FUNDACJA "MICROFINANCE CENTRE"

Consolidated Financial Statements

as of and for the year ended 31 December 2020

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Fundacja "Microfinance Centre"
Consolidated Statement of Comprehensive Income for the year ended 31 December 2020
(All amounts are stated in PLN rounded to nearest zł)

	Note	12 months ended 31 December 2020	12 months ended 31 December 2019
Earned revenue			
Membership fees		80 776	147 664
Program revenue	6	1 473 212	3 373 428
Other operating income	5	76 816	23 661
Total revenue		**1 630 804**	**3 544 753**
Program expenses			
Staff expenses		469 554	301 630
Non-staff expenses		651 113	1 634 889
Total program expenses	7	**1 120 667**	**1 936 519**
Administrative expenses			
Staff expenses	11	285 164	301 776
Non-staff expenses	11	389 471	454 716
Other operating expenses	9	81 651	10 897
Total administrative expenses		**756 287**	**767 389**
Total expenses		**1 876 954**	**2 703 908**
RESULT FROM OPERATING ACTIVITIES		**-246 150**	**840 845**
Finance income	10	859 649	78 811
Finance costs	10	(5 900)	(12 245)
Net finance income		**853 749**	**66 566**
Profit before income tax		**607 599**	**907 411**
Income tax expense	12	(53 209)	(81 249)
Net result after tax		**554 390**	**826 162**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**554 390**	**826 162**

Consolidated Statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 26

Fundacja "Microfinance Centre"
Consolidated Statement of Financial Position as at 31 December 2020
(All amounts are stated in PLN rounded to nearest zł)

		2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	8 876	-
Right-of-use assets	27	282 949	93 011
Deferred tax assets	16	-	-
Total non-current assets		**291 825**	**93 011**
Current Assets			
Accounts receivable	15	467 649	829 433
Cash and cash equivalents	14	15 694 031	13 859 179
Total current assets		**16 161 680**	**14 688 612**
TOTAL ASSETS		**16 453 505**	**14 781 623**
Equity			
Own Funds			
Founding capital	20	2 100	2 100
Retained earnings		14 387 897	13 833 509
Total own funds		**14 389 997**	**13 835 609**
Total Funds attributable to equity holders of the Fundation		**14 389 997**	**13 835 609**
Liabilities			
Accounts payable	18	113 004	133 713
Accruals	19	1 624 090	719 282
Lease liabilities	27	282 949	93 011
Deferred tax liabilities	16	43 465	8
Total Accounts Payable and Accruals		**2 063 508**	**946 014**
TOTAL LIABILITIES		**16 453 505**	**14 781 623**

Consolidated Statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 26

Fundacja "Microfinance Centre"
Consolidated Statement of Cash Flow for the year ended 31 December 2020
(All amounts are stated in PLN rounded to nearest zł)

	12 months ended 31 December 2020	12 months ended 31 December 2019
Cash flow from operating activities		
Net profit	554 390	826 162
Adjustments:		
Depreciation and amortisation	2 959	-
Exchange rate differences	(775 523)	(66 960)
Interest income	(90 025)	(78 811)
Income tax expense	56 135	124 153
	(252 065)	804 544
Change in receivables and deferred tax assets	171 846	(317 697)
Change in accounts payable and accruals	1 117 493	(334 140)
	1 037 273	152 707
Interest received	90 025	78 811
Income tax received / (paid)	(56 135)	(124 153)
Net cash flow from operating activities	**1 071 164**	**107 365**
Cash flow from investing activities		
Purchase of fixed assets	(11 835)	-
Net cash flow from investing activities	**(11 835)**	**-**
Net cash flow from financing activities	**-**	**-**
Net inflow (outflow) of cash	**1 059 329**	**107 365**
Cash and cash equivalents at the beginning of the financial year	**13 859 179**	**13 684 854**
Effect of exchange rate fluctuations on cash held	**775 523**	**66 960**
Cash and cash equivalents at the end of the financial year	**15 694 031**	**13 859 179**

Consolidated Statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 26

Fundacja "Microfinance Centre"

Consolidated Statement of Changes in Fund Balances for the year ended 31 December 2020

(All amounts are stated in PLN rounded to nearest zł)

	2020	2019
OWN FUNDS		
Founding capital opening balance	2 100	2 100
- increases in funding capital		-
- decreases in funding capital		-
Founding capital closing balance	**2 100**	**2 100**
Retained earnings opening balance	13 833 509	13 007 347
Net profit of the year	554 390	826 162
Retained earnings closing balance	**14 387 897**	**13 833 509**
Total own funds	**14 389 997**	**13 835 609**

Consolidated Statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 26

1. GENERAL INFORMATION

Fundacja "Microfinance Centre" (the "Parent Entity" or "Foundation") was established pursuant to a notarial deed from 8 December 1997. The address of the Foundation's registered office is Noakowskiego 10/38, 00-666 Warsaw, Poland.

