 December 2020 | 8,483 | 21,765 | 64 | 30,312 |

6. CASH EQUIVALENTS AND CASH

| | in RSD 000 | |
|---------------------------|----------------|---------------|
| | 2021 | 2020 |
| Current accounts | 15,964 | 2,358 |
| Foreign currency accounts | 89,572 | 23,354 |
| | <u>105,536</u> | <u>25,722</u> |

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

7. UNDISTRIBUTED SURPLUS OF INCOME OVER EXPENSES

| | 2021 | (adjusted) 2020 | in RSD 000 2020 |
|--|------|--------------------|--------------------|
| Balance, beginning of year | - | 4,683 | 4,683 |
| Surplus of income over expenses for the year | - | 46,323 | 46,323 |
| Transfer to long-term provisions | - | (51,006) | - |
| Balance, end of year | - | - | 51,006 |

8. LONG-TERM PROVISIONS

| | 2021 | (adjusted) 2020 | in RSD 000 2020 |
|--|----------------|--------------------|--------------------|
| Balance, beginning of year | 55,239 | - | - |
| Adjustment of property, plant and equipment | - | 4,233 | - |
| Transfer from undistributed surplus of income over expenses | - | 51,006 | - |
| Surplus of income over expenses for the year | 75,487 | - | - |
| Balance, end of year | 130,726 | 55,239 | - |

9. INCOME FROM GRANTS

| | 2021 | in RSD 000 2020 |
|---|----------------|--------------------|
| Grants from international organizations: | | |
| - Roma Education Fund, Zug Switzerland | 91,501 | 82,296 |
| - Kreditanstalt für Wiederaufbau, Frankfurt am Main, Germany | 99,477 | - |
| - Austrian Development Agency, Vienna, Austria | 48,208 | 29,391 |
| | <u>239,186</u> | <u>111,687</u> |
| Other income from grants | 474 | - |
| | <u>239,660</u> | <u>111,687</u> |

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021

10. PERSONNEL COSTS

| | 2021 | in RSD 000 2020 |
|--|---------------|--------------------|
| Gross salaries | 40,498 | 26,826 |
| Costs of service contractors | 13,818 | 2,836 |
| Costs of authors' fees | 6,614 | - |
| Contributions on salaries on behalf employer | 5,778 | 3,338 |
| Other personnel benefits | 1,967 | 743 |
| | <u>68,675</u> | <u>33,743</u> |

11. COSTS OF OPERATING SERVICES

| | 2021 | in RSD 000 2020 |
|-----------------------------------|---------------|--------------------|
| Development costs | 38,936 | - |
| Transportation costs | 1,885 | 823 |
| Costs of other operating services | 1,876 | 959 |
| | <u>42,697</u> | <u>1,782</u> |

12. OTHER OPERATING EXPENSES

| | 2021 | in RSD 000 2020 |
|--|---------------|--------------------|
| Project partners' costs | 22,340 | 17,957 |
| Costs of advisory services | 8,659 | 1,480 |
| Accommodation costs | 3,269 | - |
| Costs of legal services | 2,480 | 175 |
| Costs of accounting and audit services | 2,155 | 263 |
| Taxes and fees | 1,827 | - |
| Professional development services | 1,407 | - |
| Other operating expenses | 3,249 | 1,834 |
| | <u>45,386</u> | <u>21,709</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

13. LIQUIDITY RISK MANAGEMENT

The Management manages liquidity risk in a manner which ensures that the Foundation is able to settle its liabilities at any moment. The Foundation manages liquidity by maintaining the necessary level of cash reserves, based on continued monitoring over planned and actual cash flows, as well as by matching the maturities of financial assets and liabilities.

14. RECONCILIATION OF RECEIVABLES AND LIABILITIES

The Foundation reconciled its receivables (receivables from bank) and liabilities as of 31 December 2021 and 2020. In the process of reconciliation with its counterparties, there were no materially unreconciled balances of receivables and liabilities.

15. EXCHANGE RATES

The official exchange rates, determined at the interbank foreign exchange market, applied for translation of items in foreign currencies into RSD, for major currencies were as follows:

| | <u>2021</u> | <u>2020</u> |
|-----|-------------|-------------|
| EUR | 117.5871 | 117.5802 |
| CHF | 119.6388 | 108.4388 |