

**BCAUSE FOUNDATION**

**INDEPENDENT AUDITOR'S REPORT AND  
ANNUAL FINANCIAL STATEMENTS**

DECEMBER 31, 2019

*(Translation from the original, in Bulgarian)*

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Council of Founders of BCause Foundation**

#### **Opinion**

We have audited the accompanying financial statements of BCause Foundation (Former name. Bulgarian Charities Aid Foundation) (the "Foundation"), which comprise the balance sheet as at December 31, 2019, the statement of income and expenses, the statement of equity and the statement of cash flows for the year ending on this date, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019, and its financial performance and its cash flows for the year, ending on this date, in accordance with National Accounting Standards ("NAS"), applicable in Bulgaria.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The Management are responsible for the other information. The other information comprises the annual report on activities, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditor's report and to the extent it is specifically stated.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Additional matters, required to be reported by the Accountancy Act**

In addition to our reporting responsibilities according to ISAs described in section "Information Other than the Financial Statements and Auditor's Report Thereon", with respect to the annual report on activities, we have also performed the procedures, together with the required under ISA, hi accordance with the "Guidelines regarding new extended reports and communication by the auditor" of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures include tests over the existence, form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act, applicable in Bulgaria.

### *Opinion under Article 37, paragraph 6 of the Accountancy Act*

Based on the procedures performed, in our opinion:

- The information included in the annual report on the activities for the financial year for which the financial statements have been prepared, is consistent with the financial statements.
- The annual report on the activities has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

## **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with NAS applicable in Bulgaria, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*The original auditor's report was signed by Zaharinka Gabrovska,*

*Registered Auditor, responsible for the audit*

*2 "Tsarkovna nezavisimost", entr. V*

*Ruse, Bulgaria*

*March 10, 2021*

*[signature and stamp by Zaharinka Gabrovska, registered auditor, 0192]*

BCAUSE FOUNDATION  
BALANCE SHEET  
AS OF DECEMBER 31, 2019

*All amounts are in thousands of Bulgarian leva, unless otherwise stated*

	Note	As of 31.12.2019	As of 31.12.2018
<b>ASSETS</b>			
Non-current assets			
Non-current (fixed) assets	5	5	9
Intangible assets	5	1	1
Total non-current assets		6	10
<b>Current assets</b>			
Cash	4	1840	1982
Inventories		-	7
Short-term receivables	6	174	191
Advance payments		-	62
Total current assets		2014	2235
<b>TOTAL ASSETS</b>		<b>2020</b>	<b>2245</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		10	10
Reserves		284	239
Result from noncommercial activity		22	42
Result from commercial activity			4
Total equity		316	295
<b>Current liabilities</b>			
Short-term payables	7		
Deferred income		1704	1950
Total current liabilities		1704	1950
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2020</b>	<b>2245</b>

These financial statements were approved on Aug 31<sup>st</sup> 2020:

/signed/  
Elitsa Barakova  
Executive Director

/signed/  
Preparer  
„Strategies“ Consulting company

/Signed/  
Zaharinka Gabrovska, #0192  
Registered Auditor, in charge of the audit  
Date 10 march 2021

BCAUSE FOUNDATION  
 STATEMENT OF INCOME AND EXPENSES FROM NON-PROFIT ACTIVITY  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 All amounts are in thousands of Bulgarian leva unless otherwise stated

	Note	Year ended 31.12.2019	Year ended 31.12.2018
<b>OPERATING INCOME</b>			
Income from conditional donations	8	2747	2566
Income from unconditional donations		-	5
<b>TOTAL OPERATING INCOME</b>		<b>2747</b>	<b>2566</b>
<b>OPERATING EXPENSES</b>			
Expenses for donations	9	-2492	-2174
Expenses for projects implementation	9	-168	-267
Administrative expenses	10	-87	-125
<b>TOTAL OPERATING EXPENSES</b>		<b>-2747</b>	<b>-2566</b>
<b>FINANCE INCOME/ (EXPENSE), NET</b>	<b>11</b>	<b>22</b>	<b>42</b>
<b>RESULT FROM NON-PROFIT ACTIVITY</b>		<b>22</b>	<b>42</b>

