

**Foundation Propulsion Fund**

**Project: Media Initiatives and Partnerships Support**

**(Cooperative Agreement no. 72016919CA00002)**

Independent Auditors' Report

For the Period from January 1, 2021  
through December 31, 2021

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**TRANSMITTAL LETTER****Foundation Propulsion Fund**

Attn: Bord of Directors

Rankeova 16/2/4, Belgrade

11000 Belgrade, Serbia

Dear,

Hereby we submit for your kind attention our reports on the financial audit of the project "*Media Initiatives and Partnerships Support*" (hereinafter "the Project"), implemented by Foundation Propulsion Fund (hereinafter "Propulsion" or "the Organization") and financed under the funds provided by the United States Agency for International Development (the "USAID" or "the Donor"), as stipulated in the Cooperative Agreement no. 72016919CA00002 between the Organization and the Donor, dated August 1 2019, for the period from January 1, 2021 through December 31, 2021. Our reports were conducted in accordance with the Audit Engagement Letter, dated April 1, 2022 between Crowe RS Advisory d.o.o. Belgrade and the Organization.

The reporting package includes the following deliverables:

- Summary;
- Independent Auditor's Report on the Schedule of Expenditures;
- Independent Auditor's Review Report on the Cost-Sharing Schedule;
- Independent Auditor's Report on Internal Control; and
- Independent Auditor's Report on Compliance.

The reports and information contained herein have been prepared pursuant to the requirements set forth in the (a) Statement of Work (Annex 1) included in the above-mentioned contract for audit services, and (b) USAID Financial Audit Guide for Foreign Organizations, ADS Chapter 591 (revised as of August 2021).

We would like to take this opportunity to thank the staff of the Organization for their assistance and cooperation provided to us during the implementation of the audit works.

Yours sincerely,

  
Đorđe Dimić  
Partner

## SUMMARY

### Background

Foundation Propulsion Fund ("the Organization") is an organization of full-service communication specialized in innovative socially engaged campaigns and projects with headquarters in Belgrade and Sarajevo. The Organization occupies a unique market niche between the clients' core business, their socially responsible projects, PR, communications and marketing. In over 60 initiatives per year, Propulsion team produces dozens of integrated creative, digital, design, print, PR, lobbying, community and video campaigns that reach hundreds of thousands of people.

The Organization collaborates with leading brands, development organizations and government bodies with whom the Organization creatively designs and leads projects of social responsibility and positive impact on society, worth more than a million dollars per year. In this area, the Organization is the leading supplier in the Adria region.

With the financial support of USAID, the Organization implements the "Media Initiatives and Partnerships Support " (MIPS) program. Within the framework of the work plan, it is envisaged to work on raising the level of information, knowledge and skills in the field of media and information literacy (MIL), digital literacy (DIL), research (RES) and digital rights and obligations (R&R) through various formats and materials developed in cooperation with the leading domestic experts.

- Media and Information Literacy (MIL): Improve program target groups' critical thinking skills related to MIL through increasing their awareness and knowledge about key media and information literacy issues and concepts.
- Digital Literacy (DIL): Increase target groups' capabilities to critically assess digital content and communicate safely and responsibly in the digital sphere, with a specific emphasis on the education system (teachers and students).
- Research (RES): Enlarge the body of public knowledge and understanding of key media, digital and information related issues and trends.
- Rights and Responsibilities (R&R): Foster cross-sectoral partnerships among citizens, government, corporate and civil society actors to advance dialogue and engagement on digital rights and responsibilities.

The MIPS Program actively works with citizens, media, companies, the educational system, influencers and the state administration so that the best practices of media, information and digital literacy are among the foundations of modern Serbian society. The program designed in this way wants to contribute to the creation of a society of media and digitally aware and responsible citizens, considering that it is increasingly difficult to cope with the changes of the recent reality if we do not become literate in new ways. The cooperation takes place within the framework of the four-year "Media Initiatives and Partnerships Support" program implemented by the Propulsion Foundation in partnership with the United States Agency for International Development (USAID). One of the goals of the program is to provide assistance to the Government of Serbia in terms of capacity building in the areas of media, information and digital literacy, as well as the improvement of institutional development in this area, in accordance with the support agreement concluded during 2020 between the Governments of Serbia and USA.