The Foundation was registered in the XII Commercial Department of the National Court Register (KRS) under the number KRS 0000101471 on 5 April 2002.
The legal name of the Foundation was changed from Fundacja Centrum Organizacji Pożyczkowych (Microfinance Centre) to Fundacja "Microfinance Centre" according to the decision of Council of the Foundation made on October 9, 2011. On July 6, 2012 the updated charter of the Foundation was registered.

The consolidated financial statements as at 31 December 2020 include the accounts of the Foundation and MFC Sp. z o. o., a wholly owned subsidiary (the "Subsidiary").

The Foundation serves as access to finance resource center and a membership-based network in Europe and Central Asia and provider – through wholly owned subsidiary - of training and consulting services. The Foundation's mission is to maximize access to effective financial services for low income people by facilitating stakeholder partnerships and promoting innovative and highly valued solutions as a recognized knowledge leader. The subsidiary provides training and consulting services.

In accordance with the statute of the Foundation the Founders of the Foundation are represented by: Mrs. Rosalind Sarah Copisarow, Mrs. Maria Nowak-Przygodzka and Mr. Kenneth Dan Vander Weele.

Board of Directors of the Foundation are represented as at 31.12.2020 by: Mr. Cristian Jurma, Mrs. Lucija Popovska, Mrs. Izabela Norek, Mrs. Sanavbar Sharipova, Mr. Alisher Akbaraliev and Mr. Paul Kalinauckas.

The average number of employees in the Foundation and its subsidiary during the year ended 31 December 2019 amounted to 9 while during the year ended 31 December 2020 amounted to 8.

2. BASIS OF PREPARATION

The Foundation and its subsidiary maintain their accounting records in Polish Zloty in accordance with the accounting principles and practices employed by foundations and enterprises in Poland as required by the Accounting Act of 29 September 1994 (Journal of Law of 2019, item 351 with subsequent amendments) and Act on Foundations dated 6 April 1984 (Official Journal no. 21, item 97 with subsequent amendments).
The accounting policies have been consistently applied by the Group.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the group accounting principles.

The consolidated financial statements were authorized for issue by the Management Board on the 2nd of July.

(b) Changes in accounting policies

There were no changes in accounting principles and polices when compared to 2019.

(c) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(d) Functional and presentation currency

These consolidated financial statements are presented in Polish Zloty (PLN), rounded to the nearest Zloty, which is the Parent Entity's functional currency.

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the note 3 (k) "Revenue Recognition".

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. The accounting principles adopted in the preparation of these consolidated financial statements were consistent with the principles adopted for the preparation of the consolidated financial statements for 2020, except for accounting principles changes described in p. "Changes in accounting policies" .

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Foundation. Control exists when the Foundation has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Foreign currency transactions are translated to PLN at exchange rates prevailing at the date of the transactions, set by the National Bank of Poland ("NBP"). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to PLN at exchange rate set by the National

Bank of Poland (“NBP”) at that date. Gains and losses arising on translation are recognised in the consolidated statement of comprehensive income.

(c) Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group’s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group’s obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Accounting for finance income and expense is discussed in note (j).

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(d) Property, plant and equipment

(i) *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer policy note f).

(ii) *Depreciation*

Depreciation is charged to the consolidated statement of comprehensive income using the straight line method to write off the cost of each asset over its estimated useful life. Low-value assets which are written off when brought into use. Depreciation commences from the first day of the month following the month in which a fixed asset is brought into use.

The estimated range of useful lives is as follows:

Computer software	2 years
Computer equipment	3 years
Other office equipment	5 years
Other furniture and fixtures	5 years

(e) Contributed materials and services

The work of the Foundation is dependent on the voluntary service of many members and others. Since these services are not normally purchased by the Foundation and because of the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

(f) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.
Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
All impairment losses are recognised in profit or loss.
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated.
An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.
The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Accruals

An accruals are expenses for which invoices have not been received at the end of an accounting year and expenses or assets recognized before they are paid.

(j) Finance income and expenses

Finance income comprises interest income and foreign currency gains. Interest income is recognised as it accrues, using the effective interest rate method.
Finance expenses comprise interest expense on borrowings, foreign currency losses. All borrowing costs are recognised in profit or loss using the effective interest rate method.

(k) Revenue recognition

The main sources of MFC income include the fees from the annual conference for Microfinance Institutions, training courses and consulting as well as grants for various research and policy projects financed by donors. Foundation's revenue constitutes also annual membership fees paid by Microfinance Institutions.

