

Roma Education Fund Hungary

Special Purpose Financial Information
for the Board of Trustees and the donors of the Foundation

31 December 2016

H-1146 Budapest,
Hermina út 17.
HUNGARY

Tel.: +36 1 471 9770
Fax: +36 1 471 9779
Web: hezicomp.hu
E-mail: hezicomp@mshc.hu

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 2016 – in which the total assets and total liabilities are EUR 1,321,147 the profit for the year is EUR 189,567 –, 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 2016 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, 08 March 2017



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

**Special Purpose Financial Information
for the Board of Trustees and the donors of the Foundation**

31 December 2016



Roma Education Fund Hungary (ROA)

Balance Sheet as of December 31, 2016

		313.12	311.02
		REF Hungary	REF Hungary
		2015	2016
		EUR	EUR
Cash at banks	1	272,266	1,191,277
Time deposits		-	-
Receivables	2	51,772	57,945
Loan to REF Romania	8	1,500,000	-
Inventories		7,751	7,697
Securities		-	-
Other current assets	3	41,515	48,101
Total current assets		1,873,304	1,305,020
Recoverable Grants		-	-
Long term loan to Roma Education Fund, Romania		-	-
Intangible assets	5	2,727	495
Tangible assets	4	14,273	15,632
Financial investments		-	-
Total long term assets		17,000	16,127
Total assets		1,890,304	1,321,147
Liabilities	6	73,892	118,659
Accrued expenses and deferred income	7	106,904	101,631
Liability to REF Switzerland		305,000	5,000
Loan from Council of Europe Development Bank		1,180,000	680,000
Total liabilities and provisions		1,665,796	905,290
Foundation capital as of December 31		224,508	415,857
Total liabilities and foundation capital		1,890,304	1,321,147

March 8, 2017


 Representative



ROMA EDUCATION FUND Hungary (ROA)

Statement of Income and Expenditure 2016

		309.76	311.46
		REF Hungary 2015	REF Hungary 2016
		EUR	EUR
INCOME			
Donations received from third parties	1	580,252	1,118,018
Donations received from REF Switzerland	1	1,505,972	1,191,179
Project Support and other Program Refund	2	-	663
Other income		1,253	7,594
Interest Income		497	426
Gain on Foreign Exchange		1,017	14,569
Total Income		2,088,991	2,332,449
EXPENDITURE			
Project Support Program	3	67,663	123,039
Tertiary Scholarships	4	189,479	171,120
EU Roma pilot-A Good Start and complimentary projects	5	7,880	0
Communications	6	94,673	103,994
Policy development and capacity building	7	270,024	324,926
REF Romania – Projects supported by the European Social Funds ('ESF')	8	18,458	596
REF Romania - Ready, Set, Go	9	17,879	18,054
REF Romania and its partners capacity building	10	9,362	0
HEIM project	11	26,588	31,285
Konik Camp project in Montenegro	12	218,285	106,410
Progress project in Slovakia	13	18,198	0
IPA Macedonia - Fostering Social Inclusion	14	-	83,250.00
KfW - Improved education and Integration Serbia	15	-	51,304.00
Velux project	16	64,410	72,573
OSCE-TARI project	17	111,971	58,449
Grant to REF Slovakia (VELUX project)		-	65,998
Grants to REF Romania (Velux project and Policy development)		-	42,089
Total Pograms and Grants		1,114,870	1,253,087
Administrative expenses		722,288	872,181
Interest expense		588	3
Losses on foreign exchange		10,937	17,611
Total Expenditure		1,848,683	2,142,882
Excess of income over expenditure		240,308	189,567

March 8, 2017



Representative

Roma Education Fund Hungary (ROA)
Notes to the Financial Statements 2016 and 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. 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 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: 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).

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.

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 years.

The useful life of property rights is determined by a life cycle of 6 years. .

The useful life of an intellectual product is determined by a life cycle of 3 years.

