FUNDACJA "MICROFINANCE CENTRE"

Consolidated Financial Statements

as of and for the year ended 31 December 2021

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Fundacja "Microfinance Centre"
Consolidated Statement of Comprehensive Income for the year ended 31 December 2021
(All amounts are stated in PLN rounded to nearest zł)

	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Earned revenue			
Membership fees		148 501	80 776
Program revenue	6	2 069 338	1 473 212
Other operating income	5	53 132	76 816
Total revenue		**2 270 971**	**1 630 804**
Program expenses			
Staff expenses		433 768	469 554
Non-staff expenses		927 309	651 113
Total program expenses	7	**1 361 077**	**1 120 667**
Administrative expenses			
Staff expenses	11	430 769	285 164
Non-staff expenses	11	434 968	389 471
Other operating expenses	9	56 261	81 651
Total administrative expenses		**921 998**	**756 287**
Total expenses		**2 283 075**	**1 876 954**
RESULT FROM OPERATING ACTIVITIES		**(12 103)**	**(246 150)**
Finance income	10	365 266	859 649
Finance costs	10	(47 046)	(5 900)
Net finance income		**318 219**	**853 749**
Profit before income tax		**306 116**	**607 599**
Income tax expense	12	(24 621)	(53 209)
Net result after tax		**281 495**	**554 390**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**281 495**	**554 390**

Fundacja "Microfinance Centre"
Consolidated Statement of Financial Position as at 31 December 2021
(All amounts are stated in PLN rounded to nearest zł)

		2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	13	5 326	8 876
Right-of-use assets	27	182 574	282 949
Deferred tax assets	16	-	-
Total non-current assets		**187 900**	**291 825**
Current Assets			
Accounts receivable	15	962 153	467 649
Cash and cash equivalents	14	14 858 200	15 694 031
Total current assets		**15 820 353**	**16 161 680**
TOTAL ASSETS		**16 008 253**	**16 453 505**
Equity			
Own Funds			
Founding capital	20	2 100	2 100
Retained earnings		14 669 393	14 387 897
Total own funds		**14 671 493**	**14 389 997**
Total Funds attributable to equity holders of the Fundation		**14 671 493**	**14 389 997**
Liabilities			
Accounts payable	18	246 062	113 004
Accruals	19	873 827	1 624 090
Lease liabilities	27	182 574	282 949
Deferred tax liabilities	16	34 297	43 465
Total Accounts Payable and Accruals		**1 336 760**	**2 063 508**
TOTAL LIABILITIES		**16 008 253**	**16 453 505**

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 25

Fundacja "Microfinance Centre"
Consolidated Statement of Cash Flow for the year ended 31 December 2021
(All amounts are stated in PLN rounded to nearest zł)

	12 months ended 31 December 2021	12 months ended 31 December 2020
Cash flow from operating activities		
Net profit	281 495	554 390
Adjustments:		
Depreciation and amortisation	6 992	2 959
Exchange rate differences	(232 291)	(775 523)
Interest income	(85 928)	(90 025)
Income tax expense	33 789	56 135
	4 056	(252 065)
Change in receivables and deferred tax assets	(394 128)	171 846
Change in accounts payable and accruals	(726 748)	1 117 493
	(1 116 820)	1 037 273
Interest received	85 928	90 025
Income tax received / (paid)	(33 789)	(56 135)
Net cash flow from operating activities	**-1 064 681**	**1 071 164**
Cash flow from investing activities		
Purchase of fixed assets	(3 441)	(11 835)
Net cash flow from investing activities	**(3 441)**	**(11 835)**
Net cash flow from financing activities	**-**	**-**
Net inflow (outflow) of cash	**(1 068 122)**	**1 059 329**
Cash and cash equivalents at the beginning of the financial year	**15 694 031**	**13 859 179**
Effect of exchange rate fluctuations on cash held	**232 291**	**775 523**
Cash and cash equivalents at the end of the financial year	**14 858 200**	**15 694 031**

Fundacja "Microfinance Centre"
Consolidated Statement of Changes in Fund Balances for the year ended 31 December 2021
(All amounts are stated in PLN rounded to nearest zł)

	2021	2020
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	14 387 898	13 833 509
Net profit of the year	281 495	554 390
Retained earnings closing balance	**14 669 393**	**14 387 897**
Total own funds	**14 671 493**	**14 389 997**

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 25

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 2021 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 31.12.2021 by: Mrs. Sanavbar Sharipova, Mr. Alisher Akbaraliev, Mr. Paul Kalinauckas, Mr. Archil Bakuradze, Mr. Gabriele Giuglietti, Mrs. Brunilda Isaj and Mrs. Elma Zukić.

