FUNDACJA "MICROFINANCE CENTRE"

Consolidated Financial Statements

as of and for the year ended 31 December 2023

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Fundacja "Microfinance Centre"

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

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

	Note	12 months ended 31 December 2023	12 months ended 31 December 2022
Earned revenue			
Membership fees		194 068	156 699
Program revenue	6	2 798 257	1 692 120
Other operating income	5	21 645	17 787
Total revenue		**3 013 970**	**1 866 605**
Program expenses			
Staff expenses		975 078	547 046
Non-staff expenses		843 931	657 124
Total program expenses	7	**1 819 008**	**1 204 170**
Administrative expenses			
Staff expenses	11	133 262	112 004
Non-staff expenses	11	296 385	370 680
Other operating expenses	9	10 116	107 133
Total administrative expenses		**439 764**	**589 817**
Total expenses		**2 258 772**	**1 793 987**
RESULT FROM OPERATING ACTIVITIES		**755 198**	**72 619**
Finance income	10	26 237	603 148
Finance costs	10	(1 259 604)	(18 501)
Net finance income		**(1 233 367)**	**584 647**
Profit before income tax		**(478 170)**	**657 266**
Income tax expense	12	(38 617)	(54 255)
Net result after tax		**(516 786)**	**603 011**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**-516 786**	**603 011**

Fundacja "Microfinance Centre"

Consolidated Statement of Financial Position as at 31 December 2023

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

		2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	13	-	1 775
Right-of-use assets	27	82 285	102 940
Deferred tax assets	16	16 164	-
Total non-current assets		**98 449**	**104 715**
Current Assets			
Accounts receivable	15	792 081	933 767
Cash and cash equivalents	14	16 546 374	15 911 657
Total current assets		**17 338 455**	**16 845 424**
TOTAL ASSETS		**17 436 904**	**16 950 139**
Equity			
Own Funds			
Founding capital	20	2 100	2 100
Retained earnings		14 755 618	15 272 404
Total own funds		**14 757 718**	**15 274 504**
Total Funds attributable to equity holders of the Fundation		**14 757 718**	**15 274 504**
Liabilities			
Accounts payable	18	297 339	141 345
Accruals	19	2 299 562	1 386 210
Lease liabilities	27	82 285	102 940
Deferred tax liabilities	16	0	45 140
Total Accounts Payable and Accruals		**2 679 186**	**1 675 635**
TOTAL LIABILITIES		**17 436 904**	**16 950 139**

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

Fundacja "Microfinance Centre"
Consolidated Statement of Cash Flow for the year ended 31 December 2023
(All amounts are stated in PLN rounded to nearest zł)

	12 months ended 31 December 2023	12 months ended 31 December 2022
Cash flow from operating activities		
Net profit	-516 786	603 011
Adjustments:		
Depreciation and amortisation	1 775	3 551
Exchange rate differences	1 259 604	(485 150)
Interest income	(26 237)	(117 997)
Income tax expense	38 617	43 411
	756 973	46 826
Change in receivables and deferred tax assets	146 176	108 020
Change in accounts payable and accruals	1 003 551	338 875
	1 906 700	493 721
Interest received	26 237	117 997
Income tax received / (paid)	(38 617)	(43 411)
Net cash flow from operating activities	**1 894 320**	**568 307**
Cash flow from investing activities		
Purchase of fixed assets	-	-
Net cash flow from investing activities	**-**	**-**
Net cash flow from financing activities	**-**	**-**
Net inflow (outflow) of cash	**1 894 320**	**568 307**
Cash and cash equivalents at the beginning of the financial year	**15 911 657**	**14 858 200**
Effect of exchange rate fluctuations on cash held	**(1 259 604)**	**485 150**
Cash and cash equivalents at the end of the financial year	**16 546 374**	**15 911 657**

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

Fundacja "Microfinance Centre"

Consolidated Statement of Changes in Fund Balances for the year ended 31 December 2023

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

	2023	2022
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	15 272 404	14 669 393
Net profit of the year	-516 786	603 011
Retained earnings closing balance	**14 755 618**	**15 272 404**
Total own funds	**14 757 718**	**15 274 504**

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

1. GENERAL INFORMATION

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

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

The consolidated financial statements as at 31 December 2023 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 31.12.2023 by: Mr Sami Lahoud, Ms Martina Grigorova, Mr Alisher Akbaraliev, Mr Archil Bakuradze, Mr Gabriele Giuglietti, Ms Perlat Sulaj and Ms Elma Zukić.