These financial statements were approved on Aug 31.08.2020, by:

*/signed/*  
 Elitsa Barakova

Executive Director, BCause

*/signed/*  
 Preparer: Nikolay Georgiev

„Strategies“ Consulting company

*/Signed/*  
 Zaharinka Gabrovska, #0192  
 Registered Auditor, in charge of the audit  
 Date 10 march 2021

BCAUSE FOUNDATION  
 STATEMENT OF INCOME AND EXPENSES FROM PROFIT ACTIVITY  
 FOR THE YEAR ENDED DECEMBER 31, 2019

All amounts are in thousands of Bulgarian leva, unless otherwise stated

	Year ended 31.12.2019	Year ended 31.12.2018
OPERATING INCOME		
Income from sale of services	3	7
Finance income	7	4
<b>TOTAL OPERATING INCOME</b>	<b>10</b>	<b>11</b>
OPERATING EXPENSES		
Goods and hired services	-1	-3
Remunerations	-8	-4
Social security contributions	-1	
<b>TOTAL OPERATING EXPENSES</b>	<b>-10</b>	<b>-7</b>
<b>RESULT FROM PROFIT ACTIVITY</b>		<b>4</b>

These financial statements were approved on Aug 31<sup>st</sup> 2020:

*/signed/*  
 Elitsa Barakova  
 Executive Director

*/signed/*  
 Preparer: Nikolay Georgiev  
 „Strategies“ Consulting company

*/Signed/*  
 Zaharinka Gabrovska, #0192  
 Registered Auditor, in charge of the audit  
 Date 10 march 2021

BCAUSE FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

All amounts are in thousands of Bulgarian leva, unless otherwise stated

	Year ended 31.12.2019	Year ended 31.12.2018
CASH FLOWS FROM NON-PROFIT ACTIVITY		
Proceeds from non-profit activity		
Received conditional donations	2649	3068
Received unconditional donations		
Proceeds from interest income	4	6
Total proceeds from non-profit activity	<u>2653</u>	<u>3074</u>
Payments for non-profit activity		
Paid donations	-2380	-2120
Paid salaries	-198	-229
Paid social security contributions	-63	-62
Payments for services	-42	-101
Other payments		-113
Total payments for non-profit activity	<u>-2683</u>	<u>-2625</u>
Net cash flow from/(for) non-profit activity	<u>-30</u>	<u>449</u>
CASH FLOWS FROM PROFIT ACTIVITY		
Proceeds from sale of assets and services	3	7
Income for extended loan for financing for consideration		150
Interest income	7	3
Total proceeds from profit activity	<u>10</u>	<u>160</u>
Extended loan for financing for consideration	-130	-150
Payments for profit activity	-10	-7
Total payments for profit activity	<u>-140</u>	<u>-157</u>
Net cash flow from profit activity	<u>-130</u>	<u>3</u>
CHANGE IN CASH DURING THE PERIOD	<u>-160</u>	<u>452</u>
CASH AT THE BEGINNING OF THE PERIOD	1982	1494
Effect from changes in foreign exchange rate	18	36
CASH AT THE END OF THE PERIOD	<u>1840</u>	<u>1982</u>

These financial statements were approved on Aug 31<sup>st</sup> 2020.

/signed/  
Elitsa Barakova

Executive Director

/signed/  
Preparer: Nikolay Georgiev

„Strategies“ Consulting company

/Signed/  
Zaharinka Gabrovska, #0192  
Registered Auditor, in charge of the audit  
Date 10 march 2021



BCAUSE FOUNDATION  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2019

All amounts are in thousands of Bulgarian leva, unless otherwise stated

	Share capital	Reserves	Total
BALANCE AS OF JANUARY 1, 2018	10	239	249
Result from profit activity for 2018	-	4	4
Result from non-profit activity for 2018	-	42	42
BALANCE AS OF DECEMBER 31, 2018	10	285	295
Result from profit activity for 2019	-		
Result from non-profit activity for 2019	-	22	22
BALANCE AS OF DECEMBER 31, 2019	10	307	317

These financial statements were approved on Aug 31<sup>st</sup> 2020.

