FUNDACJA "MICROFINANCE CENTRE"

Consolidated Financial Statements

as of and for the year ended 31 December 2022

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Fundacja "Microfinance Centre"

Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

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

	Note	12 months ended 31 December 2022	12 months ended 31 December 2021
Earned revenue			
Membership fees		156 699	148 501
Program revenue	6	1 692 120	2 069 338
Other operating income	5	17 787	53 132
Total revenue		**1 866 605**	**2 270 971**
Program expenses			
Staff expenses		547 046	433 768
Non-staff expenses		657 124	927 309
Total program expenses	7	**1 204 170**	**1 361 077**
Administrative expenses			
Staff expenses	11	112 004	430 769
Non-staff expenses	11	370 680	434 968
Other operating expenses	9	107 133	56 261
Total administrative expenses		**589 817**	**921 998**
Total expenses		**1 793 987**	**2 283 075**
RESULT FROM OPERATING ACTIVITIES		**72 619**	**(12 103)**
Finance income	10	603 148	365 266
Finance costs	10	(18 501)	(47 046)
Net finance income		**584 647**	**318 219**
Profit before income tax		**657 266**	**306 116**
Income tax expense	12	(54 255)	(24 621)
Net result after tax		**603 011**	**281 495**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**603 011**	**281 495**

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 Financial Position as at 31 December 2022
(All amounts are stated in PLN rounded to nearest zł)

		2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	1 775	5 326
Right-of-use assets	27	102 940	182 574
Deferred tax assets	16	-	-
Total non-current assets		**104 715**	**187 900**
Current Assets			
Accounts receivable	15	933 767	962 153
Cash and cash equivalents	14	15 911 657	14 858 200
Total current assets		**16 845 424**	**15 820 353**
TOTAL ASSETS		**16 950 139**	**16 008 253**
Equity			
Own Funds			
Founding capital	20	2 100	2 100
Retained earnings		15 272 404	14 669 393
Total own funds		**15 274 504**	**14 671 493**
Total Funds attributable to equity holders of the Fundation		**15 274 504**	**14 671 493**
Liabilities			
Accounts payable	18	141 345	246 062
Accruals	19	1 386 210	873 827
Lease liabilities	27	102 940	182 574
Deferred tax liabilities	16	45 140	34 297
Total Accounts Payable and Accruals		**1 675 635**	**1 336 760**
TOTAL LIABILITIES		**16 950 139**	**16 008 253**

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 2022
(All amounts are stated in PLN rounded to nearest zł)

	12 months ended 31 December 2022	12 months ended 31 December 2021
Cash flow from operating activities		
Net profit	603 011	281 495
Adjustments:		
Depreciation and amortisation	3 551	6 992
Exchange rate differences	(485 150)	(232 291)
Interest income	(117 997)	(85 928)
Income tax expense	43 411	33 789
	46 826	4 056
Change in receivables and deferred tax assets	108 020	(394 128)
Change in accounts payable and accruals	338 875	(726 748)
	493 721	(1 116 820)
Interest received	117 997	85 928
Income tax received / (paid)	(43 411)	(33 789)
Net cash flow from operating activities	**568 307**	**-1 064 681**
Cash flow from investing activities		
Purchase of fixed assets	-	(3 441)
Net cash flow from investing activities	**-**	**(3 441)**
Net cash flow from financing activities	**-**	**-**
Net inflow (outflow) of cash	**568 307**	**(1 068 122)**
Cash and cash equivalents at the beginning of the financial year	**14 858 200**	**15 694 031**
Effect of exchange rate fluctuations on cash held	**485 150**	**232 291**
Cash and cash equivalents at the end of the financial year	**15 911 657**	**14 858 200**

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 Changes in Fund Balances for the year ended 31 December 2022

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

	2022	2021
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	14 669 393	14 387 898
Net profit of the year	603 011	281 495
Retained earnings closing balance	**15 272 404**	**14 669 393**
Total own funds	**15 274 504**	**14 671 493**

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 2022 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 31.12.2022 by: Mr Sami Lahoud, Ms Martina Grigorova, Mr Alisher Akbaraliev, Mr Archil Bakuradze, Mr Gabriele Giuglietti, Ms Brunilda Isaj and Ms Elma Zukić.

The average number of employees in the Foundation and its subsidiary during the year ended 31 December 2022 as well as during the year ended 31 December 2021 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 from the date of 31st of May 2023.

(b) Changes in accounting policies

There were no changes in accounting principles and polices when compared to 2021.