The average number of employees in the Foundation and its subsidiary during the year ended 31 December 2023 as well as during the year ended 31 December 2022 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 10th of May 2024.

(b) Changes in accounting policies

There were no changes in accounting principles and polices when compared to 2022.

(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.

SIFTA – Social Inclusive Finance Technical Assistance Program (SIFTA), managed by European Investment Bank started in July 2022. It is a 3-years' program. 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 enterprises finance 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 enterprises 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 2023 under SIFTA Program MFC organized 18 open-access webinars, 4 online workshops, 7 onsite workshops (4 for Romanian MFIs and SEFPs; 1 for Bulgarian MFIs and SEFPs, 1 for Polish MFIs; 1 for Greek MFIs and SEFPs); 2 tailored trainings for Estonian MFI; technical assistance related to the Code of Good Conduct for 3 MFIs in Latvia (1), Lithuania (1), Greece (1), and 1 peer-to-peer visit (in Italian social finance provider for Bulgarian MFI) on dissemination of microfinance and social finance providers' good practices.

Financial Inclusion for Inclusive Growth in Europe **2022-2025** *(EU Y2 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 647 000 active borrowers at the end of 2022. This has been an increase of 3% from 2021.

- MFC organized one conference (365 participants) as well as 10 webinars and virtual group meetings (235 participants) to build capacity of the sector.

- MFC communicated with its partners and members through 60 website updates, 172 Facebook posts, 179 LinkedIn posts, 120 Twitter posts, and more than 20 newsletters. These news were distributed to 13,454 social media followers and 2,888 newsletter contacts. They were read at least 143,957 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 action group provided direct access to policy making bodies and other national stakeholders. MFC supported its member in Bulgaria SIS Credit, to gather the sector stakeholders in the four meetings of working group and during the Bulgarian Policy Forum, which was attended by around 50 high-level experts and practitioners. The microfinance sector discussed the topic of employment creation through financial instruments for microfinance as opportunities for inclusive

entrepreneurship and social enterprises support. 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 32 meetings with EU representatives, and attended more than 51 EU level events, conferences and working meetings increasing knowledge, awareness and skills of 1972 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 8 joint initiatives with other European networks (EMN, FEBEA, SEE, Impact Europe, Euclid Network) in order to advocate for microfinance, social economy and green finance. These provided the leverage of our activities to reach out to an extended network of 652 organizations (as cumulative membership of all those networks) meaning increased outreach to their staff, clients and partners.
- MFC cooperates with 13 EU based social investors. Such cooperation results in better understanding of demands on both ends; needs of the microfinance and social enterprise finance providers, but also requirements of impact lenders.

MFC expanded its outreach in 2023 by welcoming 23 new members, including 8 from EU countries and 4 from accessing countries.

The project is funded by the European Commission.

TTF

MFC in cooperation with CERISE launched a 2-year grant project titled Transform Together Fund, financed under European Social Fund+. The project aims at supporting innovation among social finance actors in improving the skills of their beneficiaries in green or digital issues. 8 MFIs and support organizations have been selected to receive grants. With support of the grants, the social finance actors will develop and test a variety of innovative solutions – each of them should aim at helping the target group to improve their knowledge or practices in green or digital area. The Programme will provide up to 90% co-financing (on the grant contract basis) for the projects approved by MFC and Cerise+SPTF. Apart grants, MFC and Cerise+SPTF will provide opportunities for grantees to participate in trainings and peer exchange related to green and digital solutions.

MFC Annual Conference in Budva, Montenegro

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

The 25th MFC Annual Conference was attended by 389 participants out of 406 totally registered persons. The participants arrived from all over the world. The highest number of participants arrived from Europe and from Asia. 20 participants arrived from America. Nobody arrived from Australia and Africa.