Media and digital content in Serbia is wide and often unreliable and confusing. Information produced and distributed by media actors (political entities, companies, marketers, bloggers and influencers) is widely available on the Internet and through traditional platforms and channels. The abundance of media and digital content is characterized by entertainment, sensationalism, vague and inaccurate information that affects the relevance of citizens' participation in public life. On the other hand, citizens do not sufficiently perceive the extent, manner and how these digital/media tools, narratives, content and information shape their decision-making process. This limits them to develop the ability and critical thinking skills to assess the quality and relevance of the media and digital content they consume.

Lack of awareness also contributes to the absence of a systematic and structured approach to media and digital literacy. Appropriate mechanisms or platforms would help navigate the oversaturated digital and media world. Educational tools, formal and informal, that would support the population to use media and digital content responsibly and with critical thinking have not been developed. This negative trend indicates that a large part of the public is unable to make choices based on reliable information, which adversely affects socio-economic, educational, cultural and political decisions. Lack of awareness and skills lead to problems with privacy protection, digital security, and represent a challenge for responsible and safe communication on the Internet, understanding the impact of content exposure algorithms.

The program works to raise awareness about media and digital literacy, but also to develop tools, formal and informal educational programs and mechanisms that will influence the development of critical thinking and problem solving skills. This approach affects how citizens find their way in the digital and media space, and how they make everyday decisions.

The Cooperative Agreement no. 72016919CA00002 effective date is August 1, 2019 up to the completion date as of July 31, 2023. The period covered under this financial audit is from January 1, 2021 through December 31, 2021.

Project Budget is the following:

<b>In USD</b>	
Direct Cost	2,878,691
Grants	120,000
Indirect Cost	-
<b>Total</b>	<b>2,998,691</b>

In order to ensure a more effective and efficient implementation of this project and accompanying activities, the partners in this project (besides USAID as Donor and Propulsion as Recipient) are CESID (Research Expert Partner), Business Info Group (MIL Expert Partner), Digital Serbia Initiative (DIL Expert Partner), BETA (News Distribution Expert Partner) and Propulsion Ltd (Strategy Expert Partner). At the beginning of 2021, cooperation with Business Info Group was terminated.

During 2021, the following campaigns were carried out: New Year, New Literacy campaign, The closing Influence Academy event Logging into a New Age, Digital Expedition Caravan across 16 cities and towns in Serbia, Influencer Academy, Media Literacy Handbook for Parents, during Global Media and Information Literacy (MIL) Week, MIPS implemented a campaign that included placing billboards in front of the most important institutions responsible for decision making (e.g. the Government building), health care (e.g. Clinic for Infectious and Tropical Diseases) and media (e.g. Radio Television of Serbia) in Belgrade, Novi Sad and Nis etc.

### **Prior Audit Recommendations**

In accordance with Chapter 4 of the U.S. Government Auditing Standards, Section "Considering the Result of Previous Audits and Attestation Engagements", we are required to consider the results of previous audits and follow up on known significant findings and recommendations that are directly related to the objectives of the audit.

Given the fact that the financial audit of the USAID funds managed by the Organization under the project "*Media Initiatives and Partnerships Support*", Cooperative Agreement no. 72016919CA00002, for the year ended December 31, 2021 is an initial external financial audit, there are no prior external audit recommendations to report on.

However, During the previous period, there were two survey reports, Pre-Award Survey report from May 17, 2019 with 13 recommendations, and Post-Award Survey follow up report from May 10, 2021. Of the initial 13 recommendations, after the follow-up audit, 5 recommendations remained for future follow-up.

Recommendations that in accordance with the Post-Award Survey required future follow up were:

- 1) The organization should introduce formal monthly documented cash flow projections, and reviews of cash needs to improve planning of its liquidity on monthly basis. – *the Organization has introduced monthly variance reports that should improve the liquidity plans for future periods.*

