

Statistical code: 21580583-7220-572-01
Company registration number: 01-09-921425

ECNL NONPROFIT KFT.

**SUPPLEMENTARY ANNEX TO THE
01/01/2018–12/31/2018
Simplified Annual Report**

Budapest, 03/31/2019

L.S.

authorized signature

I. GENERAL INFORMATION**Description of the Company:**

Company name: ECNL Európai Nonprofit Jogi Központ Szolgáltató Nonprofit Kft.
(European Center for Not-for-Profit Law)

Registered office: HU-1052 Budapest, Apáczai Csere János utca 17. I/1.

Date of foundation: June 19, 2009

Owners as of 31 December 2017:

Owners	Shareholders' equity in HUF	Shareholders' equity %
International Center for Not-for-Profit Law, INC US-20036 Washington DC, 16th street 1126.	HUF 3,000,000	100%
Total:	HUF 3,000,000	100%

Core activities of the Company: 7220 Social science, human research and development

Company registration number: 01-09-921425

Tax number: 21580583-2-41

Statistical code: 21580583-7220-572-01

Date of incorporation: August 31, 2009

Person authorised for representation and signature of the report:

Varga Judit, Manager of the Company, independently
address: HU-1111 Budapest, Budafoki út 17/C. 5/5a

Hadzi-Miceva Evans Katerina, Executive Director,
independently

address: GB CB4 1DH Cambridge St. Andrews Road 15.

Other changes in company law: The Metropolitan Court as Court of Registration incorporated the Company on August 31, 2009, as the legal successor of ECNL Európai Nonprofit Jogi Központ Szolgáltató Közhasznú Társaság by way of transformation.

The Company was awarded public benefit status on June 19, 2003.

Varga Judit is the Manager of the Company, while Katerina Hadzi-Miceva Evans is Executive Director of the Company, both of whom were registered as such by the Metropolitan Court as Court of Registration on July 1, 2015.

Bookkeeper of the Company: C.S.G. Control & Audit Kft.

HU-1137 Budapest, Pozsonyi út 16. 1/9.
 Personally liable: Csontos Gabriella, chartered accountant
 Ministry of Finance (PM) registration number: 139905

Auditor of the Company: AMB Audit Gazdasági, Tanácsadó és Könyvszakértő
 Korlátolt Felelősségű Társaság
 Company registration number: 01-09-266864
 Chamber registration number: 001131
 Certified auditor acting on behalf of the Company:
 Rajcsányiné Dr Gróf Gabriella
 Chamber of Hungarian Auditors (MKVK) membership
 number: 004114

Description of the activities: Promotion of fundamental human rights, including the
 freedom of association and assembly, supporting civil society
 development and public participation at country level and
 through international development cooperation

ECNL Nonprofit Kft.'s business year coincides with the calendar year.

Most important characteristics of the Company's accounting policy:

The Company complies its reporting and bookkeeping obligations in accordance with the provisions of Act C of 2000 on Accounting.

Balance sheet date: December 31, 2018

Date of balance sheet preparation: February 28, 2018

The Company applies version "A" of the simplified annual report.

In terms of the content and breakdown of the profit and loss statement, the Company applies the method identified under Section 108(2) of the Act (Annex 2, version "A").

Cost accounting is performed using the total cost method by booking into account classes 5 and 8.

Deadline for depositing and publication: 31 May of the year following the business year.

Asset-liability evaluation: The Company evaluates and rates its assets and liabilities in accordance with Act C of 2000, while fixed assets and current assets are evaluated at acquisition value.

Tangible asset and depreciation policy:

In terms of the Company's depreciation policy, due to the absence of a specific technical expert opinion, the Company considers the provisions of the Accounting Act and the Corporate Tax Act applicable, and applies the depreciation rates specified therein, calculated pro rata and per days. Depreciation is recognized as a cost once a year, at the end of the business year.

Depreciation of intangible assets was established at 33%, while the expected exploitation period of the know-how capitalized quarterly is 3 years.

Lump-sum depreciation will be charged against tangible assets purchased for less than HUF 100 thousand, which will be immediately written off as cost.

Extra depreciation will only be recognized on an annual basis pursuant to the decision of management or the owners.

No ongoing records are kept of supplies purchased and self-produced; at the end of the year, purchased supplies are taken into inventory at the latest purchase price by way of physical stock-taking, whereas self-produced supplies involved in production are taken into inventory at direct cost price.

Impairment is booked according to the Accounting Act, taking the book value, market value, long-term market perception of the Company and returns on investment into consideration at the rate and on the items determined by the management or the owners.

