

AMERICA FOR BULGARIA FOUNDATION

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2009



AMERICA FOR BULGARIA
F O U N D A T I O N
Фондация Америка за България

MANAGEMENT'S STATEMENT OF FINANCIAL RESPONSIBILITY

The Management of the America for Bulgaria Foundation (the "Foundation" or "ABF") has responsibility for the preparation, integrity, and reliability of the financial statements and related financial information contained in this Annual Report. The financial statements were prepared in accordance with generally accepted accounting principles and include necessary judgments and estimates by Management.

Management has established and is responsible for maintaining an internal control environment designed to provide reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets, and the prevention and detection of fraudulent financial reporting.

The Board of Directors, primarily through the Audit Committee, oversees the adequacy of the Foundation's control environment. The Committee, whose members are neither officers nor employees of the Foundation, meets regularly with Management and the Foundation's independent auditors, who are selected by the Audit Committee.

The Foundation's financial statements have been audited by Deloitte Audit Ltd. which confirms that its audits were conducted in accordance with generally accepted auditing standards and include such audit procedures as it considers necessary to express the opinion in its report that follows. Deloitte Audit Ltd. has full and free access to the Audit Committee to discuss its audit work, the Foundation's internal controls, and financial reporting matters.

Management recognizes that there are inherent limitations in the effectiveness of any internal control environment. Management believes, however, that as of December 31, 2009 and 2008, the Foundation's internal control environment has provided reasonable assurance as to the integrity and reliability of the financial statements and related financial information.

Frank L. Bauer
President

Bojana Kourteva
Chief Financial Officer

Ул. „Проф. Асен Златаров” № 5
София 1504
Т 359 2 806 3800
Ф 359 2 843 5123

Уест Уекър Драйв 333
Офис 460, Чикаго, ИЛ 60606
Т 312 629 2500
Ф 312 629 2929

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of America for Bulgaria Foundation

We have audited the accompanying annual statement of financial position of the America for Bulgaria Foundation (the "Foundation") as of December 31, 2009 and 2008 and the related annual statement of activities and changes in net assets and its cash flows for the years then ended, prepared in accordance with generally accepted accounting principles in the United States of America. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. 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.

In our opinion, the annual financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2009 and 2008, and the annual results of its activities, and changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following:

As disclosed in note 11.b to the accompanying financial statements, the Foundation is exposed to market price risks related to its investments. This risk has increased as a result of the global crisis that affected Bulgaria throughout 2009 and 2008. The crisis has a material effect on the global and the Bulgarian financial markets, respectively on the prices of investments and causes material uncertainty regarding the accounting estimates related to the valuation of investments. The valuation of investments in the current market conditions, and the risks of continued market deterioration and narrow liquidity may produce results that differ significantly from the values that would have been used had an active market for investments existed, and these differences could be material.

Deloitte Audit

Deloitte Audit OOD

April 20, 2010
Sofia, Bulgaria

America for Bulgaria Foundation
Statements of Financial Position
December 31, 2009 and 2008

in thousands

	2009	2008
Assets	\$	
Cash and cash equivalents	52,221	50,911
Investments, at fair value		
Term deposits	101,384	35,751
Public mutual and exchange traded funds	79,954	-
Private mutual funds	93,081	-
Equity investments	6,182	4,247
Bonds	27,175	-
Total Investments	307,776	39,998
Grants receivable	4,000	-
Dividends receivable	130	-
Prepaid expenses and other assets	26	95
Fixed Assets, net of accumulated depreciation of 46	483	-
Total Assets	364,636	91,004
Liabilities and Net Assets		
Liabilities		
Grants payable	4,485	-
Accounts payable and accrued payroll	122	17
Total liabilities	4,607	17
Net assets – unrestricted	360,029	90,987
Total liabilities and unrestricted net assets	364,636	91,004

See accompanying notes to financial statements.

America for Bulgaria Foundation
Statements of Activities
Years ended December 31, 2009 and 2008

in thousands

	\$	<u>2009</u>	<u>2008</u>
Change in net assets:			
Revenues and gains:			
Contributions received		235,935	109,911
Investment income			
Interest income		4,996	572
Dividend Income		3,322	-
Realized gain on investments		26	-
Net unrealized gain / (loss) on investments		16,229	(20,346)
Realized exchange rate gain		10,085	-
Unrealized exchange rate gain		9,413	1,043
Total Investment income / (expense)		<u>44,071</u>	<u>(18,731)</u>
Less investment management fees		(449)	-
Investment income / (expense), net		<u>43,622</u>	<u>(18,731)</u>
Total income		<u>279,557</u>	<u>91,180</u>
Grant Expenses		(8,502)	(179)
Operating expenses		(1,967)	(14)
Depreciation and amortization		(46)	-
Total Expenses		<u>(10,515)</u>	<u>(193)</u>
Changes in net assets		269,042	90,987
Unrestricted net assets, beginning of the period		90,987	-
Unrestricted net assets, end of the period		<u>360,029</u>	<u>90,987</u>

See accompanying notes to financial statements.