- 2) Propulsion should consider introducing time and attendance sheets on the organizational level for all employees. These should be printed, signed by employee and by the supervisor. – *the Organization has introduced timesheets that contain the sign-off of the related individual, as well as the Directors.*
- 3) Propulsion should consider developing a sub-grants manual - *In April 2021, a competition was opened for the project #Digital Expedition - Challenge 2021 with the aim of increasing the level of digital literacy of primary and secondary school students in the Republic of Serbia. The project was implemented in cooperation with the Ministry of Education, Science and Technological Development, the Institute for the Evaluation of the Quality of Education and Training, the Institute for the Improvement of Education and Training and the Digital Serbia Initiative. Although Article 8 of the Rulebook on Grants defines that the decision on granting grants is made by a three-member commission, in this procedure a five-member commission decided - one representative from each. All received applications were scored, and the final decision on the projects to be held was publicly announced on the website of the Institute for the Improvement of Education. Some of the winning projects were not completed until October 2021, so their deadline was extended until October 2022.*
- 4) Propulsion should consider developing annual budgets at the organization level and preparing variance analysis to analyze actual data versus budget data, preferably on quarterly basis - *the Organization has introduced monthly variance reports that should improve the overall planning and budget vs. actual consideration.*
- 5) Propulsion should consider expanding the written policies and procedures for project management and monitoring, including project staff selection and hiring, management and supervision, relationship between project team(s) and core Propulsion team/office, and core Propulsion team/office monitoring and supervision of individual project(s)/ project team(s) – *budget for the Y2 foreseen the employment of one individual on the position of Programatic Manager, however due to the continuation of the COVID-19 pandemic and its uncertain impact, the management of Propulsion made the decision to hire external experts who will perform tasks that would be the responsibility of the person employed in this position. As a consequence of the above, during 2021, this position remained vacant.*

Additionally, the Organization had a voluntary external audit of the financial statements for 2020 in order to obtain an opinion on these financial statements as well as recommendations for improving operations, internal procedures and accounting records.

#### **Indirect cost rates**

Audit objectives do not include review of indirect cost rates, since the Organization does not have a provisional indirect cost rate authorized by the USAID.

#### **Cost-sharing/Matching Contributions**

Audit objectives do not include review of cost-sharing/matching contributions, since no such costs are applicable to the Organization or are deriving from the Cooperation Agreement.

#### **Objectives and scope of the financial audit**

##### *Objectives*

The objective of this engagement is to conduct a financial audit of the USAID funds managed by the Organization under project “*Media Initiatives and Partnerships Support*”, Cooperative Agreement no. 72016919CA00002, for the year ended December 31, 2021 in accordance with (i) the U.S. Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States General Accountability Office, (ii) International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), in conjunction with GAGAS; and (iii) the USAID financial Audit Guide.

The Schedule of Expenditures is the basic financial statement to be audited that presents the recipient's revenues, costs incurred, cash balance of funds provided by the USAID, and commodities and technical assistance directly procured by the USAID for the recipient's use. The Schedule of Expenditure is expressed in US dollars.

Specific objectives of the audit of the USAID-provided funds are to:

- Express an opinion on whether the Schedule of Expenditures for the USAID-funded Project presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis, if appropriate).
- Evaluate and obtain a sufficient understanding of Propulsion's internal controls related to the USAID-funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses
- Perform tests to determine whether Propulsion complied, in all material respects, with agreement terms (including cost-sharing/matching contributions, if applicable) and applicable laws and regulations related to USAID-funded programs.

#### *Scope*

The following comprises our scope of work and our main procedures performed.

(i) With regard to the Schedule of Expenditures, we have evaluated Project implementation actions to determine whether specific costs incurred are allowable, allocable, and reasonable under the agreement terms and applicable cost principles, and to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control. We have examined the Schedule of Expenditures for the above mentioned USAID-funded Project including the budgeted amounts by category and major items; the revenues received from the USAID for the period covered by the audit; the costs incurred during that period; and the assets/technical assistance directly procured by the USAID for Propulsion's use. As part of our work, we have completed the following:

- 1) Review of costs billed to and reimbursed by the USAID and costs incurred but pending reimbursement by USAID, identifying and quantifying any questioned costs. Presentation of all costs that are not supported with adequate documentation or not in accordance with the agreement terms as questioned, and categorization as (a) ineligible costs, that are explicitly questioned because they are unreasonable, unallowable, prohibited by agreements or applicable laws and regulations, or not Project related; and (b) unsupported costs, that are not supported with adequate documentation or did not have required prior approvals or authorization.
- 2) Review of general and Project ledgers to determine whether costs incurred were properly recorded; reconciliation of direct costs billed to, and reimbursed by the USAID to the Project and general ledgers;
- 3) Review of the procedures used to control the funds, including their channeling to subcontractors; review of bank accounts and controls on bank accounts.
- 4) Review of (a) the substantiation of disbursement requests made to the USAID, including reconciliations of funds advanced, disbursed, and available; (b) proper recording of all funding received from the USAID in the Propulsion's accounting records, and their periodical reconciliation with the USAID records;
- 5) Determine whether Project income and reimbursement, if any, representing recoveries of direct and indirect costs, are recorded as income or as credits to project cost accounts.
- 6) Review of procurement with regard to (a) application of sound commercial practices and competition, (b) reasonableness of prices obtained, (c) adequate controls over the qualities and quantities received;
- 7) Review of direct salary charges with regard to (a) reasonableness of salary rates and their approval, if required, (b) substantiation by appropriate payroll records, (c) allowableness of any overtime charged to the Project, (d) compliance of allowances and fringe benefits to the agreements and applicable laws and regulations;
- 8) Review of travel and transportation charges to determine whether they are adequately supported and approved;
- 9) Review of assets procured by Propulsion as well as those (if any) directly procured by the USAID for the recipient's use to determine whether (a) the assets are accounted for; (b) the assets have been used for their intended purposes, (c) control procedures exist and have been placed in operation to adequately safeguard the assets;
- 10) Review of technical assistance and services procured by Propulsion or directly procured by the USAID for Propulsion. We determined whether technical assistance and services: (a) were used for their intended Project purposes; (b) were adequately supported by Propulsion as required by the terms of the agreement and applicable laws and regulations; (c) were properly accounted for.

(ii) With regard to internal controls, our scope of work included the review and evaluation of the recipient's internal controls related to the USAID-funded Project in order to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation.

The major internal control components under review and assessment included, but were not limited to the controls related to each revenue and expense account on the Schedule of Expenditures. As part of our audit procedures, we aimed to:

- 1) obtain sufficient understanding of internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed;
- 2) assess inherent and control risks, in order to determine the detection risk;
- 3) summarize risk assessments for each assertion;
- 4) evaluate the control environment, adequacy of the accounting systems, and control procedures, including policies and procedures that pertain to the recipient's ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the Schedule of Expenditures. The internal control evaluation includes:
  - Understanding and documentation of the internal control environment on both entity and activity levels;
  - Assessing design effectiveness of controls for each of the processes within two levels;
  - Assessing operating effectiveness of controls by conducting walkthrough test and test of details for each significant cycle with a critical assertion.

This evaluation included, but was not limited to, the control systems for:

- ensuring that charges to the Project are proper and supported;
  - managing cash-on-hand and in bank accounts;
  - procuring goods and services;
  - managing inventory and receiving functions;
  - managing of personnel functions such as timekeeping, salaries, and benefits;
  - managing and disposing of assets (such as vehicles, equipment, and tools and other assets) purchased through the USAID resources managed by the recipient or directly by the USAID; and
  - ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the Schedule of Expenditures.
- 5) evaluate internal control established to ensure compliance with cost-sharing requirements (if any), including both provision and management of contributions.

(iii) With regard to compliance with agreement terms and applicable laws and regulations, our scope of work included the following tests and procedures:

- 1) review of the agreement and applicable laws and regulations, as well as other documents related to Propulsion and regulation of Propulsion's operations, such as accounting and administrative policies and procedures, etc., with the objective to (a) identify requirements imposed by these agreements and documents; and (b) determine those, which, if not observed, could have a direct and material effect on the Schedule of Expenditures;
- 2) test of Propulsion's compliance to the above-mentioned requirements. Areas of compliance tested included, inter alia, the following:
  - compliance of payments made to the agreement and applicable laws and regulations;
  - inappropriate costs or funds expended for unauthorized purposes;
  - existence, appropriate marking and use of assets procured;
  - appropriate use of any technical assistance and services procured;
  - calculation of the amount of cost-sharing funds, if applicable, and their recording;
  - provision of the cost-sharing funds, if applicable, according to the terms of the agreement, quantification of any shortfalls;
  - eligibility of services and benefits for such services and benefits;
  - substantiation of the recipient's financial reports and claims for advances and reimbursement by books and records;



### **Scope limitations**

Our continuing professional education program may not fully satisfy the requirements set forth in Chapter 3, paragraph 3.76 of the U.S. Government Auditing Standards (December 2011 revision issued by the United States Government Accountability Office), since not all auditors involved in the engagement's planning, directing, performing field work and reporting have completed at least 24 hours every 2 years of continuing professional education directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. We believe that the effects of this departure from U.S. Government Auditing Standards are not material, as the firm's current continuing professional education program provides for at least 120 hours of continuing professional education and training every three years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirements.