*/signed/*  
Elitsa Barakova  
Executive Director

*/signed/*  
Preparer: Nikolay Georgiev  
„Strategies“ Consulting company

*/Signed/*  
Zaharinka Gabrovska, #0192  
Registered Auditor, in charge of the audit  
Date 10 march 2021

## BCAUSE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

All amounts are in thousands of Bulgarian leva, unless otherwise stated

#### **1 Legal status**

BCause Foundation is an expert organization which works for modern charity and strong and effective non-profit sector.

The Foundation is a part of the worldwide network of CAF Global Alliance, with members in: United Kingdom, Russia, USA, Canada, Brazil, South Africa, India and Australia.

The Foundation is established on November 16, 1995 and registered by Sofia city court on Jan 25<sup>th</sup> 1996 as an independent, non-political, non-religious organization working for public benefit. In 2018 is re-registered, according to the actual revision of the LAW ON NON-PROFIT LEGAL ENTITIES, in the Commercial Register and the Register of Non-Profit Legal Entities.

The Foundation is with seat and management address Sofia, 65 Vitosha Blvd., fl. 3.

The main objective of the Foundation is to promote civil society in Bulgaria by supporting the development of the resources of charitable organizations in the non-profit sector by increasing the donor culture and by improving the management and efficient use of resources to charitable organizations in Bulgaria.

The Foundation encourages donations to charities by individuals, business organizations and the government by providing information to donors about the activities of potential recipients of donations and to the latter –about the policy of potential donors; facilitates and supports the implementation of the government of the tax system, improving the activities of charities and giving the motivation for potential donors.

Scope of for-profit activity: Publication and distribution of specialized literature; formation and participation in companies according to the Law on Non-Profit Organizations (LNPO) and the carrying out of economic activity is subject to the terms and conditions laid down by the laws governing the respective type of business; organization of paid trainings, seminars and awareness programs and research on problems within the scope of the Foundation; consultancy and information services.

The Foundation has a two-tier management system consisting of Council of Founders and Board of Directors.

#### **2 Basis of preparation of the financial statements and accounting principles**

The Foundation keeps its accounting records and prepares its financial statements in accordance with the requirements of the Bulgarian legislation. The Foundation's financial statements have been prepared in accordance with the National Accounting Standards (NAS), applicable in Bulgaria.

These financial statements have been prepared on accrual basis in accordance with the historical cost convention and the going concern assumption.

#### **Functional and presentation currency**

In accordance with the Bulgarian accounting legislation the Foundation keeps its accounting records and prepares its financial statements in the national currency of the Republic of Bulgaria – Bulgarian Lev (BGN). As of January 1, 1999 the Bulgarian Lev is fixed to the EUR at BGN 1.95583 for EUR 1.

## BCAUSE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

All amounts are in thousands of Bulgarian leva, unless otherwise stated

These financial statements are stated in thousand Bulgarian Levs (BGN'000).

#### **Foreign currency**

The transactions in foreign currency are accounted initially in levs by applying the central exchange rate of the Bulgarian National Bank (BNB) to the amount in foreign currency as of the date of the transaction. The foreign exchange rate differences arising from cash foreign exchange transactions, receivables and liabilities denominated in foreign currency, or their reporting at rates other than those at which they were initially stated, are recognized in the income statement at the time of their occurrence. Monetary positions in foreign currency as of December 31, 2019 are valued in the present financial statements at the closing exchange rate of BNB.

#### **Accounting assumptions and accounting estimates**

The application of the National Accounting Standards requires from management to apply some accounting assumptions and accounting estimates in the annual financial statements preparation and valuation of some assets, liabilities, income and expenses. All assumptions are made on the basis of the best estimate, made by the management as of the date of the financial statements preparation. Actual results could differ from those stated in these financial statements.