The average number of employees in the Foundation and its subsidiary during the year ended 31 December 2021 amounted to 8 while during the year ended 31 December 2020 amounted to 9.

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 from the date of 31st of May.

(b) Changes in accounting policies

There were no changes in accounting principles and polices when compared to 2020.

(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

In accordance with Art. 3 sec. 1 point 37 of the Polish Accounting Act (Journal of Laws of 2021, item 217, as amended), the Foundation does not meet the definition of a parent company, and therefore this report is not an annual consolidated financial statement within the meaning of the above Act.

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 2021, 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

<u>Financial assets</u>

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.

<u>Non-financial assets</u>

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 2021 MFC organized 8 national level workshops on microfinance management and regulation in 4 countries: Albania (2), Romania (2), North Macedonia (1) and Poland (3), 1 Peer-to-Peer Training in Spain, technical assistance related to the Code of Good Conduct implementation for 5 MFIs in 3 countries: Lithuania (2), Romania (2), Sweden a total of 46 days of tailored trainings for 5 MFIs in 3 countries: Albania(2), North Macedonia, Romania(2), and 7 open-access webinars and 13 online workshops on dissemination of microfinance good practices

***Financial Inclusion for Inclusive Growth in Europe* II 2018-2021** *(EU II Y4 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 main implemented activities included:

- 142 meetings carried out by the Brussels mobile office including 16 with European Commission
- Participation in 9 various working groups meetings (innovation – conference task force, advocacy, research, green)
- 17 meetings through continued support to 5 National Working Groups (Albania, North Macedonia, Poland, Romania, Serbia) ; total outreach – 236 professionals.
- 1 Mapping in the area of green finance (18 interviews conducted)
- 1 webinar presenting examples of good practice in green finance attracting 30 participants
- 16 meetings with EC representatives, 126 various meetings with key stakeholders, 15 conferences attended
- 4 CEO personal updates to members from EASI countries
- 12 reviews of recommended reads and other content for CEOs
- Co-organization of European Microfinance Day with EMN - 6 MFC Members participated - https://mfc.org.pl/7th-european-microfinance-day-keeping-the-doors-open-for-all-entrepreneurs/
- Organization of Borrow Wisely Campaign – 22 Members participated - https://mfc.org.pl/borrow-wisely-campaign-2021-overview/

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 2021 MFC continued the coordination of the following activities:

- There were 2 virtual study visits to Saving Buddies in Germany and Cash2Grow in the Netherlands to talk about various saving groups models (including refugees(, share experience and tools used such as financial education, as well as learn about various outreach strategies.
- The partners finalized and published a number of intellectual outputs: feasibility study report, training curriculum and saving groups methodology, 5 case studies (ACAF, Labins, ServeiSolidari, Cash2Grow and Saving Buddies), as well as promotional videos.

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

"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.

Leaders in Digital Era (LiDE) – was a series of 12 one hour each webinars, targeting team leaders and managers (middle and senior level). The webinars aimed at equipping leaders in microfinance institutions with the necessary skills and understanding of tools to effectively lead a team in digital world. The ongoing COVID-19 pandemic boosted the fact that more and more employees work remotely. They have been suddenly forced to deal with work challenges in a time of volatility, anxiety, fast changing circumstances and many uncontrolled risks. Thus, the leaders manage people that live in a VUCA world (volatile, uncertain, complex, ambiguous). They manage virtual teams that often consist of three generations (X, Y, Z) with varying skills and attitudes. This requires leaders to make sure they improve skills like emotional intelligence, managing generational differences, and building an organizational culture that embraces fast changing consumers' preferences and fashion, driven by accelerating technology. In total, 186 unique participants took part in 12 LiDE webinars.
The project was sponsored by EFSE Development Facility.