We did not have an external quality control review conducted by an unaffiliated audit organization as required by Chapter 3, paragraph 3.82.b of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Serbia. We believe that the effects of this departure from U.S. Government Auditing Standards are not material, because we participate in the Crowe Global worldwide internal quality control review program, which requires our office to be subjected, every three years, to an extensive quality control peer review by partners and managers from other Crowe Global member offices, and such control was last performed in 2021.

### **Summary of audit results**

Following is a brief summary of the audit results on the Schedule of Expenditures, internal control, compliance with the agreement terms and applicable laws and regulations.

#### *Schedule of Expenditures*

The Schedule of Expenditures presents fairly, in all material respects, Project revenues, costs incurred and reimbursed during the year ended December 31, 2021 in accordance with the terms of agreement and in conformity with the basis of accounting described in the note 2 to the Schedule of Expenditures.

#### *Internal control*

In planning and performing our audit, we considered the entity's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule of Expenditures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our consideration of internal control was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We have noted certain matters involving internal control and its operation that we have reported to the management of Propulsion in a separate letter.

#### *Compliance*

In planning and performing our audit, we considered whether the Schedule of Expenditures is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Schedule of Expenditures amounts. The results of our tests disclosed no instances of noncompliance that are required to be reported here under U.S. Government Auditing Standards.

### **Questioned costs**

Our audit procedures for the Schedule of Expenditures for the year ended December 31, 2021 have not revealed any questioned costs, i.e. (a) ineligible costs that are explicitly questioned because they are unreasonable, prohibited by the agreement or applicable laws and regulations; or not Project-related; and (b) unsupported costs, that are not supported with adequate documentation or did not have required prior approvals or authorizations.

**Management comments on audit results**

Propulsion management agrees with the audit results and findings. Actions are being undertaken for implementation of audit recommendations.

Belgrade, September 30, 2022

## INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF USAID FUNDED PROJECT

### To the Bord of Directors of Foundation Propulsion Fund

Rankeova 16/2/4, Belgrade

11000 Belgrade, Serbia

We have audited the Schedule of Expenditures of the project "Media Initiatives and Partnerships Support" (hereinafter "the Project"), implemented by Foundation Propulsion Fund (hereinafter "the Organization") financed by the United States Agency for International Development (the "USAID"), as stipulated in the Cooperative Agreement no. 72016919CA00002 between the Organization and the USAID, dated August 1 2019, for the period from January 1, 2021 through December 31, 2021. The schedule of expenditures is the responsibility of the Organization's management. Our responsibility is to express an opinion on the schedule of expenditures based on our audit.

Except as discussed in the following paragraphs, we conducted our audit of the schedule of expenditures in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our continuing professional education may not fully satisfy the requirements set forth in Chapter 3, paragraph 3.76 of the U.S. Government Auditing Standards (December 2011 revision issued by the United States Government Accountability Office), since not all auditors involved in the engagement's planning, directing, performing field work and reporting have completed at least 24 hours every 2 years of continuing professional education directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. However, the firm's current continuing professional education program provides for at least 120 hours of continuing professional education and training every three years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirements.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.82.b of U.S. Government Auditing Standards, since no such product is offered by professional organizations in Serbia. We believe that the effects of this departure from the U.S. Government Auditing Standards are not material, because we participate in the Crowe Global worldwide internal quality control review program, which requires our office to be subjected, every three years, to an extensive quality control peer review by partners and managers from other Crowe Global member offices.

In our opinion, the schedule of expenditures referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year then ended in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 2.

In accordance with U.S. Government Auditing Standards, we have also issued our reports dated September 30, 2022, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent's Auditor's Report in considering the results of our audit.