(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 2022, 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 / SIFTA* – The EaSI Technical Assistance (TA) program closed at the end of June. In July 2022, the EaSI TA program transitioned to Social Inclusive Finance Technical Assistance Program (SIFTA), managed by European Investment Bank. SIFTA program aims at providing capacity building and market development support services to European microfinance and social enterprises finance providers as part of a large initiative to support the development of the microfinance and social enterprise sectors in Europe. SIFTA falls under the umbrella of InvestEU's Social Investments and Skills Policy Window. SIFTA beneficiaries are microfinance providers such as banks and non-banks microfinance institutions; social enterprise finance providers such as investment funds, impact investors, incubators and accelerators. Microfinance (MFIs) and social enterprises finance providers (SEFPs) in the EU27 may respond to dedicated calls for expression of interest to request operational technical assistance.

Microfinance Centre as a part of the consortium (together with Frankfurt School of Finance & Management – leading partner and European Microfinance Network) implements this capacity building program in areas such as Credit Management, Risk Management, Good Governance/Social Performance Management, Strategic Planning and Management Information Systems (MIS). MFC also assists MFIs with the implementation of the Code, 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 events, conferences, seminars, workshops to share and disseminate best practices throughout the sector and to increase awareness of microfinance and social enterprise sectors in Europe.

In 2022 under EaSI TA Program MFC organized 5 tailored trainings for 4 MFIs in Romania; technical assistance related to the Code of Good Conduct for 4 MFIs in Estonia (2), Lithuania (1), Sweden (1), and 13 open-access webinars and 3 national workshops in Romania (2), Poland (1) on dissemination of microfinance good practices. In 2022 under SIFTA Program MFC organized 10 open-access webinars and 2 national workshops in Poland.

***Financial Inclusion for Inclusive Growth in Europe* 2022-2027** *(EU Y1 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.: SIFTA 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:
- MFC continued to support the sector of microfinance and social finance organizations that continued to serve 584 000 active borrowers (data from 2022 EMN-MFC overview survey). This has been an increase of 4% from 2020.
- MFC organized one conference, 25 webinars and virtual group meetings to build capacity of the sector

- 1888 professionals participated in these events

- MFC communicated with its partners and members through 69 website updates, 118 Facebook posts, 158 LinkedIn posts, 150 twitter posts and more than 20 newsletters. These news were distributed to 10219 social media followers and 2315 newsletter contacts. They were read at least 203 589 times.

MFC has achieved its objective of building a significant role of partnerships and policy development in enabling long-term change in the lives of low-income people through the following way:

- Cooperation with country level working groups and associations provided direct access to policy making bodies and other national stakeholders. MFC supported the association of Romanian MFIs, to gather the sector stakeholders in the four meetings of working group and the Romanian Policy Forum, attended by

44 stakeholders. The microfinance sector discussed with national authorities the uptake of EU instruments through national authority. The stakeholders became aware of the strength and active role of the sector in social and financial inclusion. The mapping of local stakeholders was performed.

- Cooperation with the EU institutions enabled increased outreach to new groups of beneficiaries, for instance to social enterprise development bodies, by linking with the new stakeholder groups and by implementation of the EU funding programmes for microfinance (EaSI TA, SIFTA and others). MFC conducted more than 25 meetings with EU representatives, and more than 25 EU level events, conferences and working meetings increasing knowledge, awareness and skills of 1888 professionals

- MFC’s local contacts in the membership countries have been the backbone of the MFC work and have enabled marked impact in the countries where MFC works. MFC cooperates with the major EU and global access to finance networks multiplying the EU and global outreach to social investors, technology providers and social finance providers and (indirectly) to their clients. MFC undertaken 6 joint initiatives with other European networks (EMN, FEBEA, SEE, EVPA) in order to advocate for microfinance, social economy and green finance. These provides the leverage of our activities to reach out to an extended network of 433 organizations (as cumulative membership of all those networks) meaning increased outreach ot their staff, clients and partners.

- MFC closely cooperates with 10 social investors. Such cooperation results in more efficient distributing of financing to MFIs and the number of microenterprises they serve. In the context of the Ukraine war, MFC organized an investors’ roundtable to share the information, coordinate efforts and develop common approaches in the context of this crisis. The declaration of investors prepared during the COVID pandemic on “appropriate rules of behavior” was again reinforced to be applied also in the times of this (and any other crisis) ensuring the investors coordination and responsible behavior with systemic impact in mind.

MFC expanded its outreach by welcoming 12 new members, including 7 from EU countries and 2 from accessing countries.

The project is funded by the European Commission.