Scrapping is booked during the year by the Company on assets that cannot be used as intended or that are completely unusable. There were no scrappings in 2018.

An error is regarded as significant if, in the year that the error is discovered during the course of the various audits, the aggregate sum (whether positive or negative) of the value of the errors and error effects (discovered for each year) pertaining to a given business year, and either increasing or reducing the profit or the equity, exceeds the limit set out in the accounting policy. An error is in all cases considered significant by the Company if, in the year that it is found in the course of the audits in respect of the same year, the combined positive or negative amount of the error or the impact of an error which increases or decreases the profit and loss or shareholders' equity exceeds 2% of the balance-sheet total of the audited year, or HUF 1 million, if 2% of the balance-sheet total does not exceed HUF 1 million.

II. BASIC PRINCIPLES OF BALANCE-SHEET EVALUATION

1. Assets

Fixed assets, current assets as well as accrued and deferred assets will be recognized under assets in the balance sheet.

A. Fixed assets

Fixed assets include intangible assets, tangible and financial investments.

Intangible and tangible assets

Intangible assets include the capitalized value of concessions, licences and similar rights, intellectual property, as well as research and development. These items are stated in the report at production cost reduced with depreciation.

Tangible assets are material goods (real estate; concessions, licences and similar rights related to real estate; technical equipment; machinery; vehicles; operating and business equipment; other equipment and capital investments; advances paid on capital investments) that directly or indirectly serve the activity of the Company regardless of whether they have been put into operation or not.

Material goods (instruments, appliances, equipment) that serve the Company's activity for less than one year are stated as current assets in the balance sheet.

The Company books planned depreciation items in days from the date of the commissioning of the asset until the date of the selling or scrapping thereof.

Change in the value of tangible assets in 2018:

Changes in fixed assets

Gross value (HUF thousand)					
	Opening	Increase	Re-classification	Decrease	Closing
Property rights	640				640
Intellectual property	129 477	122 458			251 935
Intangible assets	130 117	122 458	0	0	252 575
Production machinery and equipment	116				116
Operating machinery and equipment	75				75
Office and management appliances	4 380	826		0	5 206
Small-value tangible assets	147	125			272
Capital investments		951	951		0
Tangible assets	4 718	1 902	951	0	5 669

Depreciation according to the Accounting Act (HUF thousand)					
	Opening	Increase	Re-classification	Decrease	Closing
Property rights	591	49			640
Intellectual property	46 083	59 174			105 257
Intangible assets	46 674	59 223	0	0	105 897
Production machinery and equipment	116				116
Operating machinery and equipment	75				75
Office and management appliances	3 950	339		0	4 289
Small-value tangible assets	147	125			272
Tangible assets	4 288	464	0	39	4 752

B. Current Assets

On the balance sheet, current assets include supplies, receivables and financial assets.

1. Supplies

Supplies are physical assets that directly or indirectly serve the Company's business activity. These are usually involved in a specific business activity process and either lose their original physical form during the activity or remain in the same state throughout the activity.

In 2018, the Company did not have any purchased or self-produced supplies.

2. Receivables

Receivables are payment claims from transportation, production, service and other contracts expressed in terms of currency, which are related to product sales, services, loans and advances that have already been provided by the service provider to other parties that acknowledged them. Receivables denominated in HUF will be registered at their value at the time of service delivery, and impairment will be recognized based on the Company's year-end debtor classification.

The Company did not recognize any impairment loss in 2018.

Receivables:	2017	2018	Change (HUF thousand)
Trade receivables	434	124	-310
Other receivables	114	2 733	2 619
Advance	0	20 131	20 131
Total:	548	22 988	22 440

3. Liquid assets:

Liquid assets:	2017	2018	Change (HUF thousand)
Petty cash	914	342	-572
Bank deposits	184 603	278 834	94 231
Total:	185 517	279 176	93 659

C. Accrued income and deferred expenses (assets)

Accrued and deferred assets include in particular costs incurred before the balance sheet date that can only be booked in the next year as well as income that will become due after the balance sheet date, but constitute an item that was earned during the closed business year.

The Company had no accrued income and deferred expenses in 2018.

2. Liabilities

In the balance sheet, liabilities include shareholders' equity, provisions, liabilities as well as accrued and deferred expenses.

D. Shareholders' equity

The Company can only state capital shares as shareholders' equity that were made available by the founders or were left at the Company from after-tax profit.

Shareholders' equity consists of registered capital, capital reserve, accumulated profit reserve, non-distributable reserve, stated capital, registered valuation reserve and after-tax profit.

Shareholders' equity shares registered by the court of registration will be considered stated capital.