Revenue from services rendered are recognized in the statement of comprehensive income at a point of time, when the control of the service is transferred to the customer (e.g. when the agreed upon services have been provided).

The grants are recognized in the statement of comprehensive income when there is reasonable assurance that such grant will be received and all related conditions are complied with. Income from government grants are recognized net of expenses. Income from non-government grants and related expenses are presented separately.

Dedicated contributions are recognised as revenues of the appropriate dedicated fund in the year when qualifying cost where incurred up to the level such costs if the amount receivable can be reasonable estimated and collection is reasonably assured. In cases where contribution agreements assume additional surplus of contribution to be received over qualifying costs incurred, this surplus is recognised as revenues in accordance with a stage of completion of particular programme realised.
Non-dedicated (core) contributions, which are designated to cover operational expenses not relating to specific program, are recognised as revenue of the General Fund in the year when received or receivable if the amount to be received can be reasonable estimated and collection is reasonably assured. In cases when expenses incurred are lower than contribution received, revenue from contribution is recognised up to level of cost and surplus is carried forward to the next year.

Interest income is recognised as it accrues unless the collectability is in doubt.

(l) Fund summary

The consolidated financial statements separately disclose the activities of the following funds maintained by the Group:

Own and General funds - reflects the activities associated with the Foundation's day-to-day operations including its short and long-term capital requirements.

E*aSI Technical Assistance* *(EaSI project)* – the project aims at providing capacity building to European microcredit providers (MCPs) as part of a large initiative to support the development of the microfinance sector in Europe. The EaSI Technical Assistance is part of the Employment and Social

Innovation (EaSI) Programme which is an EU level financing instrument for social and microenterprises. As part of the Programme, microfinance providers in the EU, EU candidate and EU pre-candidate countries, as well as Switzerland, Liechtenstein, Norway and Iceland, may respond to dedicated calls for expression of interest to request operational technical assistance.

Microfinance Centre as part of the consortium (together with Frankfurt School of Finance & Management – leading partner and European Microfinance Network) implements this capacity building programme in areas such as good governance (including social performance), Management Information Systems (MIS), Strategic Planning, and Risk Management. MFC also assists MCPs with the implementation of self-regulation guidelines in form of the "European Code of Good Conduct for Microcredit Provision". These training, advisory and coaching activities make up the operational support the project will be providing. The project also calls for the provision of horizontal support, in the form of a help desk, events, conferences, seminars, to share and disseminate best practices throughout the sector and to increase awareness of microfinance in Europe.

In 2020 MFC organized 3 national level workshops on microfinance management and regulation in 3 countries: Albania, Romania, Serbia, 1 Peer-to-Peer Training in Lithuania, technical assistance related to the Code of Good Conduct implementation for 4 MFIs in 3 countries: Albania, Greece and Romania (2), a total of 16 days of tailored trainings for 2 MFIs in 2 countries: Albania and Greece, and 16 open-access webinars and 3 online workshops on dissemination of microfinance good practices

Taking Financial Health Tools to the Customer in Eastern Europe and Central Asia *(ACCION/MetLife project)* - the project seeked to develop and test practical applications to assist consumers to better understand their financial health status and offer behaviorally-informed nudges, reminders and suggestions on how to improve it.
In 2020 MFC, building on the work conducted in 2019 (prototype developed with partner organization Accion), additional research, MFC developed additional prototype which was tested among self-employed and microentrepreneurs in Poland. Based on the test results the prototype had been finalized. However due to donor decision to change its strategy the project was closed in April 2020.

Financial Inclusion for Inclusive Growth in Europe **II 2018-2021** *(EU II Y3 project)* – The overall objective of the program is to widen and deepen financial inclusion of the European citizens. To achieve this, the MFC program encompasses advocacy and capacity building for EU practitioners and policymakers. The specific objectives of the program are: to increase MFI awareness of the current EU policies and programmes existing (e.g.: the EaSI Programme) that support improvements in providing finance to excluded groups, and engaging with policy-makers on improvements to legal and regulatory frameworks for inclusive finance. To develop the capacity of MFC members and non-members to overcome barriers in access to finance for micro-entrepreneurs and social enterprises. To deliver relevant data and analysis on important themes to practitioners and EC stakeholders.
The 2020 activities has been affected by COVID-19 lockdown, therefore some had to be modified to online version or cancelled. The main implemented activities included:

- The MFC continued cooperation with other international organizations and networks, share information with EC representatives through Brussel mobile office (moved to online due to lockdown) (43 various meetings). The management of MFC and European Microfinance Network (EMN) and staff regularly met (face to face and online meetings) to discuss plans and joint activities including MFC-EMN merger. The networks actively co-operated on two issues: advocacy (through Advocacy Think Tank) and research (through Research Think Tank) as well as joint promotion/communication of various activities including European Microfinance Day . The networks staff also as a part of task forces mapped networks competences.
- MFC increased its efforts to support the sector on digitalization. Through the digitalization academy 23 webinars has been organized.