BootcampLabs was a series of 8 virtual workshops designed for Microfinance Professionals that are undertaking a challenge of building a solid online presence of their organizations and who would like to further develop their practical know-how in online marketing. For MFIs, that want to be in the forefront of digital marketing and offer clients outstanding online and digital channel experience. They have already invested time and resources into digital marketing and elements of loan process happen online. In total, 117 unique participants took part in the series. The project was financed by European Investment Bank Institute.

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.

Technical Assistance Programme to various EIB Microfinance operations in Ukraine, Moldova and Georgia: the project is conducted in partnership with AFC Agriculture and Finance Consultants GmbH and aims at building capacity of MFIs in the three mentioned countries in terms of serving vulnerable groups, especially rural population. MFC is responsible for providing microfinance related consultancy, while the project is coordinated by AFC.

"Supporting MFIs in Overcoming the Covid-19 Crisis" project funded by Mastercard aims at bolstering the financial resilience of MFIs in the region and unlocking much needed credit for European MSE. Throught the project activities, MFC is building the capacity of member MFIs to pivot, adapt and embrace digitization. Activities include development of digitalization training modules for micro-enterprises, webinars, and advisory services to member MFIs. MFC also disseminates all learning from the post-COVID relief programme and will advocate with the European Commission for development of a post-COVID support programme for European MFIs. Mastercard Data and Services provides some pro-bono support (via datathon) - the learnings of which MFC amplified, distilled and shared with other MFC members.

(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
- 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

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

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

	2021	2020
Unutilized bonus provision		
Other operating income	53 132	76 816
	53 132	**76 816**

6. PROGRAM REVENUE

	2021	2020
Governments grants (*EU projects*)	1 209 829	982 416
Net income of governments grants	(1 209 829)	(982 416)
Non-governments grants	954 506	807 280
Trainings	839 425	529 584
Consulting	146 450	136 348
Annual Conference	128 957	-
Other	-	-
	2 069 338	**3 373 428**

7. PROGRAM EXPENSES

	2021	2020
Marketing, web page, newsletters, other publications	-	5 964
AMFA	88 850	100 654
ACCION International project		98 019
Mastercard Foundation	88 571	-
Erasmus	296 041	73 535
Bootcamp	82 127	155 507
Governments grants	245 167	274 413
Annual Conference expenses	91 549	36 592
Training expenses	465 043	314 658
Consulting expenses	-	44 166
Other projects	5 730	17 160
	1 361 077	**1 120 667**

Staff expenses	433 768	469 554
Non-staff expenses	927 309	651 113
	1 361 077	**1 120 667**

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

8. ADMINISTRATIVE EXPENSES

	2021	**2020**
Staff salaries, bonuses and benefits	445 555	285 164
Travel and conferences	9 793	8 297
Office and administrative	112 789	63 381
Amortisation	3 551	2 959
Accounting and auditors services	194 411	264 246
Other	99 639	53 564
Other operating expenses	56 261	81 651
	921 998	**756 287**

9. OTHER OPERATING EXPENSES

	2021	**2020**
Withholding tax (WHT)	-	-
Other operating expenses	56 261	81 651
	56 261	**81 651**

10. FINANCE INCOME AND FINANCE EXPENSES

	2021	**2020**
Interest income	105 572	84 126
Foreign exchange rate gain	232 291	775 523
Finance income	**337 863**	**859 649**
Interest expenses	(19 644)	(5 900)
Foreign exchange rate loss	-	-
Finance expenses	**(19 644)**	**(5 900)**
Net finance income/expenses	**318 219**	**853 749**

11. PERSONNEL EXPENSES

	2021	**2020**
Program staff expenses	1 306 144	1 386 588
Program staff expenses – government grants	(872 376)	(917 034)
Administrative staff expenses	430 769	285 164
	864 537	**754 718**