LEarning, **T**eaming up and **S**aving – **SAV**ing groups for **E**mployability and **E**mpowerment (**LETS SAVEE)**. The project aimed 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 aimed 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 involved 7 organizations from European countries.
In 2022 MFC and its partners organized dissemination events and prepared financial and narrative report:

- Each partner organized at least 1 virtual or on site dissemination event, during which the project outputs were presented and promoted.
- Additionally, MFC promoted the project results at EPALE, EU managed learning platform.

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

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. Through the project activities, MFC is building the capacity of member MFIs to pivot, adapt and embrace digitization. In 2022, the activities included the development of digitalization learning tools for micro-enterprises and testing them with MFIs which will be offering the tools to their clients. The MFC also disseminated the paper summarising the business models adaptations in response to the COVID-19 pandemic. MFC also prepared a policy paper and advocated with the European Commission for the development of a post-COVID support programme for European MFIs.

MFC Annual Conference in Istanbul

More than 400 professionals from 40 countries participated in the 24th MFC Annual Conference: Microfinance Investing Through Uncertainty

For the third time in the history of the MFC was this annual event held in Turkey, Istanbul and it was the biggest microfinance event in the region.

The main title of the conference was "Microfinance investing through uncertainty". The goal was to reconnect, discuss concerns and share new perspectives. 4 plenary sessions and 5 spotlights with 30 speakers and 16 investors and partners were held during the 1,5 conference days. Plenary sessions have been simultaneously translated into the Russian language.

During the conference, we hosted more than 400 professionals from 40 countries with the biggest attendance from Bosnia& Herzegovina, Kazakhstan, and Georgia. The conference, with more than 30 speakers: in keynote speeches, 4 plenary sessions, and 9 spotlights and talks, was the biggest event in the microfinance in 2022.

Conference was supported by 16 Sponsors, 3 Media Partners and 2 Logistic Partners.

UNHCR

MFC and the United Nations High Commissioner for Refugees (UNHCR) have partnered on a project aimed at promoting financial inclusion for refugees. The project focuses on three key areas: working group meetings, sharing best practices among microfinance institutions (MFIs) supporting refugees, and capacity building among MFIs to develop tailored financial products and services that meet the specific needs of refugees. The objective of the project was to enhance the economic empowerment and integration of refugees into their new communities, and to build the capacity of MFIs to support these efforts.

The working group meetings provided a forum for MFIs, donors, and other stakeholders to exchange information and experiences, and to develop strategies and policies to support financial inclusion for refugees. These meetings also provided an opportunity for participants to learn about the challenges and opportunities related to financial inclusion for refugees, and identified areas where collaboration and coordination can be strengthened.

Sharing best practices among MFIs supporting refugees was another key component of the project. By identifying and sharing successful models and approaches, MFIs can learn from each other and build on each other's successes. This helped to identify gaps and challenges, and to develop solutions that are tailored to the specific needs of refugees.

Finally, capacity building among MFIs was critical to the success of the project. By building the capacity of MFIs to develop and deliver tailored financial products and services for refugees, the project seeked to ensure that refugees have access to the financial services they need to support their economic empowerment and integration. This includes providing technical assistance, training, and other resources to help MFIs develop and implement effective strategies for serving refugee populations.

Overall, the MFC UNHCR project represented an important step forward in promoting financial inclusion for refugees. By focusing on working group meetings, sharing best practices, and capacity building among MFIs, the project developed effective solutions to the complex challenges facing refugees in accessing financial services.

(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

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

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 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

	2022	**2021**
Unutilized bonus provision		
Other operating income	17 787	53 132
	17 787	**53 132**

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

6. PROGRAM REVENUE

	2022	**2021**
Governments grants (*EU projects*)	1 239 441	1 209 829
Net income of governments grants	(1 239 441)	(1 209 829)
Non-governments grants	512 670	954 506
Trainings	499 551	839 425
Consulting	118 865	146 450
Annual Conference	561 034	128 957
Other	-	-
	1 692 120	**2 069 338**

7. PROGRAM EXPENSES

	2022	**2021**
Marketing, web page, newsletters, other publications	-	-
AMFA	-	88 850
UNHCR	119 273	-
Mastercard Foundation	101 897	88 571
Erasmus	122 536	269 041
Bootcamp	-	82 127
Governments grants	306 356	245 167
Annual Conference expenses	223 505	91 549
Training expenses	330 603	465 043
Consulting expenses	-	-
Other projects	-	5 730
	1 204 170	**1 361 077**

Staff expenses	547 046	433 768
Non-staff expenses	657 124	927 309
	1 204 170	**1 361 077**

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

8. ADMINISTRATIVE EXPENSES

	2022	**2021**
Staff salaries, bonuses and benefits	127 202	445 555
Travel and conferences	9 531	9 793
Office and administrative	46 210	112 789
Amortisation	17 224	3 551
Accounting and auditors services	124 171	194 411
Other	158 345	99 639
Other operating expenses	107 133	56 261
	589 817	**921 998**