Most important changes in shareholders' equity in 2018:

Changes in shareholders' equity:	2017	2018	Change (HUF thousand)
Shareholders' equity	15 477	18 907	3 430
Stated capital	3,000	3,000	0
Stated but unpaid capital	0	0	0
Capital reserve	0	0	0
Accumulated profit reserve	9,737	12 477	2 740
Non-distributable reserve	0	0	0
Valuation reserve	0	0	0
Profit after taxes	2 740	3 430	690

E. Provisions

According to the relevant requirements, the balance sheet must contain three types of provisions: provisions for expected liabilities, provisions for future costs and other provisions. The category of provisions for expected losses no longer exists; it has been replaced with the category of impairment. No provisions were generated in 2018.

F. Liabilities

Liabilities are claims from transportation, production, service and other contracts to be settled in currency, which are related to deliveries, services, advances of money that have already been performed by suppliers, contractors, service providers, lenders, loan providers and which the Company has already acknowledged or accepted.

1. Subordinated liabilities:

As of December 31, 2018, the Company has no subordinated liabilities.

2. Long-term liabilities:

As at December 31, 2018, the Company has no long-term liabilities.

3. Short-term liabilities:

Short-term liabilities:	2017	2018	Change (HUF thousand)
Liabilities to the central budget	3 051	2 857	-194
Liabilities to employees	2 799	2 300	-499
Other short-term liabilities:	153 728	269 628	115 900
Total:	159 578	274 785	115 207

G. Deferred income and accrued expenses

Deferred income and accrued expenses include the following:

- financial income received before the balance sheet date that is related to the subsequent period,
- costs and expenses incurred in relation to the relevant period that will only be realized after the balance sheet date.

Deferred income and accrued expenses:	2017	2018	Change (HUF thousand)
Passive accrued income	10 698	0	-10 698
Accrued costs and expenses	876	9 389	8 513
Deferred income	83 394	146 678	63 284
Total:	94 968	156 067	61 099

3. Analyses related to the profit and loss statement

The profit and loss statement contains the after-tax part of the Company's balance sheet profit (retained by the company), presents the most important factors impacting profit generation, the components thereof and the way in which after-tax profit was generated.

Profit after taxes is the amount that remains after taxes are paid on profits and losses from operations, as well as profits and losses from financial transactions (jointly referred to as profit or loss before taxes).

Profits or losses from financial transactions are defined as the difference between financial income and financial expenditure. *(Data in HUF thousand.)*

Line number	Name of the item	Previous year	Distribution	Current year	Distribution	Change %
I/1	Domestic sales revenue	0	0%	0	0%	0%
I/2	Export sales revenue	6,787	100%	4 040	100%	-40 %
I.	NET SALES REVENUE	6,787	100%	4 040	100%	-40%
II.	CAPITALIZED VALUE OF OWN PERFORMANCE	0	0%	0	0%	0%
III/1	Asset sales	28	0%	0	0%	-100%
III/3	Grants received	189,835	100%	231 364	100%	22%
III/8	Rounding difference	3	0%	4	0%	33%
III/10	Other income	34	0%	42	0%	24%
III.	OTHER INCOME	189,900	92%	231 410	100%	22%
IV/1	Cost of materials	1,088	2%	895	1%	-18%
IV/2	Value of services used	52,741	95%	86 950	96%	65%
IV/3	Value of other services	1,930	3%	2 547	3%	32%
IV.	MATERIAL-TYPE EXPENSES	55,759	100%	90 392	100%	62%
V/1	Salaries	63,906	77%	97 962	76%	6%
V/2	Other personnel-related expenses	4,108	5%	6 517	7%	59%
V/3	Payroll taxes	15,205	18%	14 540	16%	-4%
V.	V. PERSONNEL EXPENSES	83 219	100%	89 019	100%	7%
VI/1	Ordinary depreciation	36,009	100%	59 562	100%	65%
VI/2	Lump-sum depreciation	0	0%	125	0%	0%
VI.	DEPRECIATION	36 009	100%	59 687	100%	66%