- MFC developed following research/case studies/reports papers:
  - MFI Digitalization Pathways. Monitoring Progress in Microfinance Digital Journeys
  - Impact of COVID-19 Pandemic on the Microfinance Sector in Europe

- MFC continue supporting 4 national working groups: in Albania, Poland, Romania and Serbia to allow local members and other stakeholders to discuss important topics related to inclusive finance agenda and helped to establish the working group in North Macedonia

- 6th Microfinance Day organized jointly with EMN with the aim to raise awareness of microfinance as a tool to fight social exclusion and unemployment in Europe. During the event numerous local-level events all over Europe were organized. The sector drew attention to the need to ensure fair access to finance, putting the focus on those who are underserved by the traditional banking sector.

- Borrow Wisely Campaign organized in October 2020. In total 22 institutions participated from Europe and Central Asia, including 8 EaSi countries.

- Conducted 3 webinars to present good practise solutions introduced by various institutions during COVID-19 lockdown.

- MFC continue promotion of the European Code of Good Conduct and it changes which entered into force on January 1st 2021 (web, FB, mailing), participated/co-organized webinars on the Code (through Easi TA program), consulted with members pending issues related to evaluation process during summer and autumn 2020, participated in Code SC meetings and Code WG

- MFC had 196 communication activities related to various EU issues and news. This information reached microfinance practitioners, NGOs representatives working in the field of microfinance, financial education, EU policy and decision makers, experts and academics through mailings, posts on Facebook and Twitter and MFC website

The project is funded by the European Commission.

LEarning, **T**eaming up and **S**aving – **SAV**ing groups for **E**mployabiliy and **E**mpowerment (**LETS SAVEE)**. The project aims at exploring the potential of saving groups in the European countries context, for improving low income and marginalized group entrepreneurial skills and access to finance. The LETS SAVEE project aims at developing an innovative methodology for a hands-on-experience training opportunity for adults from vulnerable groups to develop skills like entrepreneurship, financial literacy, cash flow management. This almost 2,5 years project involves 7 organizations from European countries.
In 2020 due to COVID-19 lockdown the project activities had to be moved online or re-planned. In 2020 the following activities were accomplished:

- The project partners meeting in February in Warsaw to discuss project objectives and plan activities
- 2 online study visits to ACAF Spain and Labins Italy to talk about various saving groups models, share experience and tools used such as financial education
- 1 case study about ACAF experience has been published.

The project is financed by the Erasmus+ Programme of the European Union.

Migrant Acceleration for Growth Network for Entrepreneurship *(MAGNET project)* – the project focuses on networking and bringing together various stakeholders capable of providing holistic support for migrant entrepreneurs in Europe: this includes humanitarian aid organizations, migrants' training providers, financial institutions and policymakers. In 2020, MFC delivered 2 day session (online) on access to finance, within the Migrant Entrepreneurship Academy (project output), in March. MFC also actively participated in online networking forum organized by a partner organization from Greece in April. MFC led also the work on the agenda of the project final conference, coordinating the work of various partners on the conference sessions and experience sharing. MFC was also responsible for providing content and coordinating a series of 8 national level networking events, delivered online in the form of webinars. Together with all project partners, MFC contributed to the final project outputs: final report and Open Toolkit for organizations working with migrant entrepreneurs.

"Young Migrant Capacity Building" (YMCB)
In 2019, MFC joined a consortium of seven institutions to implement a two-year project called "Young Migrant Capacity Building" (YMCB). YMCB creates the ecosystem needed to build entrepreneurship among young migrants through a combination of education, training, mentoring and access to finance. The approach was tested in four target countries (Austria, Belgium, Italy and the Netherlands) before potentially scaling up and replicating in other territories.

Microfinance in Europe: EMN-MFC Survey Report 2018-2019
The main purpose of the EMN-MFC Survey Report is to track changes in the industry and deepen understanding of core issues such as scale, outreach, social and financial performance while also identifying common challenges for the years to come. Through a combination of quantitative and qualitative survey information complemented by secondary data sources, the report provides useful statistics to the benefit of a wide range of market participants, including policy makers, transaction managers and market researchers.
The project has been implemented bi-annually jointly by MFC and EMN since 2015.

Digital Literacy Bootcamp is a special MFC programme designed for microfinance professionals to develop their digital skills. This programme is supported by EIB Institute and EFSE. In 2021 MFC offered 32 webinars for over 1000 participants. As a follow up to #DigLitBootcamp, a new webinar series "Leaders in Digital Era" was kicked off in October 2020 – the series aims at helping managers of senior and middle level to better manage their teams in the new digital reality of work, including a necessity to work from home.

