

Independent Auditor's Report
on Special Purpose Financial Information of
ROMA EDUCATION FOUNDATION
SERBIA

31 December 2020

April 2021

Independent Auditor's Report

On Special Purpose Financial Information of Roma Education Foundation Serbia

To the Board of Directors of Roma Education Foundation Serbia

Opinion

We have audited the accompanying Special Purpose Financial Information of Roma Education Foundation Serbia ("Foundation"), which comprises:

- the Statement of financial position as at 31 December 2020;
- the Statement of Income and Expenditure for the year then ended; and
- notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Special Purpose Financial Information is prepared, in all material respects, in accordance with the policies and instructions contained in the REF's Accounting Policy.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Special purpose financial information section of our report. We are independent of the Foundation in accordance with International Ethics Standards Board for Accountants Code of Ethics for

Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Point 2 to the Special purpose financial information, which describes the basis of accounting. The Special Purpose Financial Information is prepared for the purpose of providing information to the Board of Directors of Foundation regarding year-end financial reports. As a result, the Special

Purpose Financial Information may not be suitable for another purpose. Our report is intended solely for the Board of Directors of Foundation and shall not be used for any other purpose, published and referred to without auditor's prior written consent. Our opinion is not modified in respect of this matter.

Other matters

Special Purpose Financial Information for the year ended as at 31 December 2019 was not in

the scope of Auditor's engagement and therefore we do not express opinion on them.

Responsibility of Management and Those Charged with Governance for the Special Purpose Financial Information

Management is responsible for the preparation of the Special Purpose Financial Information in accordance with the REF's Accounting Policy described in the Point 2 and for such internal control as management determine 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 for the audit of the Special Purpose Financial Information

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Information as a whole is 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 a 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 decisions of users taken on the basis of this Special Purpose Financial Information.

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

- Identify and assess the risks of material misstatement of the Special Purpose Financial Information, 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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of

accounting estimates and related disclosures made by management.

the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We communicate with those charged with governance regarding, among other matters,

MLN Audit & Advisory d.o.o. Beograd


Nikola Milovanović
Certified Auditor

Belgrade, 14th April 2021



STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

<i>In EUR</i>	Note	31 December 2019	31 December 2020
Assets			
Cash at banks	3.1	39,836	218,765
Time deposits		-	-
Receivables		-	-
Inventories		-	-
Securities		-	-
Other current assets	3.2	-	335
Total current assets		39,836	219,100
Recoverable grant		-	-
Tangible assets	3.3	-	257,795
Intangible assets	3.4	-	2,187
Financial investments		-	-
Total non-current assets		-	259,982
Total assets		39,836	479,082
Liabilities			
Liabilities (short term)	3.5	-	7,322
Accrued expenses and deferred income		-	-
Long term loans		-	-
Total liabilities		-	7,322
Foundation capital as at 31 December		39,836	471,760
Total liabilities and foundation capital		39,836	479,082

The Special purpose financial information was approved by Management.

Belgrade, 14th April 2021

Roma Education Foundation Serbia


Redjepali Chupi
Representative



**STATEMENT OF INCOME AND EXPENDITURES FOR THE YEAR ENDED
31 DECEMBER 2020**

<i>In EUR</i>	Note	2019	2020
Donations received from REF Switzerland	4.1	97,702	700,000
Donations received from third parties	4.1	-	250,000
Interest income		-	-
Gain from foreign exchange		-	39
Total income		97,702	950,039
Country Facilitators cost	4.2	-	34,923
Grant to Roma Versitas Albania	4.2	-	76,353
Grant to Roma Versitas Kosovo	4.2	-	76,353
Total program and grants		-	187,629
Administrative expense		57,568	302,383
Depreciation cost		-	59,851
Move budget		-	3,048
Interest expense		-	281
Loss from foreign exchange		200	2,763
Total expenditure		57,768	555,955
Excess of income over expenditure		39,934	394,084

1 FINANCIAL ORGANIZATION

1.1 Organization of Roma Education Fund

The network of Roma Education Fund five entities ("REF Entities") that are established as legally separate foundations in Switzerland, Hungary, Romania, Slovakia and Serbia, 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, 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 Macedonia, established in 2019;
- Roma Education Fund Serbia, established in 2019.

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 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. 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 of the REF Entities 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 Foundation in Serbia shall be translated from RSD into EUR at the yearly average exchange rate of RSD/EUR. All balance sheet positions at year end are translated at the year-end rate of RSD/EUR. All exchange rates are based on a publication of the Serbian 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.

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 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

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.

2.3.3 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.

2.4 Statement of financial position

2.4.1 Intangible and tangible asset valuation

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.

2.4.2 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 recognized. In the case of small amount receivables considered per debtor are applied in accordance with the accounting act in percent impairment.

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.

2.4.3 Deferred costs

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

2.4.4 Accrued costs

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

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION

3.1 Cash at banks

<i>In EUR</i>	2019	2020
Cash at banks	39,836	218,765
Total as at 31 December	39,836	218,765

3.2 Other current assets

<i>In EUR</i>	2019	2020
Other receivables from employees	-	248
VAT receivables	-	87
Total as at 31 December	-	335

3.3 Tangible assets

<i>In EUR</i>	2019	2020
Office remodelling	-	237,067
Office equipment	-	80,362
Accumulated depreciation	-	(59,634)
Total as at 31 December	-	257,795

3.4 Intangible assets

<i>In EUR</i>	2019	2020
Software and rights	-	2,403
Accumulated depreciation	-	(216)
Total as at 31 December	-	2,187

3.5 Liabilities

<i>In EUR</i>	2019	2020
Liabilities to suppliers	-	3,181
Liabilities to employees	-	4,141
Total as at 31 December	-	7,322

4 NOTES TO THE STATEMENT OF INCOME AND EXPENDITURES

4.1 Donations received

<i>In EUR</i>	2019	2020
Donations received from REF Switzerland	97,702	700,000
Donations received from third parties	-	250,000
Total	97,702	950,000

Donations received from third parties in the amount of EUR 250,000 relates to Austrian Development Agency ("ADA"). Combating poverty, ensuring peace and preserving the environment: These are the three major concerns of the ADA, the operational unit of Austrian Development Cooperation.

4.2 Program and grants expenditure

<i>In EUR</i>	2019	2020
Country Facilitators cost	-	34,923
Grant to Roma Versitas Albania	-	76,353
Grant to Roma Versitas Kosovo	-	76,353
Total	-	187,629

5 OTHER INFORMATION

5.1 Events after reporting date

Foundation have not been raised any funds from reporting date until the date these Special purpose financial information were authorized for issue.

5.2 Tax risks

The tax system in the Republic of Serbia is undergoing continuous amendments. The tax period in the Republic of Serbia is considered to be open for five years.

In different circumstances, tax authorities could have different approach to some issues, and could detect additional tax liabilities together with related penalty interest and fines.

Current income tax is determined in accordance with the provisions of the applicable Corporate Income Tax Law of the Republic of Serbia.