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

12. INCOME TAX EXPENSE

Recognized in the Consolidated Statement of Comprehensive Income

Current tax expense	**2021**	**2020**
Current year	33 789	9 753
	33 789	**9 753**
Deferred tax expense		
Origination and reversal of temporary differences	(9 168)	43 456
Total income tax expense in the consolidated statement of comprehensive income	**24 621**	**53 209**

Reconciliation of effective tax rate

	2021	**2020**
Pre-tax result	306 116	607 599
Without the Parent Entity result and eliminations made for consolidation purposes	43 994	(26 462)
Pre-tax result of subsidiary (MFC)	350 110	581 137
Income tax using the Group's domestic tax rate (9%)	31 510	52 302
Permanent differences	(6 889)	907
	24 621	**53 209**
Effective tax rate	7,03%	9,16%

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 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.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Computer software	Other (licences)	Total
Cost				
As at 1 January 2020	309 422	21 445	-	**330 867**
Additions	-	-	-	-
Disposals	-	-	-	-
As at 31 December 2020	**309 422**	**21 445**	**0**	**330 867**
As at 1 January 2021	309 422	21 445	-	**330 867**
Additions	3 441		-	3 441
Disposals	-	-	-	-
As at 31 December 2021	**312 863**	**21 445**	**0**	**334 308**
Depreciation				
As at 1 January 2020	300 546	21 445	-	**321 991**
Depreciation charge	6 992	-	-	**6 992**
Disposals	-	-	-	-
As at 31 December 2020	**307 537**	**21 445**	**0**	**328 982**
As at 1 January 2020	297 587	21 445	-	**328 982**
Depreciation charge			-	-
Disposals	-	-	-	-
As at 31 December 2020	**297 587**	**21 445**	-	**328 982**
Carrying amount				
As at 1 January 2020	-	-	-	-
As at 31 December 2020	1 885	-	-	1 885
Carrying amount				
As at 1 January 2021	1 885	-	-	1 885
As at 31 December 2021	15 276	-	-	5 326

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

14. CASH AND CASH EQUIVALENTS

	2021	**2020**
Cash in hand	26 824	25 635
Cash at bank	14 831 376	15 668 396
Cash and cash equivalents	**14 858 200**	**15 694 031**

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

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

15. ACCOUNTS RECEIVABLE

	2021	2020
Trade receivables	397 538	243 975
Amounts receivable from Grants	501 962	152 896
Tax receivables	15 411	39 390
Other receivables	159	3 098
Prepayments	18 391	-
Advance paid	28 691	28 691
	962 153	**467 650**

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 2022, 55% 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 2021 and 31 December 2020.

16. DEFERRED TAX

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

	Assets	
	2021	**2020**
Reserve for staff holidays compensation	1 974	242
Staff annual bonus reserve	2 105	1 837
Temporary foreign exchange gain	57	282
Reserve for annual audit	1 170	3 123
Reserve for trade payables	486	1 088
Assets	**5 793**	**6 572**

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

	Liabilities	
	2021	**2020**
Temporary foreign exchange loss	40 006	49 869
Other items	83	169
Liabilities	**40 089**	**50 037**
Net tax liabilities	**34 297**	**43 465**

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 2021 and 31 December 2020 there were no dedicated funds.

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

18. ACCOUNTS PAYABLE

	2021	**2020**
Trade payables	57 967	44 539
Social Security	34 912	27 771
Current income tax liabilities	23 014	9 753
Tax liabilities	130 168	30 941
	246 061	**113 004**

	2021	**2020**
Accounts payable up to 3 months	246 061	113 004
Accounts payable 3-6 months	-	-
Accounts payable 6-12 months	-	-
Accounts payable over 12 months	-	-
	246 061	**113 004**

The Group has no past due amounts in respect of payables as of 31 December 2021.