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, 2012-2016

Received by REF Hungary	2012	2013	2014	2015	2016	Total
American House Foundation	4,902	5,112	-	-	-	10,014
Ministry of Slovak Republic	-	-	5,955	54,045	-	60,000
Ministry of Human and Minorities Montenegro	-	-	76,242	-	79,657	155,899
OSCE	-	-	46,313	86,438	59,581	192,332
Villum Fonden	-	-	92,435	245,861	-	338,296
FER (REF Romania)	-	-	44,709	27,399	3,727	75,835
Bernard Van Leer Foundation	68,448	-	68,111	-	-	136,559
EU-DG REGIO	236,195	-	-	-	-	236,195
Bureau of Education Montenegro	-	-	-	-	8,418	8,418
Fundación Secretariado Gitano(FSG)	6,006	-	-	-	-	6,006
KfW Bankengruppe	-	-	-	-	799,461	799,461
TempusFoundation	788	192	-	-	-	980
Ministry of Finance Macedonia	-	-	-	-	81,821	81,821
WorldBankIBRD	8,184	-	-	-	-	8,184
Help-Hilfe zur Selbsthilfe.V	113,537	70,827	283,934	118,769	75,721	662,788
Research Executive Agency	-	-	-	40,622	-	40,622
Other donor individuals	-	11,124	26,401	7,118	9,632	54,275
Total donations from third parties	438,060	87,255	644,100	580,252	1,118,018	2,867,685
REF Switzerland	1,034,832	925,556	1,085,625	1,505,972	1,191,179	5,743,164
Total donation income	1,472,892	1,012,811	1,729,725	2,086,224	2,309,197	8,610,849

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 – Projects supported by the European Social Funds ('ESF')

Roma Oktatási Alap acted as an international project partner of REF Romania in the implementation of two educational projects funded by the European Social Funds and REF Switzerland in Romania and which were successfully closed by 31 December 2015.

The project 'Integrated Educational Services for Roma Communities' aimed at development and improvement of skills and abilities of Roma adults and children 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. The Project targeted young Roma adults who have not completed compulsory education as well as Roma children at risk of early school leaving by providing an integrated service package including mentoring, guidance and counseling, additional educational support and grants.

The project 'Enhancing Roma youth's access to higher education' aimed at enhancing Roma youth's access to higher education and reduce their risk of drop out in the first years by providing study scholarships to Roma students enrolled in 1st of Bachelor studies and through the implementation of a mentorship scheme and provision and development of other services for Roma students.

9 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.

10 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.

11 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.

12 Konik Camp project in Montenegro

This is an assistance programme for integration and return of displaced persons and residents of Konik camp, in which REF implements the educational component through provision of early childhood development programs.

13 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.

14 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 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.

15 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.

16 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.

17 OSCE TARI Project

The project objective is to decrease dropout rate among Romani secondary school students at risk of dropping out in three main regions of Serbia. The program will run until the end of 2015/6 academic year.

4 Details of the Balance Sheet

1 Cash at banks

	2015 EUR	2016 EUR
Petty cash	2,580	3,280
Cash at bank	269,686	1,187,997
Total Cash and Bank	272,266	1,191,277

2 Receivables

	2015 EUR	2016 EUR
Receivables from employees	19,794	10,539
Advances to suppliers	28,216	32,107
Other receivables	3,762	15,299
Total Receivables	51,772	57,945

3 Other current assets

	2015 EUR	2016 EUR
Prepaid insurance	21,780	27,207
Prepaid rental fee	12,621	12,736
Other	7,114	8,158
Total Other current assets	41,515	48,101

4 Tangible assets

	2015 EUR	2016 EUR
Office remodelling	9,374	9,437
Office equipments	129,153	142,280
Accumulated depreciation	(124,254)	(136,085)
Total Tangible assets	14,273	15,632

5 Intangible assets

	2015 EUR	2016 EUR
Softwares and rights	52,274	53,398
Accumulated depreciation	(49,547)	(52,903)
Total Intangible assets	2,727	495

6 Liabilities

	2015 EUR	2016 EUR
Suppliers	40,809	11,649
Payroll and related taxes	33,083	107,010
Total Liabilities	73,892	118,659

7 Accrued expenses

	2015 EUR	2016 EUR
Audit fee	6,231	5,357
Accrued donation expense	73,984	84,715
Other accrued expenses	26,689	11,559
Total Accrued expenses	106,904	101,631

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.

March 8, 2017


 Representative