The main title of the conference was "MFC Annual Conference Thriving Together". The goal was to reconnect, discuss concerns and share new perspectives. 7 plenary sessions, 5 spotlights and 3 parallel sessions were held during the almost two conference days. Plenary sessions have been simultaneously translated to Russian language.

Conference was supported by 12 Sponsors, 2 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.

Key Output activities:

- Member MFIs are supported through guidance, training and exchange of good practices in expanding their services to refugees.

- 39 meetings with key stakeholders supporting refugee inclusive microfinance.

- 2 dedicated event/workshop organized summarizing lessons learnt to date, challenges and opportunities for going forward.

- Participation and organizing of 6 events fostering robust debates and dialogues on critical issues surrounding refugee financial inclusion.

JP Morgan

The Way to Business program (2023 - July 2024) has been to enable women from Ukraine to establish their businesses or re-start their careers in Poland. From the beginning, the purpose of Microfinance Center was to share expertise and good practices in the area of inclusive finance and to design and promote interventions whose purpose is to reduce vulnerability, increase self-sufficiency and improve the livelihood outcomes for the end users (MFIs client groups including refugees).
Overall, the program has aimed to provide business support services and access to finance information for entrepreneurial Ukrainian refugees in Mazovia, with a goal of reaching 200 refugees with light-touch support and 50 refugees with heavy-touch support. It also has seeked to identify gaps in the Polish employment market that could benefit from increased entrepreneurial activities and develop advocacy recommendations accordingly.

Additionally, through the program we aimed to gather hands-on evidence with the purpose to advocate for financial inclusion of refugees by providing recommendations to policymakers and international organizations and other stakeholders.

The Program was financed by JP Morgan Chase Foundation.

CEB Research

The objective of the project was to: (i) provide background research, information, latest developments and a list of selected literature on vulnerable groups served by MFIs in Europe; and (ii) prepare a written analysis of original data, based on a questionnaire-type survey, focus groups and interviews, involving a number European microfinance institutions, operating in the CEB member states.
The final report presented an overview of what vulnerability means in the sector of microfinance in different CEB member states and how microfinance institutions have been addressing those needs in the past decades within different regions and countries. It also provided the description of several relevant examples of how microfinance institutions in the CEB member states have been working with different vulnerable groups and the social impact of their activities.

EMN-MFC Microfinance in Europe Overview Survey

The overall aim of the study was to present the main data and trends for the European microfinance sector. Main issues to be addressed include the sector's size, sustainability and impact along with the analysis of the MFIs' practices and challenges/gaps as regard green microfinance, digital transformation, and their support to underserved target groups.
MFC's role was to prepare and send out the questionnaire, collect responses, analyse the data relating to the sector size, sustainability and vulnerable groups and prepare the relevant parts of the final report.

(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.

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

(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

	2023	2022
Unutilized bonus provision		
Other operating income	21 645	17 787
	21 645	**17 787**

6. PROGRAM REVENUE

	2023	2022
Governments grants (*EU projects*)	1 855 822	1 239 441
Net income of governments grants	(1 855 822)	(1 239 441)
Non-governments grants	585 668	512 670
Trainings	1 614 928	499 551
Consulting	53 407	118 865
Annual Conference	544 253	561 034
Other	-	-
	2 798 257	**1 692 120**

7. PROGRAM EXPENSES

	2023	2022
JP Morgan Foundation	278 898	-
UNHCR	234 374	119 273
Mastercard Foundation	-	101 897
Erasmus	-	122 536
Governments grants	386 947	306 356
Annual Conference expenses	196 933	223 505
Training expenses	725 856	330 603
	1 819 008	**1 204 170**

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

Staff expenses	975 078	547 046
Non-staff expenses	843 931	657 124
	1 819 008	**1 204 170**

8. ADMINISTRATIVE EXPENSES

	2023	2022
Staff salaries, bonuses and benefits	153 542	127 202
Travel and conferences	24 808	9 531
Office and administrative	39 635	46 210
Amortisation	5 774	17 224
Accounting and auditors services	145 630	124 171
Other	60 257	158 345
Other operating expenses	10 116	107 133
	439 764	**589 817**

9. OTHER OPERATING EXPENSES

	2023	2022
Withholding tax (WHT)	-	-
Other operating expenses	10 116	107 133
	10 116	**107 133**