This report is intended for the information of the Organization and USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Belgrade, September 30, 2022



Crowe RS Advisory doo  
Majke Jevrosime 23  
Belgrade  
Serbia



propulsion

**FOUNDATION PROPULSION FUND**

**PROJECT FINANCING – USAID, COOPERATIVE AGREEMENT, ID NUMBER #72016919CA00002, “MEDIA INITIATIVES AND PARTNERSHIPS SUPPORT”**

**SCHEDULE OF EXPENDITURES**

**From January 1, 2021 to December 31, 2021**

Budget Line Item	Agreement Budget	Actual Revenues and Expenditures	Cumulative Revenues and Expenditures	Questioned Costs		Notes
				Ineligible	Unsupported	
	Aug 1, 2019 – Dec 31, 2021	Jan 1, 2021 – Dec 31, 2021	Aug 1, 2019 – Dec 31, 2021			
<b>Revenues</b>						
USAID Contributions	639,185	927,493	1,566,678	-	-	Note 1
Other revenues	-	-	-	-	-	
<b>Total Revenues</b>	<b>639,185</b>	<b>927,493</b>	<b>1,566,678</b>			
<b>Costs</b>						
Salaries	182,567	196,578	379,145	-	-	
Consultants	32,973	60,763	93,736	-	-	Note 3
Travel Expenses	6,078	9,302	15,380	-	-	Note 4
Equipment	9,232	8,297	17,529	-	-	Note 5
Other Direct Costs	38,087	32,446	70,533	-	-	Note 6
Program Expenses	411,610	790,509	1,202,119	-	-	Note 7
Subcontracts	9,774	12,226	22,000	-	-	Note 8
Grants	10,117	10,291	20,408	-	-	Note 9
<b>Total Costs</b>	<b>700,438</b>	<b>1,120,412</b>	<b>1,820,850</b>			
<b>Cash Balance</b>	<b>(61,253)</b>	<b>(192,919)</b>	<b>(254,172)</b>			

Vildana Drijevic Boljanic,

Foundation Propulsion Fund director



**We Design Impact**

Rankeeva 16, Belgrade +381 11 405 9619

Maglajska 1, Sarajevo +387 33 447 227

we@propulsion.one www.propulsion.one

## NOTES TO THE SCHEDULE OF EXPENDITURES

### PROJECT FINANCING – USAID, COOPERATIVE AGREEMENT, ID NUMBER #72016919CA00002, “MEDIA INITIATIVES AND PARTNERSHIPS SUPPORT”

For the period from January 1, 2021 to December 31, 2021

#### 1. GENERAL INFORMATION

Foundation Propulsion Fund (“the Organization”) is an organization of full-service communication specialized in innovative socially engaged campaigns and projects with headquarters in Belgrade and Sarajevo. The Organization occupies a unique market niche between the clients' core business, their socially responsible projects, PR, communications and marketing. In over 60 initiatives per year, Propulsion team produces dozens of integrated creative, digital, design, print, PR, lobbying, community and video campaigns that reach hundreds of thousands of people.

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Lack of awareness also contributes to the absence of a systematic and structured approach to media and digital literacy. Appropriate mechanisms or platforms would help navigate the oversaturated digital and media world. Educational tools, formal and informal, that would support the population to use media and digital content responsibly and with critical thinking have not been developed. This negative trend indicates that a large part of the public is unable to make choices based on reliable information, which adversely affects socio-economic, educational, cultural and political decisions. Lack of awareness and skills lead to problems with privacy protection, digital security, and represent a challenge for responsible and safe communication on the Internet, understanding the impact of content exposure algorithms.

The program works to raise awareness about media and digital literacy, but also to develop tools, formal and informal educational programs and mechanisms that will influence the development of critical thinking and problem solving skills. This approach affects how citizens find their way in the digital and media space, and how they make everyday decisions.

In order to improve the media and digital literacy of the population of Serbia, USAID and Propulsion signed a Cooperative Agreement no. 72016919CA00002 in the total amount of \$2,998,691 for implementation of Media Initiatives and Partnerships Support (MIPS) Activity, in the period from August 1, 2019 through July 31, 2023.

Project Budget is the following:

<b>In USD</b>	
Direct Cost	2,878,691
Grants	120,000
Indirect Cost	-
<b>Total</b>	<b>2,998,691</b>

In order to ensure a more effective and efficient implementation of this project and accompanying activities, the partners in this project (besides USAID as Donor and Propulsion as Recipient) are CESID (Research Expert Partner), Business Info Group (MIL Expert Partner), Digital Serbia Initiative (DIL Expert Partner), BETA (News Distribution Expert Partner) and Propulsion Ltd (Strategy Expert Partner). At the beginning of 2021, cooperation with Business Info Group was terminated.