America for Bulgaria Foundation
Statements of Cash Flows
Years ended December 31, 2009 and 2008

in thousands

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 269,042	90,987
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation expense	46	-
Unrealized loss (gain) on investment	(16,229)	20,346
Realized (gain) on investment	(26)	-
Unrealized (gain) on currency exchange	(9,413)	-
Realized (gain) on currency exchange	(10,085)	(1,043)
Contributions classified as long-term investment	(190,609)	-
(Increase) in grants receivable	(4,000)	-
(Increase) in dividends receivable	(130)	-
(Increase) in prepaid expenses and other assets	(4)	(22)
(Increase) in accrued interest	(1,540)	(506)
Increase in grants payable	4,485	-
Increase in accounts payable and accrued payroll	105	20
Net cash provided by operating activities	<u>41,642</u>	<u>109,782</u>
Cash flow from investing activities		
Purchase of investments	(169,841)	(58,798)
Proceeds from investments	129,965	-
Purchase of fixed assets	(456)	(73)
Net cash used in investing activities	<u>(40,332)</u>	<u>(58,871)</u>
Net increase in cash and cash equivalents	<u>1,310</u>	<u>50,911</u>
Cash and cash equivalents beginning of the year	50,911	-
Cash and cash equivalents end of the year	<u>52,221</u>	<u>50,911</u>
Supplemental data		
Non-cash investing activities		
Contribution received of bonds	15,520	-
Contribution received of term deposits	175,088	-

See accompanying notes to financial statements.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Financial Statements December 31, 2009 and 2008 (in thousands)

(1) Nature of Operations

The America for Bulgaria Foundation (the "Foundation") is a U.S. nonprofit corporation incorporated on December 18, 2006 in the state of Delaware, U.S.A. The Foundation was created pursuant to an agreement between the Bulgarian-American Enterprise Fund (the "Fund") and the United States of America acting through the U.S. Agency for International Development ("USAID"), to advance the purposes of Section 201(a) of the Support for East European Democracy Act of 1989 ("SEED Act") and to build upon the programs established by the Fund by promoting private sector development through, among other things, entrepreneurship, education, leadership development, support for non-governmental organizations and key competitive business sectors, and private sector philanthropy and volunteerism in Bulgaria. Substantially all of the Foundation's funding is provided by the Fund in the form of charitable transfers of cash and other assets. The Foundation received its first donation from the Fund on August 8, 2008.

The Foundation concentrates its efforts in six main program areas: (i) Heritage Tourism; (ii) Arts and Culture; (iii) Economically Disadvantaged; (iv) Civil Society and Democratic Institutions; (v) Education and Libraries; and (vi) Agriculture and Environment. The Foundation works with various organizations in Bulgaria and the U.S. in conducting its grant-making activities and executing the objectives of each individual grant.

Through its registration at the Ministry of Justice of Bulgaria, the Foundation has opened a Branch in Bulgaria whose purpose is to represent the Foundation in Bulgaria and to engage in activities to promote the Foundation's purposes. The financial position as of and results of operations for the years ended December 31, 2009 and 2008 of the Branch are included in the statements of the Foundation. The Branch prepares financial information for statutory purposes only and does not have separate audited financial statements.

(2) Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations, the Foundation is required to classify information regarding its financial position and activities into certain classes of net assets. Pursuant to the Grant Agreement (defined in Note 4), at December 31, 2009 and 2008, the entire balance of net assets was classified as unrestricted. Unrestricted net assets are those net assets that are not restricted by donor imposed stipulations.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Financial Statements December 31, 2009 and 2008 (in thousands)

(3) Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

b. Investments

Investments in equity securities with readily determinable fair values and all debt securities are stated at fair value. Fair value is determined based on quoted market prices. Unrealized gains or losses on investments resulting from market fluctuations are recorded in the statement of activities in the period that such fluctuations occur. Realized and unrealized gains or losses on investments are determined by comparison of specific costs of acquisition to proceeds at the time of disposal, or market values at the last day of the fiscal year, respectively, and include the effects of currency translation with respect to transactions and holdings of foreign securities.

Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades. Dividend income is recorded based upon an ex-dividend date, and interest income is recorded as earned on an accrual basis.

c. Fair Value

Effective January 1, 2008 the Foundation adopted Accounting Standards Codification, ASC Topic 820, *Fair Value Measurement and Disclosures* ("ASC 820"). ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs that are unobservable.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Financial Statements December 31, 2009 and 2008 (in thousands)

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation considers observable data to be market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Cash, Money Market Funds and Term Deposits – These assets are held either as cash, money market funds, or bank term deposits, which are public investment vehicles, valued using \$1 per unit for the net asset value and are classified within Level 1 of the valuation hierarchy.