### **3 Definition and valuation of the items of the financial statements**

#### **Non-current (fixed) assets**

Non-current (fixed) assets are reported at acquisition cost which comprises purchase price or the cost of self-constructed assets less accumulated depreciation and impairment loss, if any.

Non-current (fixed) assets are amortized using the straight-line method over the expected useful life period, determined as of the moment of asset acquisition.

The depreciation rates for the Foundation's non-current (fixed) assets are as follows:

	<u>Annual depreciation rate</u>
Other tangible and intangible assets	15%
Computers / IT equipment	50%

#### **Short-term receivables**

Short-term receivables present receivables on donation agreements, signed in 2019 and received in 2020.

#### **Cash**

Cash includes cash on hand and at banks, both in Bulgarian leva and in foreign currency.

For the purpose of the statement of cash flows preparation, the cash includes the available cash on hand and cash at banks which bear an insignificant risk of changes in value.

## BCAUSE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

All amounts are in thousands of Bulgarian leva, unless otherwise stated

#### **Short-term liabilities**

Short-term liabilities are measured at the value at which they are expected to be settled in the future.

#### **Deferred income and financing**

Deferred income and financing represent conditional donations including donations related to depreciable fixed assets, as well as income which is expected to be realized in future reporting periods. Donations are reported when the Foundation has sufficient assurance that it will comply with the conditions and donations will be received.

Donations are reported as financing which is recognized as income in the current period as follows:

- Donations related to non-depreciable assets – during the periods in which are reported the expenses for performing conditions for donations;
- Donations related to depreciable assets – proportionally to the accrued for the respective period depreciation of assets acquired as a result of donations.

#### **Income and expense recognition**

Income from conditional donations are recognized to the amount of the expenses incurred during the period.

Income from conditional donations for acquisition of non-current (fixed) assets is recognized to the amount of the incurred depreciation costs of acquired through donation assets during the period.

Income from unconditional donations is recognized at the moment of their occurrence.

Expenses for donations are accrued at the moment of their occurrence.

Other income and expenses are accrued at the moment of delivering a good and rendering a service regardless of cash proceeds and payments.

#### **Financial instruments**

The Foundation's financial instruments comprise cash on hand and at banks, current receivables and payables. Management considers that the fair value of financial instruments is approximate to their carrying amount. As fair value is considered the price which would be received for the sale of an asset or paid for the transfer of a liability in an ordinary transaction between market participants as of the evaluation date.

#### **Currency risk**

Currency risk is the risk that the assets and liabilities of the Foundation denominated in foreign currency will change in value as a result of changes in the currency exchange rates of the respective currency to the Bulgarian lev. The Foundation's management considers that the effect from possible change of currency rates is insignificant.

BCAUSE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

All amounts are in thousands of Bulgarian leva, unless otherwise stated

**Taxation**

The Foundation's main activity is non-profit and its result is not subject to taxation with corporate income tax according to the Bulgarian tax legislation. Income tax on profit is charged on the result from and economic activity only.

Deferred tax assets and liabilities occur for all temporary differences between the tax value of assets and liabilities and their carrying amount as of the date of the financial statements. Deferred tax assets and liabilities are determined by using the tax rates expected to be effective at their future realization.

Deferred tax asset is recognized to the extent to which it is probable that there will be future taxable profit against which deductible temporary differences are used. The Foundation has no recognized deferred tax assets and liabilities as of December 31, 2019.