VII/1	Asset sales	25	0%	0	0%	-100%
VII/3	Grants provided	11 624	99%	5 582	78%	-52%
VII/7	Penalties		0%	3	0%	0%
VII/12	Rounding difference	6	0%	3	0%	-50%
VII/13	Other expenses	132	1%	1 554	22%	1077%
VII.	VII. OTHER EXPENSES	11 787	100%	7 142	100%	-39%
VIII.	OPERATING PROFIT OR LOSS	9,913	0%	-10 790	0%	-209%
IX/1	Income, exchange rate gains from financial investments (securities, loans)	456	100%	16 321	100%	3479%
IX.	INCOME FROM FINANCIAL TRANSACTIONS	456	100%	16 321	100%	3479%
X/5	Other expenses related to financial transactions	7,629	100%	2 101	100%	-72%
X.	EXPENSES OF FINANCIAL TRANSACTIONS	7,629	100%	2 101	100%	-72%
XI.	PROFIT OR LOSS FROM FINANCIAL TRANSACTIONS	-7 173		14 220		-298%
XII.	PROFIT OR LOSS BEFORE TAXES	2 740		3 4340		25%
XIII.	Tax liability	0	0%	0	0%	0%
XIV.	PROFIT AFTER TAXES	2 740		3 430		25%

Profit after taxes (data in HUF thousand):

Profit or loss before taxes	3 430
Items decreasing the tax base	59 687
Items increasing the tax base	59 690
Tax base	3 433
Tax	309
Tax benefit	-309
Actual tax liability	0

Due to the fact that the Company's revenues are public benefit revenues, its activity is exempted from corporate taxes.

III. ANALYSIS OF THE COMPANY'S ASSETS AND FINANCIAL SITUATION

Changes in the Company's asset, financial and income situation:

Description	Previous year	Distribution	Current year	Distribution	Change
Fixed assets	83,873	31%	147 595	33%	76%
Intangible assets	83,443	99%	146 678	99%	76%
Tangible assets	430	1%	917	1%	113%
Fixed financial assets	0	0%	0	0%	0%
Current assets	186,065	69%	302 164	67%	62%
Supplies	0	0%	0	0%	0%
Receivables	548	9%	22 988	8%	4095%
Shares	0	0%	0	0%	0%
Liquid assets	185,517	100%	279 176	92%	50%

Accrued income and deferred expenses	85	0%		0%	-100%
Total assets	270,023	100%	449 759	100%	67%
Shareholders' equity	15,477	6%	18 907	4%	22%
Stated capital	3,000	19%	3 000	16%	0%
Stated but unpaid capital	0	0%	0	0%	0%
Capital reserve	0	0%	0	0%	0%
Accumulated profit reserve	9,737	63%	12 477	66%	28%
Non-distributable reserve	0	0%	0	0%	0%
Valuation reserve	0	0%	0	0%	0%
Profit after taxes	2,740	0%	3 430	18%	25%
Provisions	0	0%	0	0%	0%
Liabilities	159,578	59%	274 785	61%	72%
Subordinated liabilities	0	0%	0	0%	0%
Long-term liabilities	0	0%	0	0%	0%
Short-term liabilities	159,578	59%	274 785	61%	72%
Deferred income and accrued expenses	94,968	35%	156 067	35%	64%
Total liabilities	270,023	100%	449 759	100%	67%

Profitability analysis				
Indicators	Previous year		Current year	Changes compared to the base year
Operating profit or loss on sales revenue	5.04		-4.58	-0.91
Method of calculation: Operating profit or loss / (net sales revenue + other income)				
Profit or loss before taxes on sales revenue	1.39		1.36	0.98
Method of calculation: profit or loss before taxes / total income. The first two indicators show what percentage of the Company's income from its core activity is retained at the level of the individual profit or loss categories. Considering that the profit before taxes amounts to zero, the value of the indicator cannot be interpreted.				
Return on equity I	17.70		18.14	1.02
Method of calculation: profit or loss before taxes / shareholders' equity.				
Return on equity II	17.70		18.14	1.02
Method of calculation: after-tax profit or loss / shareholders' equity. Shows how effectively the Company can use the capital invested by the owners.				

Analysis of the asset situation of the Company			
Indicators	Previous year	Current year	Changes compared to the base year
Solvency indicator	5.73	4.20	0.73
Method of calculation: shareholders' equity / balance sheet total. The indicator shows the ratio of the shareholders' equity to total liabilities. 4,2% of the Company's assets are financed from the Company's own funds. This is lower than the generally recommended 40%, but the financing structure is stable.			
Growth rate of the shareholders' equity	91.33	114.33	0.00
Method of calculation: after-tax profit / stated capital. The indicator shows changes in the ratio of the after-tax profit and the stated capital. An increase can be observed compared to the base period, which is due to the fact that after-tax profit was increasing.			

Rate of liabilities	59.10	61.10	1.03
Method of calculation: liabilities / balance sheet total. The indicator shows the proportion of short-term, long-term and subordinated liabilities within the Company's total liabilities. The indicator shows that liabilities account for 61.10% of the balance sheet total. The financing structure is stable.			
Coverage of fixed assets	18.45	12.81	0.69
Method of calculation: shareholders' equity / fixed assets Shows whether fixed assets and equity are in accordance with one another. The value of the indicator is less than 100%, which means that shareholders' equity cannot cover the value of fixed assets in the long term.			