9. OTHER OPERATING EXPENSES

	2022	**2021**
Withholding tax (WHT)	-	-
Other operating expenses	107 133	56 261
	107 133	**56 261**

10. FINANCE INCOME AND FINANCE EXPENSES

	2022	**2021**
Interest income	117 997	105 572
Foreign exchange rate gain	485 150	232 291
Finance income	**603 147**	**337 863**
Interest expenses	(18 501)	(19 644)
Foreign exchange rate loss	-	-
Finance expenses	**(18 501)**	**(19 644)**
Net finance income/expenses	**584 647**	**318 219**

11. PERSONNEL EXPENSES

	2022	**2021**
Program staff expenses	1 465 802	1 306 144
Program staff expenses – government grants	(918 756)	(872 376)
Administrative staff expenses	112 004	430 769
	659 050	**864 537**

(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	**2022**	**2021**
Current year	43 411	33 789
	43 411	**33 789**
Deferred tax expense		
Origination and reversal of temporary differences	10 844	(9 168)
Total income tax expense in the consolidated statement of comprehensive income	**54 255**	**24 621**

Reconciliation of effective tax rate

	2022	**2021**
Pre-tax result	657 266	306 116
Without the Parent Entity result and eliminations made for consolidation purposes	98 861	43 994
Pre-tax result of subsidiary (MFC)	558 405	350 110
Income tax using the Group's domestic tax rate (9%)	50 256	31 510
Permanent differences	3 999	(6 889)
	54 255	**24 621**
Effective tax rate	9,72%	7,03%

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 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**
As at 1 January 2021	312 863	21 445	-	**334 308**
Additions	13 674			**13 674**
Disposals				
As at 31 December 2022	**326 537**	**21 445**	**0**	**347 982**
Depreciation				
As at 1 January 2021	307 537	21 445	-	**328 982**
Additions			-	**0**
Disposals	-	-	-	-
As at 31 December 2021	**307 537**	**21 445**	**0**	**328 982**
As at 1 January 2021	307 537	21 445	0	328 982
Additions	17 224			17 224
Disposals				
As at 31 December 2022	**324 762**	**21 445**	-	**346 207**
Carrying amount				
As at 1 January 2021	-	-	-	-
As at 31 December 2021	5 326	-	-	5 326
Carrying amount				
As at 1 January 2022	1 775	-	-	1 775
As at 31 December 2022	1 775	-	-	1 775

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

14. CASH AND CASH EQUIVALENTS

	2022	**2021**
Cash in hand	28 178	26 824
Cash at bank	15 883 479	14 831 376
Cash and cash equivalents	**15 911 657**	**14 858 200**

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

	2022	2021
Trade receivables	679 687	397 538
Amounts receivable from Grants	214 654	501 962
Tax receivables	19 203	15 411
Other receivables	-	159
Prepayments	20 223	18 391
Advance paid	-	28 691
	933 767	**962 153**

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 2023, 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 2022 and 31 December 2021.

16. DEFERRED TAX

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

	Assets	
	2022	**2021**
Reserve for staff holidays compensation	2 893	1 974
Staff annual bonus reserve	573	2 105
Temporary foreign exchange gain	45	57
Reserve for annual audit	1 350	1 170
Reserve for trade payables	676	486
Assets	**5 537**	**5 793**

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

	Liabilities	
	2022	**2021**
Temporary foreign exchange loss	50 581	40 006
Other items	96	83
Liabilities	**50 678**	**40 089**
Net tax liabilities	**45 140**	**34 297**

17. CONSOLIDATED SATEMENT OF CHANGES IN DEFERRED INCOME RELATED TO DEDICATED FUNDS BALANCES AND GENERAL FUNDS FOR THE YEAR ENDED 31 DECEMBER 2022

As of 31 December 2022 and 31 December 2021 there were no dedicated funds.

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

18. ACCOUNTS PAYABLE

	2022	2021
Trade payables	3 459	57 967
Social Security	61 650	34 912
Current income tax liabilities	39 472	23 014
Tax liabilities	36 764	130 168
	141 345	**246 061**

	2022	2021
Accounts payable up to 3 months	141 345	246 061
Accounts payable 3-6 months	-	-
Accounts payable 6-12 months	-	-
Accounts payable over 12 months	-	-
	141 345	**246 061**

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

19. ACCRUAL

	2022	2021
Prepayments received for future services	14 152	17 472
Prepayment received for EC project	1 124 468	-
Prepayments received for Mastercard project	-	287 844
Prepayments received for UNHCR project	-	63 295
Staff employment fund	7 793	3 231
Staff holidays compensation	91 833	71 194
Staff bonus fund	77 613	109 109
Provision for audits	70 350	60 970
Provisions for other expenses	-	260 711
	1 386 210	**873 827**

	2022
Balance at 1st January	**873 826**
Accrual for the period	807 910
Reversal of provisions for the period	-
Utilisation for the period	295 527
Balance at 31st December	**1 386 210**

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 568 thousand (in 2022 PLN 1,420 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 2022 and 31 December 2021 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.