Public Mutual and Exchange Traded Funds – These assets are public investment vehicles valued using the net asset value (“NAV”) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV for public mutual funds and exchange traded funds is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

Private Mutual Funds – These assets are private investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV for private mutual funds is classified within Level 2 of the valuation hierarchy because the NAV's unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments which are traded on an active market. In addition, financial statements for each of the funds are prepared in accordance with US GAAP, their portfolio is accounted at fair value, the NAV is recalculated monthly and redemptions occur at NAV by contract.

Equity Investments – Equity securities are valued based upon the closing price as quoted on major exchanges. Common and Preferred Stocks and Fixed Income Securities are classified within Level 1 of the valuation hierarchy.

Bonds – These assets are a mix of private and public fixed income investment vehicles valued using the par value of the obligations. This price is classified within Level 2 of the valuation hierarchy because the unit price is quoted either on a private market or an inactive public market; however the instruments are issued and guaranteed by entities that are traded on an active market. In addition, the issuing entities prepare financial statements in accordance with US GAAP and are making interest payments according to the instruments' original terms.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Financial Statements December 31, 2009 and 2008 (in thousands)

d. Grants Expenditures

Grant expenditures are recognized in the period the grant agreement is signed by the Foundation and the grantee, provided the grant is not subject to future contingencies. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. If payments of the unconditional promise to give are to be made to a recipient over several fiscal periods and the recipient is subject only to routine performance requirements, a liability and an expense for the entire amount payable is recognized.

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds, and highly liquid investments with original maturities of three months or less at the date of acquisition.

f. Interest and Dividend Income

Interest and dividend income is recorded when earned.

g. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

h. Translation of Foreign Currency

The Foundation's functional currency is the U.S. dollar. Revenues and expenses transacted in other currencies are translated into U.S. dollars at historical rates. Investments and cash equivalents were denominated in U.S. dollars at the year-end exchange rate. The functional currency of the Foundation's branch in Bulgaria is the Bulgarian Lev. Remeasurement and translation adjustments are reflected in the Statement of Activities.

i. Grant Revenue Recognition

Contributions received are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Contributions received are measured at their fair values. Unconditional promises to give are recognized as revenue in the period when the promise was made and received. Conditional promises to give, which

AMERICA FOR BULGARIA FOUNDATION

Notes to the Financial Statements December 31, 2009 and 2008 (in thousands)

depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

j. Investment Expenses

Investment expenses include fees for bank trustees, investment managers and custodians.

k. Depreciation and Amortization

Computer hardware, software, telecommunications equipment, furniture, fixtures, and automobiles are depreciated on a straight-line basis over their estimated useful lives, ranging from three to ten years. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of lease.

l. Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

m. Recent Accounting Pronouncements

~~In June 2009 the FASB has issued Accounting Standards Update No. 2009-01—*Topic 105—Generally Accepted Accounting Principles*, effective for financial statements issued for interim and annual periods ending after September 15, 2009. On the effective date of this Statement the Accounting Standards Codification has superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification has become non-authoritative. Following this Statement, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates. The Board will not consider Accounting Standards Updates as authoritative in their own right. Accounting Standards Updates serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification. The issuance of the Codification does not have impact on financial statements of the Foundation as of December 31, 2009.~~

In September 2009 the FASB has issued Accounting Standards Update No. 2009-12 *Fair Value Measurements and Disclosures (Topic 820) Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this Update permit, as a practical expedient, a reporting entity to measure the fair value of an investment that is within the scope of the amendments in this Update on the basis of the net asset value per share of the investment (or

AMERICA FOR BULGARIA FOUNDATION

Notes to the Financial Statements December 31, 2009 and 2008 (in thousands)

its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 (*Financial Services – Investment companies*) as of the reporting entity's measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with Topic 820. See the impact of AU 2009-12 in Note 5.

(4) Bulgarian-American Enterprise Fund Grant

Pursuant to an agreement signed in 2007 between the Fund and the USAID, the Fund has returned to the U.S. Treasury \$27.5 million of the original USAID grant out of the Fund's assets and, as of December 31, 2009, has contributed \$346 million to the Foundation. Since December 31, 2009, the Fund has contributed an additional \$17 million to the Foundation, bringing the total amount contributed to \$362 million as of April 20, 2010. Of the total amount contributed by the Fund, \$15.5 million is in the form of bonds, \$175.1 million in term deposits and the remainder in cash.

According to the terms of the grant agreement between the Fund and the Foundation (the "Grant Agreement"), the Foundation shall be operated as a perpetual endowment and the Foundation Board shall invest the Foundation's assets in financial instruments and securities in a manner consistent with its fiduciary duties and with the Foundation's financial needs to carry out its planned program of grant-making activities.