10. FINANCE INCOME AND FINANCE EXPENSES

	2023	2022
Interest income	26 237	117 997
Foreign exchange rate gain	-	485 150
Finance income	**26 237**	**603 147**
Interest expenses	-	(18 501)
Foreign exchange rate loss	(1 259 604)	-
Finance expenses	**(1 259 604)**	**(18 501)**
Net finance income/expenses	**(1 233 367)**	**584 647**

11. PERSONNEL EXPENSES

	2023	2022
Program staff expenses	1 883 729	1 465 802
Program staff expenses – government grants	(908 652)	(918 756)
Administrative staff expenses	133 262	112 004
	1 108 340	**659 050**

(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	**2023**	**2022**
Current year	99 921	43 411
	99 921	**43 411**
Deferred tax expense		
Origination and reversal of temporary differences	(61 305)	10 844
Total income tax expense in the consolidated statement of comprehensive income	**38 617**	**54 255**

Reconciliation of effective tax rate

	2023	**2022**
Pre-tax result	(493 169)	657 266
Without the Parent Entity result and eliminations made for consolidation purposes	(1 017 668)	98 861
Pre-tax result of subsidiary (MFC)	524 500	558 405
Income tax using the Group's domestic tax rate (9%)	47 205	50 256
Permanent differences	(8 588)	3 999
	38 617	**54 255**
Effective tax rate	7,36%	9,72%

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 2022	312 863	21 445	-	**334 308**
Additions	13 674			**13 674**
Disposals	-	-	-	-
As at 31 December 2022	**326 537**	**21 445**	**0**	**347 982**
As at 1 January 2022	326 537	21 445	-	**347 982**
Additions				**0**
Disposals				
As at 31 December 2023	**326 537**	**21 445**	**0**	**347 982**
Depreciation				
As at 1 January 2022	307 537	21 445	0	**328 982**
Additions	17 224			**17 224**
Disposals				
As at 31 December 2022	**324 762**	**21 445**	**0**	**346 207**
As at 1 January 2022	324 762	21 445	0	346 207
Additions	1 775			1 775
Disposals				
As at 31 December 2023	**326 537**	**21 445**	-	**347 982**
Carrying amount				
As at 1 January 2022	1 775	-	-	1 775
As at 31 December 2022	1 775	-	-	1 775
Carrying amount				
As at 1 January 2023	0	-	-	0
As at 31 December 2023	0	-	-	0

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

14. CASH AND CASH EQUIVALENTS

	2023	**2022**
Cash in hand	25 847	28 178
Cash at bank	16 520 527	15 883 479
Cash and cash equivalents	**16 546 374**	**15 911 657**

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

	2023	2022
Trade receivables	767 696	679 687
Amounts receivable from Grants	-	214 654
Tax receivables	8 828	19 203
Other receivables	2 067	-
Prepayments	13 490	20 223
Advance paid	-	-
	792 081	**933 767**

The Group has no past due amounts in respect of receivables. The Group has no receivables due more than 12 months. The gross value of receivables is equal to its net value as there is no impaired receivables as of 31 December 2023 and 31 December 2022.

16. DEFERRED TAX

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

	Assets	
	2023	**2022**
Reserve for staff holidays compensation	3 039	2 893
Staff annual bonus reserve	655	573
Temporary foreign exchange gain	10 727	45
Reserve for annual audit	1 350	1 350
Reserve for trade payables	486	676
Assets	**16 257**	**5 537**

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

	Liabilities	
	2023	**2022**
Temporary foreign exchange loss	-	50 581
Other items	93	96
Liabilities	**93**	**50 678**
Net tax liabilities	**16 164**	**45 140**

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 2023 and 31 December 2022 there were no dedicated funds.

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

18. ACCOUNTS PAYABLE

	2023	**2022**
Trade payables	131 696	3 459
Social Security	81 364	61 650
Current income tax liabilities	84 079	39 472
Tax liabilities	199	36 764
	297 338	**141 345**

	2023	**2022**
Accounts payable up to 3 months	297 338	141 345
Accounts payable 3-6 months	-	-
Accounts payable 6-12 months	-	-
Accounts payable over 12 months	-	-
	297 338	**141 345**

The Group has no past due amounts in respect of payables as of 31 December 2023.