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

(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 2022 by 5% would result in decrease in net profit and equity by PLN 675 thousand. Depreciation of PLN against EURO as of 31 December 2022 by 5% would result in increase in net profit and equity by PLN 675 thousand.
Appreciation of PLN against USD as of 31 December 2022 by 5% would result in decrease in net profit and equity by PLN 112 thousand. Depreciation of PLN against USD as of 31 December 2022 by 5% would result in increase in net profit and equity by PLN 112 thousand.

		2022			**2021**			**2020**	
	USD	*EUR*	*GBP*	*USD*	*EUR*	*GBP*	*USD*	*EUR*	*GBP*
		translated into PLN			*translated into PLN*				
Current Assets									
Trade receivables		679 899			397 062			243 015	
Other receivables									
Prepayments									
Tax receivebles									
Amounts receivable from grants		214 654			501 962			152 896	
Cash and cash equivalents	2 236 863	13 509 660	2 447	2 866 755	11 500 232	2 534	2 891 735	11 583 575	2 371
Total current assets	**2 236 863**	**14 404 213**	**2 447**	**2 866 755**	**12 399 256**	**2 534**	**2 891 735**	**11 979 487**	**2 371**
Liabilities									
Trade liabilities		(939)		(10 150)	(43 144)			(35 534)	
Tax liabilities									
Social Security									
Provisions									
Prepayments for grants and other services		(1 106 771)		(351 139)	(17 472)			(1 246 967)	
Other liabilities									
Total Accounts Payable and Accruals	**-**	**(1 107 710)**	**-**	**(361 289)**	**(60 616)**	**-**	**-**	**(1 282 501)**	**-**
NET STATEMENT OF FINANCIAL POSITION EXPOSURE	**2 236 863**	**13 296 503**	**2 447**	**2 505 465**	**12 338 639**	**2 534**	**2 891 735**	**10 696 986**	**2 371**

(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.

		2022					
	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%	15 911 657	15 911 657	-	-	-	-

		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	-	-	-	-

24. KEY EVENTS IN 2022

The Covid-19 pandemic which broke out at the beginning of 2020 and continued in 2021-22 had a limited impact on the financial and programmatic status of the Group during 2022.
Due to the outbreak of war in Ukraine in February 2022, MFC Sp. z o.o. made a donation of PLN 100,000 to Polish Humanitarian Action. The funds were earmarked for the "SOS Ukraine" campaign to prepare and implement a response to the ongoing crisis in Ukraine, and to provide assistance to Ukrainian refugees on Polish territory.

25. EVENTS AFTER THE BALANCE SHEET DATE

Nothing to report.

26. FAIR VALUES

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

	2022		**2021**	
	Carrying amount	Fair value	Carrying amount	Fair value
Accounts receivable	933 767	933 767	962 152	962 152
Cash and cash equivalents	15 911 657	15 911 657	14 858 200	14 858 200
Accounts payable	141 345	141 345	246 062	246 062

(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	46,00
Number of instalments per year	12,00
Lease start date	01-Mar-2022
Lease end date	31-Dec-2025
Lease value opening balance	**0**
New lease	135 656
Lease paid	32 716
Revaluation of ROU lease liabilities	0
Lease value closing balance	**102 940**

The Group leased office at Żurawia 47/49 Street from March 2022 with the monthly charge of PLN 3 272 (ca. USD 743) per month.

29. CONTINGENT LIABILITIES

As of 31 December 2022 and 31 December 2021 there were no contingent liabilities.

Signature Not Verified
Dokument podpisany przez Katarzyna Pawlak
Data: 2023.05.30 14:03:42 CEST

Katarzyna Pawlak
Executive Director

Signature Not Verified
Dokument podpisany przez Ewa Bańkowska
Data: 2023.05.30 19:19:52 CEST

Ewa Bańkowska
Member of the Management Board

Report prepared by:

Signature Not Verified
Dokument podpisany przez Ewa Bańkowska
Data: 2023.05.30 19:20:22 CEST

Ewa Bańkowska

Warsaw, 30 May 2023