19. ACCRUAL

	2021	**2020**
Prepayments received for future services	17 472	17 089
Prepayment received for EC project	-	909 816
Prepayments received for Mastercard project	287 844	-
Prepayments received for AMFA project	-	102 924
Prepayments received for UNHCR project	63 295	-
Staff employment fund	3 231	-
Prepayments received for Erasmus + project	-	217 138
Staff holidays compensation	71 194	70 246
Staff bonus fund	109 109	168 962
Provision for audits	60 970	57 279
Provisions for other expenses	260 711	80 907
	873 827	**1 624 090**

	2021
Balance at 1st January	**1 624 090**
Accrual for the period	354 370
Reversal of provisions for the period	(1 229 878)
Utilisation for the period	125 244
Balance at 31st December	**873 827**

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 1,420 thousand (in 2020 PLN 809 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 2021 and 31 December 2020 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

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

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 2021 by 5% would result in decrease in net profit and equity by PLN 575 thousand. Depreciation of PLN against EURO as of 31 December 2021 by 5% would result in increase in net profit and equity by PLN 575 thousand.
Appreciation of PLN against USD as of 31 December 2021 by 5% would result in decrease in net profit and equity by PLN 143 thousand. Depreciation of PLN against USD as of 31 December 2021 by 5% would result in increase in net profit and equity by PLN 143 thousand.

	2021			2020			2019		
	USD	*EUR*	*GBP*	*USD*	*EUR*	*GBP*	*USD*	*EUR*	*GBP*
	translated into PLN			*translated into PLN*					
Current Assets									
Trade receivables		397 062			243 015		39 637	555 664	-
Other receivables							-	-	-
Prepayments							-	-	-
Tax receivebles							-	-	-
Amounts receivable from EC grants		501 962			152 896		-	165 418	-
Cash and cash equivalents	2 866 755	11 500 232	2 534	2 891 735	11 583 575	2 371	3 414 652	9 166 741	2 309
Total current assets	**2 866 755**	**12 399 256**	**2 534**	**2 891 735**	**11 979 487**	**2 371**	**3 454 289**	**9 887 823**	**2 309**
Liabilities									
Trade liabilities	(10 150)	(43 144)			(35 534)		-	(58 152)	-
Tax liabilities							-	-	-
Social Security							-	-	-
Provisions							-	-	-
Prepayments for grants and other services	(351 139)	(17 472)			(1 246 967)		(18 989)	(326 914)	-
Other liabilities							-	-	-
Total Accounts Payable and Accruals	**(361 289)**	**(60 616)**	**-**	**-**	**(1 282 501)**	**-**	**(18 989)**	**(385 066)**	**-**
NET STATEMENT OF FINANCIAL POSITION EXPOSURE	**2 505 465**	**12 338 639**	**2 534**	**2 891 735**	**10 696 986**	**2 371**	**3 435 300**	**9 502 757**	**2 309**

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

(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.

2021

	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	0,08%	14 858 200	14 858 200	-	-	-	-

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	-	-	-	-

24. KEY EVENTS IN 2021

The pandemic which broke out at the beginning of 2020 and continued in 2021 had a limited impact on the financial and programmatic status of the Foundation during 2021. 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 was offered online as free event.

25. EVENTS AFTER THE BALANCE SHEET DATE

In the last quarter of 2021 the Group decided to move their offices From Noakowskiego 10/38, Warsaw to Żurawia 47/49, Warsaw. The process was finalized in March 2022. The change of office location enables more agile approach to work (including hybrid working) and significant cost savings.

26. FAIR VALUES

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

	2021		**2020**	
	Carrying amount	Fair value	Carrying amount	Fair value
Accounts receivable	962 152	962 152	467 649	467 649
Cash and cash equivalents	14 858 200	14 858 200	15 694 031	15 694 031
Accounts payable	246 062	246 062	113 004	113 004

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

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.

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	288 807
Lease paid	199 244
Revaluation of ROU lease liabilities	0
Lease value closing balance	**182 574**

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 2021 and 31 December 2020 there were no contingent liabilities.

Signature Not Verified
Dokument podpisany przez Katarzyna Pawlak
Data: 2022.05.30 10:58:29 CEST

Katarzyna Pawlak
Executive Director

Signature Not Verified
Dokument podpisany przez Ewa Bańkowska
Data: 2022.05.30 12:22:55 CEST

Ewa Bańkowska
Member of the Management Board

Report prepared by:

Signature Not Verified
Dokument podpisany przez Ewa Bańkowska
Data: 2022.05.30 12:25:40 CEST

Ewa Bańkowska

Warsaw, 30 May 2022