19. ACCRUAL

	2023	**2022**
Prepayments received for future services	16 604	14 152
Prepayment received for EC project	1 950 316	1 124 468
Staff employment fund	12 234	7 793
Staff holidays compensation	143 652	91 833
Staff bonus fund	90 674	77 613
Provision for audits	74 040	70 350
Provisions for other expenses	12 042	-
	2 299 562	**1 386 210**

	2023
Balance at 1st January	**1 386 210**
Accrual for the period	913 352
Reversal of provisions for the period	-
Utilisation for the period	-
Balance at 31st December	**2 299 562**

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 693 thousand (in 2022 PLN 568 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 2023 and 31 December 2022 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 2023 by 5% would result in decrease in net profit and equity by PLN 699 thousand. Depreciation of PLN against EURO as of 31 December 2023 by 5% would result in increase in net profit and equity by PLN 699 thousand.
Appreciation of PLN against USD as of 31 December 2023 by 5% would result in decrease in net profit and equity by PLN 118 thousand. Depreciation of PLN against USD as of 31 December 2022 by 5% would result in increase in net profit and equity by PLN 118 thousand.

	2023			2022			2021		
	USD	*EUR*	*GBP*	*USD*	*EUR*	*GBP*	*USD*	*EUR*	*GBP*
	translated into PLN			*translated into PLN*			*translated into PLN*		
Current Assets									
Trade receivables		767 555			679 899			397 062	
Other receivables									
Prepayments									
Tax receivebles									
Amounts receivable from grants		0			214 654			501 962	
Cash and cash equivalents	2 379 572	13 996 457	2 310	2 236 863	13 509 660	2 447	2 866 755	11 500 232	2 534
Total current assets	**2 379 572**	**14 764 011**	**2 310**	**2 236 863**	**14 404 213**	**2 447**	**2 866 755**	**12 399 256**	**2 534**
Liabilities									
Trade liabilities		(115 670)			(939)		(10 150)	(43 144)	
Tax liabilities									
Social Security									
Provisions									
Prepayments for grants and other services		(1 950 316)			(1 106 771)		(351 139)	(17 472)	
Other liabilities									
Total Accounts Payable and Accruals	**-**	**(2 065 986)**	**-**	**-**	**(1 107 710)**	**-**	**(361 289)**	**(60 616)**	**-**
NET STATEMENT OF FINANCIAL POSITION EXPOSURE	**2 379 572**	**12 698 025**	**2 310**	**2 236 863**	**13 296 503**	**2 447**	**2 505 465**	**12 338 639**	**2 534**

(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.

	2023						
	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%	16 546 374	16 546 374	-	-	-	-

	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	0,08%	15 911 657	15 911 657	-	-	-	-

24. KEY EVENTS IN 2023

Nothing to report.

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:

	2023		**2022**	
	Carrying amount	Fair value	Carrying amount	Fair value
Accounts receivable	792 081	792 081	933 767	933 767
Cash and cash equivalents	16 546 374	16 546 374	15 911 657	15 911 657
Accounts payable	297 339	297 339	141 345	141 345

(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	158 336
Lease paid	76 051
Revaluation of ROU lease liabilities	0
Lease value closing balance	**82 285**

The Group leased office at Żurawia 47/49 Street from March 2022 with the monthly charge of PLN 3 725 (ca. USD 831) per month.

29. CONTINGENT LIABILITIES

As of 31 December 2023 and 31 December 2022 there were no contingent liabilities.

Signature Not Verified
Dokument podpisany przez Katarzyna Pawlak
Data: 2024.05.09 11:12:05 CEST

Katarzyna Pawlak
Executive Director

Signature Not Verified
Dokument podpisany przez Ewa Bańkowska
Data: 2024.05.09 08:53:52 CEST

Ewa Bańkowska
Member of the Management Board

Report prepared by:

Signature Not Verified
Dokument podpisany przez Ewa Bańkowska
Data: 2024.05.09 08:54:58 CEST

Ewa Bańkowska

Warsaw, 9 May 2024