During 2021, the following campaigns were carried out: New Year, New Literacy campaign, The closing Influence Academy event Logging into a New Age, Digital Expedition Caravan across 16 cities and towns in Serbia, Influencer Academy, Media Literacy Handbook for Parents, during Global Media and Information Literacy (MIL) Week, MIPS implemented a campaign that included placing billboards in front of the most important institutions responsible for decision making (e.g. the Government building), health care (e.g. Clinic for Infectious and Tropical Diseases) and media (e.g. Radio Television of Serbia) in Belgrade, Novi Sad and Nis etc.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The following are the principal accounting policies applied by the management of the program:

### **a) Basis of preparation**

Accounting records of the Project have been maintained by the Organization under the accrual basis of accounting. The Schedule of Expenditures has been prepared on the cash basis of accounting. Under this basis, revenues are recognized when received rather than when earned, and expenses are recognized when paid, rather than when incurred.

### **b) Functional and presentation currency**

The functional currencies of the Project are United States dollars (USD) and Serbian dinars (RSD). The Schedule of Expenditures is presented in US dollars.

### **c) Foreign currencies**

Revenue is received in Serbian dinars. Conversion to US dollars is according to ROE which is obtained from USAID. Expenses are recorded in US dollars and in RSD. Expenses recorded in RSD are converted to US dollars using the historical foreign exchange rate, i.e. exchange rate at which USAID financing is converted into RSD.

### **d) Revenue**

Revenue consists of funding made by the USAID to the Project's separate bank account in RSD held by the Organization in accordance with the procedures prescribed in the Cooperative Agreement.

### **e) Expenses**

Expenses include payments made by the Organization for implementation of Project activities envisioned under the Cooperative Agreement.

### **f) Cash balance**

Project cash balances are comprised of balances held by the Organization on the separate RSD account.

### 3. CONSULTANTS

In US dollars	For the year ended December 31, 2021
Public Affairs Expert	8,059
Consultants for Digital and Media Literacy	18,560
Consultants for Programming and development	3,097
Consultant for Monitoring and Evaluation	5,966
Consultants for Rights and responsibilities and Programming	10,897
Other thematic experts	14,184
<b>Total</b>	<b>60,763</b>

### 4. TRAVEL EXPENSES

In US dollars	For the year ended December 31, 2021
<i>International Travel (EU &amp; Western Balkans)</i>	
Airfare	294
Lodging	328
<i>Domestic Travel</i>	
Taxi	1,929
Vehicle	2,948
Public Transportation Expenses	68
Per Diem	701
Lodging	3,034
<b>Total</b>	<b>9,302</b>

### 5. EQUIPMENT

In US dollars	For the year ended December 31, 2021
<i>Office Equipment</i>	
Lease Vehicle Payment	3,018
Conference system	486
Miscellaneous: computer mouse, speakers, cables, usb etc.	4,683
<i>Office Furniture</i>	
Cabinet	110
<b>Total</b>	<b>8,297</b>



## 6. OTHER DIRECT COSTS

In US dollars	For the year ended December 31, 2021
<i>Office Expenses</i>	
Rent	19,854
Utilities	2,986
Communication – office phone costs and cell phone costs	4,176
Internet	486
Supplies	1,179
Janitorial Services	1,257
 <i>Online storage</i>	
Dropbox, Go Daddy, Google, Freedcamp, Dreamhost and similar	2,508
<b>Total</b>	<b>32,446</b>

## 7. PROGRAM EXPENSES

In US dollars	For the year ended December 31, 2021
<i>Program Expenses (Support to program implementation)</i>	
Program planning session	106
MELP sessions (stakeholders, subcontractors, and other MELP activities)	991
Meetings	1,819
 <i>Other Expenses</i>	
Insurance - Car, Travel, Private Health, Property and equipment	2,397
Equipment and Vehicle Maintenance Expenses	1,889
Bank Fees	581
 <i>Annual Membership fees</i>	
Business associations: Serbian Association of Managers (SAM); AmCham Serbia; Srpski Filantropski Forum (SFF) etc.	614
 <i>Program services</i>	
Strategy, development & Activity Director services (Propulsion Ltd)	34,806
Media Information Literacy support services (BIG)	3,293
Media Information Literacy support services – Program	109,102
Digital Information Literacy support services (DSI)	107,052
Digital Information Literacy support services – Program	72,857
Media support services (BETA)	66,526
Research services (CESID)	80,402
Rights and Responsibilities – Program	8,038
Campaign costs	187,107
Event costs	112,929
<b>Total</b>	<b>790,509</b>