In 2020 MFC joined the EU funded **"Accelerating development of sustainable micro-entrepreneurship in rural regions of Azerbaijan" (ADSMIRRA)** project implemented by Azerbaijan Micro-finance Association (AMFA). This project aims at enabling low income people in selected rural areas in Azerbaijan manage the household finance or/and to increase their employment opportunities by developing entrepreneurial skills and providing seed capital needed to start own business. MFC role was to provide the financial education expertise to AMFA so that the financial education part of the project could be successfully implemented.

(m) Lease payments

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.
At the commencement date, the Group measures the right-of-use asset at cost.
The cost of the fight-of-use asset shall comprise:
- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lese incentives received.
- any initial direct costs incurred by the Group
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the commencement date, the Group measures the right-of-use asset at cost:
- less any accumulated depreciation and any accumulated impairment losses; and

(All amounts are stated in PLN rounded to nearest zloty)

- adjusted for any remeasurement of the lease liability.

(n) Taxation

The Foundation is exempt from income taxation under Article 17 of the local Corporate Taxation Act dated 15 February 1992.
Income tax for the year in the statement of comprehensive income comprises current and deferred tax and relates solely to MFC Sp. z o. o.
Current tax is the tax payable on the taxable income for the year, using tax rate applicable for the reporting period.
Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. DETERMINATION OF FAIR VALUES

Fair values have been determined for measurement and / or disclosure purposes based on the following method.

5. OTHER OPERATING INCOME

	2020	2019
Unutilized bonus provision		20 018
Other operating income	76 816	3 643
	76 816	**23 661**

6. PROGRAM REVENUE

	2020	2019
Governments grants (*EU projects*)	982 416	1 009 125
Net income of governments grants	(982 416)	(1 009 125)
Non-governments grants	807 280	1 225 144
Trainings	529 584	1 575 244
Consulting	136 348	28 535
Annual Conference	-	540 880
Other	-	3 625
	1 473 212	**3 373 428**

(All amounts are stated in PLN rounded to nearest zloty)

7. PROGRAM EXPENSES

	2020	**2019**
Marketing, web page, newsletters, other publications	5 964	6 648
AMFA	100 654	-
ACCION International project	98 019	86 302
Rockefeller Foundation	-	513 525
Erasmus	73 535	-
Bootcamp	155 507	204 154
Governments grants	274 413	250 591
Annual Conference expenses	36 592	83 299
Training expenses	314 658	781 897
Consulting expenses	44 166	6 478
Other projects	17 160	3 625
	1 120 667	**1 936 519**

Staff expenses	469 554	301 630
Non-staff expenses	651 113	1 634 889
	1 120 667	**1 936 519**

8. ADMINISTRATIVE EXPENSES

	2020	**2019**
Staff salaries, bonuses and benefits	285 164	301 776
Travel and conferences	8 297	29 718
Office and administrative	63 381	113 606
Amortisation	2 959	21 445
Accounting and auditors services	264 246	200 603
Other	53 564	89 344
Other operating expenses	81 651	10 897
	756 287	**767 389**

9. OTHER OPERATING EXPENSES

	2020	**2019**
Withholding tax (WHT)	-	-
Other operating expenses	81 651	10 897
	81 651	**10 897**

(All amounts are stated in PLN rounded to nearest zloty)

10. FINANCE INCOME AND FINANCE EXPENSES

	2020	2019
Interest income	84 126	78 811
Foreign exchange rate gain	775 523	-
Finance income	**859 649**	**78 811**
Interest expenses	(5 900)	(3 116)
Foreign exchange rate loss	-	(9 129)
Finance expenses	**(5 900)**	**(12 245)**
Net finance income/expenses	**853 749**	**66 566**

11. PERSONNEL EXPENSES

	2020	2019
Program staff expenses	1 386 588	1 187 147
Program staff expenses – government grants	(917 034)	(885 517)
Administrative staff expenses	285 164	301 776
	754 718	**603 406**

12. INCOME TAX EXPENSE

Recognized in the Consolidated Statement of Comprehensive Income

Current tax expense	**2020**	**2019**
Current year	9 753	86 612
	9 753	**86 612**
Deferred tax expense		
Origination and reversal of temporary differences	43 456	(5 363)
Total income tax expense in the consolidated statement of comprehensive income	**53 209**	**81 249**

Reconciliation of effective tax rate

	2020	2019
Pre-tax result	607 599	907 411
Without the Parent Entity result and eliminations made for consolidation purposes	(26 462)	(74 966)
Pre-tax result of subsidiary (MFC)	581 137	832 445
Income tax using the Group's domestic tax rate (9%)	52 302	74 920
Permanent differences	907	6 329
	53 209	**81 249**
Effective tax rate	9,16%	9,76%

Deferred tax expense relates solely to wholly owned subsidiary MFC Sp. z o. o. and presented effective tax rate is calculated on the basis of the pre-tax result of the subsidiary.
Regulations regarding VAT, corporate income tax, personal income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few

(All amounts are stated in PLN rounded to nearest zloty)

established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose significant penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with interest. The above circumstances mean that tax exposure is significantly greater in Poland than in countries that have a more established taxation system.