**4 Cash**

As of December 31, 2019 and 2018 cash is as follows:

	As of 31.12.2019	As of 31.12.2018
Cash at current bank accounts	1065	1226
Cash at bank deposits	763	750
Cash on hand	12	6
<b>TOTAL</b>	<b>1840</b>	<b>1982</b>

**5 Non-current (fixed) assets and intangible assets**

	Non-current (fixed) assets	Intangible assets	Total
<b>BOOK VALUE</b>			
Balance as of 01.01.2019	9	1	10
Acquired assets	7	-	7
Sold/derecognized assets	(4)	-	(4)
<b>Balance as of 31.12.2019</b>	<b>5</b>	<b>1</b>	<b>6</b>
<b>DEPRECIATION</b>			
Balance as of 31.12.2018	-	-	-
Incurred	4	-	4
Derecognized	(4)	-	(4)
<b>Balance as of 31.12.2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>BALANCE VALUE AS OF 31.12.2018</b>	<b>9</b>	<b>1</b>	<b>10</b>
<b>BALANCE VALUE AS OF 31.12.2019</b>	<b>5</b>	<b>1</b>	<b>6</b>

**6 Short-term receivables**

	As of 31.12.2019	As of 31.12.2018
Receivables under donation agreements	42	188

BCAUSE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2019

All amounts are in thousands of Bulgarian leva, unless otherwise stated

Payments under contracts	133	3
TOTAL	<u>174</u>	<u>191</u>

**7 Deferred income**

	Amount
Amount of reported conditional donations as of 01.01.2018	1426
Reported conditional donations in 2018	3090
Expenses for conditional donations in 2018	<u>(2566)</u>
AMOUNT OF REPORTED CONDITIONAL DONATIONS AS OF 31.12.2018	1950
Reported conditional donations in 2019	2539
Expenses for conditional donations in 2019	<u>(2785)</u>
AMOUNT OF REPORTED CONDITIONAL DONATIONS AS OF 31.12.2019	<u>1704</u>

**8 Income from donations**

	Year ended 31.12.2019	Year ended 31.12.2018
Income from conditional donations	2747	2566
Income from unconditional donations	-	5
TOTAL	<u>2747</u>	<u>2566</u>

**9 Expenses for donations and projects**

	Year ended 31.12.2019	Year ended 31.12.2018
Expenses for donations	2492	2174
Expenses on projects implementation	168	267
TOTAL	<u>2660</u>	<u>2441</u>

**10 Administrative expenses**

	Year ended 31.12.2019	Year ended 31.12.2018
Salaries	72	37
Social security	10	9
Other administrative expenses	5	79
TOTAL	<u>87</u>	<u>125</u>

**11 Finance income/ (expense), net**

	Year ended 31.12.2019	Year ended 31.12.2018
Foreign exchange rate differences	18	36
Interest income	4	6
TOTAL	<u>22</u>	<u>42</u>

## **12 Key management personnel**

The key management personnel comprise the members of the Council of founders of the Foundation, the Board of Directors of the Foundation and the Executive Director.

The members of the Board of Directors and the Council of founders have accepted to work without receiving consideration to achieve the Foundation's goals. The remuneration and social security benefits for the Executive Director and the management have been reported as expenses for salary and social security and for 2019 they amount to BGN 42 thousand.

## **13 Events after the reporting period end**

At the beginning of 2020 the aggressive worldwide spread of the COVID-19 coronavirus imposed social isolation which affected all aspects of social and economic life. On 11.03.2020 WHO announced the coronavirus COVID-19 as a global pandemic. With a resolution of the National Assembly of the Republic of Bulgaria from 13 March 2020 a state of emergency was announced. In relation to the emergency situation the Foundation's Management has taken up all necessary measures and actions for organizing the continuation of the working processes.

The Foundation is not to be closed during lockdown, however, homeoffice is applied for all employees, with office-shifts. No employees were made redundant due to the crisis. Because of the engagement of the Foundation with donation initiatives and direct support for other non-profit organizations to deal with the COVID-19 crisis, the Foundation registered a higher volume of activities and more received donations. In the end of 2020, the Foundation has applied and received crisis funding to digitalize the services and work from a distance.

Besides the emergency situation and dynamic spread of COVID-19, at the moment, the Management doesn't identify immediate risks to Foundation's activities.

There are no other significant events after the end of the reported period that would require additional corrections and/or disclosures in the financial statements of the Foundation.