**8. SUBCONTRACTS**

In US dollars	For the year ended December 31, 2021
Bookkeeping Services	4,743
Legal Services	1,530
Audit Services	2,893
Administrative Support Services	1,775
Other small costs	1,285
<b>Total</b>	<b>12,226</b>

**9. GRANTS**

In US dollars	For the year ended December 31, 2021
Grants	10,291
<b>Total</b>	<b>10,291</b>

**10. RECONCILIATION OF FUND AND CASH BALANCES**

In US dollars	As of January 1, 2021	As of December 31, 2021
Fund balances	2,998,691	2,298,253
USAID contribution	(639,184)	(927,493)
Cash balances on USAID project bank account (note 11)	53,663	20,935
	<b>2,413,170</b>	<b>1,391,695</b>
<b>Reconciling items</b>		
Project expenses to be refunded from USAID funds	<b>(61,254)</b>	<b>(192,918)</b>
Project expenses accrued and will be paid from USAID project bank account	<b>(53,663)</b>	<b>(20,935)</b>
<b>Fund balances</b>	<b>2,298,253</b>	<b>1,177,842</b>

**11. CASH BALANCES**

In US dollars	As of January 1, 2021	As of December 31, 2021
Balances on bank account (note 10)	53,663	20,935
<b>Total</b>	<b>53,663</b>	<b>20,935</b>

**12. TAXATION**

Goods purchased and services provided within the framework of the USAID Grant Agreements are VAT-exempt according to the Agreement between the United States of America Government and the Government of Federal Republic of Yugoslavia dated on March 6, 2001 related to "Concerning economic, technical and related assistance"

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

### To the Bord of Directors of Foundation Propulsion Fund

Rankeova 16/2/4, Belgrade

11000 Belgrade, Serbia

We have audited the Schedule of Expenditures of the project "Media Initiatives and Partnerships Support" (hereinafter "the Project"), implemented by Foundation Propulsion Fund (hereinafter "the Organization") financed by the United States Agency for International Development (the "USAID"), as stipulated in the Cooperative Agreement no. 72016919CA00002 between the Organization and the USAID, dated August 1 2019, for the period from January 1, 2021 through December 31, 2021, and have issued our report on it dated September 30, 2022. The schedule of expenditures is the responsibility of the Organization's management. Our responsibility is to express an opinion on the schedule of expenditures based on our audit.

Except for not having a fully satisfactory continuing education program and not having an external quality control review by an unaffiliated audit organization (as described in our report on the Schedule of Expenditures), we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. In planning and performing our audit, we considered the entity's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we noted certain matters involving internal control and its operation that we have reported to the management of the Organization in a separate letter dated September 2, 2022.

This report is intended for the information of the Organization and the U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Belgrade, September 30, 2022



Đorđe Dimić  
Partner

Crowe RS Advisory doo  
Majke Jevrosime 23  
Belgrade  
Serbia

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

### To the Bord of Directors of Foundation Propulsion Fund

Rankeova 16/2/4, Belgrade

11000 Belgrade, Serbia

We have audited the Schedule of Expenditures of the project "Media Initiatives and Partnerships Support" (hereinafter "the Project"), implemented by Foundation Propulsion Fund (hereinafter "the Organization") financed by the United States Agency for International Development (the "USAID"), as stipulated in the Cooperative Agreement no. 72016919CA00002 between the Organization and the USAID, dated August 1 2019, for the period from January 1, 2021 through December 31, 2021, and have issued our report on it dated September 30, 2022. The schedule of expenditures is the responsibility of the Organization's management. Our responsibility is to express an opinion on the schedule of expenditures based on our audit.

Except for not having a fully satisfactory continuing education program and not having an external quality control review by an unaffiliated audit organization (as described in our report on the Schedule of Expenditures), we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of expenditures is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the schedule of expenditures amounts.

Compliance with agreement terms and laws and regulations applicable to the Organization is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the schedule of expenditures is free of material misstatement, we performed tests of the Organization's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported here under U.S. Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Organization in a separate letter dated September 2, 2022.

This report is intended for the information of the Organization and the U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Belgrade, September 30, 2022



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