Tax settlements may become subject to inspection by the tax authorities for a period of five years. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Computer software	Other (licences)	Total
Cost				
As at 1 January 2019	297 587	21 445	-	**319 032**
Additions	-	-	-	-
Disposals	-	-	-	-
As at 31 December 2019	**297 587**	**21 445**	**0**	**319 032**
As at 1 January 2020	297 587	21 445	-	**319 032**
Additions	11 835		-	11 835
Disposals	-	-	-	-
As at 31 December 2020	**309 422**	**21 445**	**0**	**330 867**
Depreciation				
As at 1 January 2019	297 587	21 445	-	**319 032**
Depreciation charge		-	-	-
Disposals	-	-	-	-
As at 31 December 2019	**297 587**	**21 445**	**0**	**319 032**
As at 1 January 2020	297 587	21 445	-	**319 032**
Depreciation charge	2 959		-	2 959
Disposals	-	-	-	-
As at 31 December 2020	**300 546**	**21 445**	-	**321 991**
Carrying amount				
As at 1 January 2019	-	-	-	-
As at 31 December 2019	-	-	-	-
Carrying amount				
As at 1 January 2020	-	-	-	-
As at 31 December 2020	8 876	-	-	8 876

Fixed assets don't have any restrictions on ownership title.

(All amounts are stated in PLN rounded to nearest zloty)

14. CASH AND CASH EQUIVALENTS

	2020	2019
Cash in hand	25 635	27 697
Cash at bank	15 668 396	13 831 482
Cash and cash equivalents	**15 694 031**	**13 859 179**

The balance of restricted cash represents restricted funds, which are included in the non-current deferred grants and deferred income related to dedicated funds.

15. ACCOUNTS RECEIVABLE

	2020	2019
Trade receivables	243 675	596 073
Amounts receivable from Grants	152 896	165 418
Tax receivables	39 390	13 148
Other receivables	3 098	28 691
Prepayments	-	21 403
Advance paid	28 691	4 700
	467 650	**829 433**

The Group has no past due amounts in respect of receivables. The Group has no receivables due more than 12 months. As of 31 March 2020, 67% of "Trade receivables" were paid by the recipients of services.
The gross value of receivables is equal to its net value as there is no impaired receivables as of 31 December 2020 and 31 December 2019.

16. DEFERRED TAX

Recognised deferred tax assets
Deferred tax assets are attributable to the following items:

	Assets	
	2020	**2019**
Reserve for staff holidays compensation	242	351
Staff annual bonus reserve	1 837	1 830
Temporary foreign exchange gain	282	18
Reserve for annual audit	3 123	2 295
Reserve for trade payables	1 088	2 669
Assets	**6 572**	**7 158**

(All amounts are stated in PLN rounded to nearest zloty)

Recognised deferred tax liabilities
Deferred tax liabilities are attributable to the following items:

	Liabilities	
	2020	**2019**
Temporary foreign exchange loss	49 869	7 166
Other items	169	-
Liabilities	**50 037**	**7 166**
Net tax liabilities	**43 465**	**8**

17. CONSOLIDATED SATEMENT OF CHANGES IN DEFERRED INCOME RELATED TO DEDICATED FUNDS BALANCES AND GENERAL FUNDS FOR THE YEAR ENDED 31 DECEMBER 2020

As of 31 December 2020 and 31 December 2019 there were no dedicated funds.

18. ACCOUNTS PAYABLE

	2020	**2019**
Trade payables	44 539	58 331
Social Security	27 771	24 918
Current income tax liabilities	9 753	28 192
Tax liabilities	30 941	22 272
	113 004	**133 713**

	2020	**2019**
Accounts payable up to 3 months	113 004	133 713
Accounts payable 3-6 months	-	-
Accounts payable 6-12 months	-	-
Accounts payable over 12 months	-	-
	113 004	**133 713**

The Group has no past due amounts in respect of payables as of 31 December 2020.