Analysis of the financial situation of the Company			
Indicators	Previous year	Current year	Changes compared to the base year
Capital turnover rate	0.44	0.21	0.49
Liquidity is the ability and skill of the Company and the extent to which it can settle its liabilities when they become due. This analysis answers questions on how fast the enterprise can transform its financial capital tied up in various fixed assets to free liquid assets, as well as when and how it is able to use these funds to settle its liabilities. Method of calculation for capital turnover rate: net sales revenue / shareholders' equity. Through its core activity, the Company was able to regenerate its shareholders' equity 0.21 times in 2018.			
Liquidity ratio I	1.17	1.10	0.94
Method of calculation: current assets / short-term liabilities. Liquidity ratios allow us to determine with certainty whether the Company has sufficient coverage to settle its liabilities, also allowing for an unexpected new liability. A ratio exceeding 1 would be desirable.			
Liquidity ratio II	1.17	1.10	0.94
Method of calculation: (current assets – supplies) / short-term liabilities. The second liquidity ratio filters out the effects of the least liquid current assets (supplies); however, the ratio was only marginally affected, as the Company does not have any supplies.			

IV. ADDITIONAL INFORMATION

–Members of the Supervisory Board:

– **Christine Carmen Meissler** (*mother's maiden name: Ruth Linsenmeyer*)

Address or place of residence abroad:

DE-14193 Berlin, Winkler str. 16b.

Authorized recipient: Judit Varga (*mother's maiden name: Edit Kóródi*)

HU-1111 Budapest, Budafoki út 17/C 5/5.

Start of legal relationship: 04/02/2018

End of legal relationship: 04/01/2020

– **Israel de Jesús Leonard Butler** (*mother's maiden name: Maria Inmaculada Rico Aguirre*)

Address or place of residence abroad:

BE-1050 Brussels, Chaussée de Boondael 239/2

Authorized recipient: Judit Varga (*mother's maiden name: Edit Kóródi*)

HU-1111 Budapest, Budafoki út 17/C 5/5..

- Start of legal relationship: 04/02/2018
End of legal relationship: 04/01/2020
- **Boris Strecansky** (*mother's maiden name: Bohdana Synilnykova*)
Address or place of residence abroad:
SL-9009 Bratislava, Ovručská 14

Authorized recipient: Judit Varga (*mother's maiden name: Edit Kóródi*)
HU-1111 Budapest, Budafoki út 17/C 5/5.
Start of legal relationship: 05/06/2016
End of legal relationship: 05/06/2019
 - **John Douglas Clark** (*mother's maiden name: Mabel Clarke*)
Address or place of residence abroad:
GB-15 Raglan, Elms Road Pencarreg Farm.

Authorized recipient: Judit Varga (*mother's maiden name: Edit Kóródi*)
HU-1052 Budapest, Apáczai Csere János utca 17. I. em. 1.
Start of legal relationship: 04/01/2015
End of legal relationship: 04/01/2019
 - **Éva Varga** (*mother's maiden name: Rozália Mária Kocsis*)
HU-1062 Budapest Székely Bertalan u. 5.

Start of legal relationship: 04/02/2018
End of legal relationship: 04/01/2020
 - The Company's Supervisory Board receives no remuneration.
 - The Company does not own any shares and holds no interest in other companies.
 - The Company does not have any financial liabilities that are not stated in its balance sheet.
 - The Company's executive officers received HUF 25,416 in remuneration in the course of the business year; no loans or advances on loans have been disbursed to them.
 - The Company does not own any tangible assets that would directly serve the purpose of environmental protection.
 - The Company does not operate with hazardous waste or materials that are harmful for the environment; therefore, the Company does not have any environmental protection-related obligations.
 - The Company does not have any off-balance-sheet liabilities.
 - Headcount, wages, salaries and other personnel-related expenses:

Personnel expenses	2017	2018	Change (HUF thousand)
Wages and salaries	63,906	67 962	4 056
Other personnel-related expenses	4,108	6 517	2 409
Payroll taxes	15,205	14 540	-665
Total:	83,219	89 019	5 800
Average statistical employee headcount	6 persons	6 persons	

The Company's most important financial management data in 2017:

Balance sheet total:	HUF 449 759 thousand
Profit or loss before taxes:	HUF 3 430 thousand
Net sales revenue:	HUF 4 040 thousand
Shareholders' equity:	HUF 18 907 thousand

Budapest, 03/31/2019

.....
Executive Director