19. ACCRUAL

	2020	**2019**
Prepayments received for future services	17 089	-
Prepayment received for EC project	909 816	-
Prepayments received for HC HFHI project		18 989
Prepayments received for AMFA project	102 924	-
Prepayments received for Magnet project	-	22 409
Prepayments received for AEIDL/YMCB project	-	12 580
Prepayments received for Erasmus + project	217 138	291 925
Staff holidays compensation	70 246	69 998
Staff bonus fund	168 692	158 750
Provision for audits	57 279	83 925
Provisions for other expenses	80 907	60 706
	1 624 090	**719 282**

(All amounts are stated in PLN rounded to nearest zloty)

	2020
Balance at 1st January	**719 282**
Accrual for the period	1 029 829
Reversal of provisions for the period	(53 978)
Utilisation for the period	(71 043)
Balance at 31st December	**1 624 090**

20. OWN FUNDS

The founding capital of PLN 2 100 represents own funds received from the Founders of the Foundation which has been contributed in equal parts, i.e. PLN 700 each.
In accordance with the statute of the Foundation the Founders of the Foundation are represented by: Mrs. Rosalind Sarah Copisarow, Mrs. Maria Nowak-Przygodzka and Mr. Kenneth Dan Vander Weele.
Retained earnings will be used for the statutory purposes of the Foundation and increased reserve capital of the subsidiary.

21. REMUNERATION OF KEY MANAGEMENT

Total remuneration paid to Management Board amounted to PLN 809 thousand (in 2019 PLN 615 thousand).
No loans have been granted and no other transactions settled with Key Management Personnel during the financial year.

22. TRANSACTIONS WITH RELATED PARTIES

During the year ended 31 December 2020 and 31 December 2019 the Group has not had any transaction with related parties.

23. FINANCIAL RISK MANAGEMENT

Primary policies for managing risk
Management has overall responsibility for the establishment and oversight of the Company's risk management framework, including identification and analysis of the risks faced by the Company, setting appropriate limits and controls, and monitoring the risks and their adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from debt instruments. The objective of risk management is to maintain a stable and sustainable, in terms of quality and value, portfolio of loans granted and other investments in debt instruments, achieved by the policy of setting credit limits for contract parties.
Financial assets which expose the Group to concentrations of credit risk consist principally of trade receivables and cash. Cash is placed with high credit quality financial institutions. Trade receivables are not significant. Accordingly, the Group has no significant concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial instrument. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses, or risking damage to the Company's reputation.
The Group is not subjected to liquidity risk because the costs are covered by grants received from donator in advance. The cash flows and the liquidity of the Group are monitored and managed by the Management Board, in order to guarantee an effective and efficient management of its financial resources.

(c) Operational risk

Operational risk is the possibility of achieving the losses resulting from the inadequacy or failure of internal processes, people and systems or external events. Operational risk applies to all business processes undertaken by the Group, including activities carried out by external contractors under outsourcing and executed with third parties.
Objective of operational risk management is to minimize the likelihood of the occurrence and/or reduce the effects of unexpected adverse events. The Group identifies ongoing risks existing processes and risk estimates for the probability and consequences of potential threats. As part of the self-assessment analysis of potential risks affecting the activities of the Group is carried out periodically.

(d) Interest rate risk

Interest rate risk is the risk that changes in market prices, such as interest rates will affect the Company's income or the value of its financial instruments.
The Group has no borrowing or significant interest bearing loans. Therefore the Group does not hedge against interest rate risk.

(e) Foreign currency risk and sensitivity analysis

Currency risk is the risk that changes in market prices, such as exchange rates will affect the Company's income or the value of its financial instruments. The objective of currency risk management is to manage and control currency risk exposures within acceptable parameters, while optimizing return.
A considerable part of cash contributions are received in other than PLN currencies (mostly USD and EUR). Some expenses are also denominated in foreign currencies. Thus to some extend a natural hedge exists. Group is not using any instruments to hedge against exchange rate risk.

Appreciation of PLN against EURO as of 31 December 2020 by 5% would result in decrease in net profit and equity by PLN 579 thousand. Depreciation of PLN against EURO as of 31 December 2019 by 5% would result in increase in net profit and equity by PLN 579 thousand.
Appreciation of PLN against USD as of 31 December 2019 by 5% would result in decrease in net profit and equity by PLN 145 thousand. Depreciation of PLN against USD as of 31 December 2019 by 5% would result in increase in net profit and equity by PLN 145 thousand.

(All amounts are stated in PLN rounded to nearest zloty)

	2020			2019		
	USD	*EUR*	*GBP*	*USD*	*EUR*	*GBP*
		translated into PLN			*translated into PLN*	
Current Assets						
Trade receivables		243 015		39 637	555 664	-
Other receivables				-	-	-
Prepayments				-	-	-
Tax receivebles				-	-	-
Amounts receivable from EC grants		152 896		-	165 418	-
Cash and cash equivalents	2 891 735	11 583 575	2 371	3 414 652	9 166 741	2 309
Total current assets	**2 891 735**	**11 979 487**	**2 371**	**3 454 289**	**9 887 823**	**2 309**
Liabilities						
Trade liabilities		(35 534)		-	(58 152)	-
Tax liabilities				-	-	-
Social Security				-	-	-
Provisions				-	-	-
Prepayments received for grants		(1 246 967)		(18 989)	(326 914)	-
Other liabilities				-	-	-
Total Accounts Payable and Accruals	**-**	**(1 282 501)**	**-**	**(18 989)**	**(385 066)**	**-**
NET STATEMENT OF FINANCIAL POSITION EXPOSURE	**2 891 735**	**10 696 986**	**2 371**	**3 435 300**	**9 502 757**	**2 309**

(f) Effective interest rates

In respect of income-earning financial assets the following tables indicates their average effective interest rates at the reporting date and the periods in which they mature.

2020

	Average effective interest rate	**Total**	**6 months or less**	**6-12 Months**	**1-2 years**	**2-5 years**	**More than 5 years**
Cash and cash equivalents	0,03%	15 694 030	15 694 030	-	-	-	-

2019

	Average effective interest rate	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Cash and cash equivalents	0,16%	13 859 179	13 859 179	-	-	-	-

(All amounts are stated in PLN rounded to nearest zloty)

24. KEY EVENTS IN 2020

The pandemic which broke out at the beginning of 2020 had a limited impact on the financial and programmatic status of the Foundation. However, it impacted MFC Sp. z o.o. as several of income-generating events were cancelled, including the annual conference. Before the pandemic, MFC's annual conference was one of the main income-generating activities. In 2021 MFC's annual conference will be offered online.

As for the Foundation, all the grant-makers remained committed to continuing support for both legal entities constituting the Group. In November 2020, the Management initiated a cooperation discussion with the Mastercard Centre for Inclusive Growth. it resulted in a new grant agreement with the Foundation.

At the beginning of 2020, the Group's Supervisory Council initiated discussions with EMN (European Microfinance Network - Brussels based international association of microfinance institutions) about potential integration. However, the negotiation process has been suspended during the Summer of 2020 owing to legal uncertainties regarding the potential merger. In December 2020, the integration plans were ultimately cancelled.

25. EVENTS AFTER THE BALANCE SHEET DATE

In April 2021, Grzegorz Galusek, the Foundation CEO informed the Foundation's Supervisory Board about his plans to leave the MFC. On 20th April, the Board appointed Katarzyna Pawlak to the CEO position. Grzegorz Galusek will remain a member of the Management Board until his departure at the end of 2021 or the beginning of 2022. On 20th May, the Foundation's Supervisory Board approved the resignation of the 3 Board members (Izabela Norek, Cristian Jurma and Lucija Popovska) and appointed 4 new members (Archil Bakuradze, Brunilda Isaj, Elma Zukic and Gabriele Giuglietti).

26. FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2020		**2019**	
	Carrying amount	Fair value	Carrying amount	Fair value
Accounts receivable	467 649	467 649	829 433	829 433
Cash and cash equivalents	15 694 031	15 694 031	13 859 179	13 859 179
Accounts payable	113 004	113 004	133 713	133 713

27. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis. The Group's Management is not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

(All amounts are stated in PLN rounded to nearest zloty)

28. LEASES

Basic lease information	
Lease period in months	36,00
Number of instalments per year	12,00
Lease start date	19-Dec-2020
Lease end date	19-Dec-2023
Lease value opening balance	**93 011**
New lease	286 412
Lease paid	96 474
Revaluation of ROU lease liabilities	0
Lease value closing balance	**282 949**

The Group leased one apartment as its shared office at Noakowskiego 10 Street apt. 38 and the lease agreement expires 19 December 2023.
From December 2020 the monthly charge is PLN 8 275 (ca. USD 2 202) per month (previous rate amounted to PLN 8 088 – ca. USD 2 130).

29. CONTINGENT LIABILITIES

As of 31 December 2020 and 31 December 2019 there were no contingent liabilities.

Signature Not Verified
Dokument podpisany przez Katarzyna Pawlak
Data: 2021.07.02 12:37:50 CEST

Signature Not Verified
Dokument podpisany przez Grzegorz Galusek
Data: 2021.07.02 13:48:22 CEST

Katarzyna Pawlak
Executive Director

Grzegorz Galusek
Member of the Management Board

Report prepared by:

Signature Not Verified
Dokument podpisany przez Grzegorz Galusek
Data: 2021.07.02 13:49:28 CEST

Grzegorz Galusek

Warsaw, 2 July 2021