~~Under the terms of the Grant Agreement, the Fund has the right to terminate the agreement, suspend payment or transfer of all or any portion of the Fund assets and require repayment or transfer of all or any portion of the amount paid or transferred to the Foundation, together with any interest thereon, if the Foundation fails to comply with the terms and conditions of the Grant Agreement, becomes insolvent, changes its structure or if foreign policy grounds to do so exist, as described in Section 801 of the SEED Act.~~

(5) Cash and Cash Equivalents and Investments

a. Cash and Cash Equivalents

As of December 31, 2009 and 2008, the Foundation's cash and cash equivalents consisted of \$52 million and \$51 million, respectively, comprised mainly of money market accounts that were deposited in various financial institutions in the United States, Europe, and Australia.

AMERICA FOR BULGARIA FOUNDATION

**Notes to the Financial Statements
December 31, 2009 and 2008
(in thousands)**

b. Investments

Investments held at December 31, 2009 and 2008 were as follows:

	<u>December 31, 2009</u>		<u>December 31, 2008</u>	
	Fair value	Cost	Fair value	Cost
Term deposits	\$ 101,384	89,463	35,751	34,205
Public Mutual and Exchange Traded Funds	79,954	69,581	-	-
Private Mutual funds	93,081	86,500	-	-
Equity investments	6,182	24,593	4,247	24,593
Bonds	27,175	24,793	-	-
	<u>\$ 307,776</u>	<u>294,930</u>	<u>39,998</u>	<u>58,798</u>

Investments and cash equivalents, held in different currencies are reported at the year-end exchange rate. As a result, a translation adjustment of approximately \$19 million and \$1 million increased investments and cash equivalents at December 31, 2009 and 2008 respectively, and was recorded in net realized and unrealized exchange rate gain in the statement of activities for each year.

Accrued interest of \$1,958 and \$88 is included in the fair value of the term deposits and bonds, respectively as of December 31, 2009. Accrued interest of \$506 is included in the fair value of term deposits as of December 31, 2008.

Investment expenses for the year ended December 31, 2009 and 2008 were \$449 and \$0, respectively.

c. Fair Value of Financial Instruments

See "Fair Value" in Note 3, above, for discussions of the methodologies and assumptions used to determine the fair value of the Foundation's financial instruments.

AMERICA FOR BULGARIA FOUNDATION

**Notes to the Financial Statements
December 31, 2009 and 2008
(in thousands)**

Below are the Foundation's financial instruments carried at fair value on a recurring basis by ASC 820 hierarchy levels described in Note 3:

	At December 31, 2009			Total
	Level 1	Level 2	Level 3	
Cash and Cash Equivalents \$	52,221	-	-	52,221
Term Deposits	101,384	-	-	101,384
Public Mutual and Exchange Traded Funds	79,954	-	-	79,954
Private Mutual Funds	-	93,081	-	93,081
Equity investments	6,182	-	-	6,182
Bonds	-	27,175	-	27,175
Total	\$ 239,741	120,256	-	359,997
% of total	67%	33%	-	100%

The Foundation's financial instruments carried at fair value on a recurring basis by ASC 820 as of December 31, 2008 are classified as Level 1.

d. Concentration of risk

The Foundation has \$57.1 million or 16% of its cash and investments portfolio invested in Bulgaria. Majority of this balance represents term deposits at, bonds issued by, and shares of the Bulgarian American Credit Bank (BACB). As a result, the Foundation is exposed to the risk of continuing negative developments in the real estate sector in Bulgaria upon which the BACB's business model is built.

The Foundation is a holder of 5.7 million shares of TIFF Multi Asset Fund with a value of \$81.4 million. This investment represents 23% of the cash and investment portfolio.

In addition, the Foundation holds cash and term deposits at Allied Irish Bank totaling \$77.4 million or 22% of the cash and investment portfolio. These deposits are fully guaranteed by the government of Ireland under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009.

The Foundation's investment portfolio is reviewed at least quarterly by the Investment Committee of the Board of Directors of the Foundation. During this review the concentration of risk as well as the performance of all investments is assessed. All new investments of the Foundation are pre-approved by the Investment Committee.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Financial Statements
December 31, 2009 and 2008
(in thousands)

(6) Fixed assets

At December 31, 2009, fixed assets consisted of the following:

		2009
Leasehold improvements	\$	<u>251</u>
Furniture and fixtures		110
Hardware, software and telecommunications		138
Vehicles		<u>30</u>
		529
Less accumulated depreciation		<u>(46)</u>
Total fixed assets, net	\$	<u><u>483</u></u>

(7) Grants payable

Grants payable totaling \$4,485 at December 31, 2009, consisted of approved grant commitments for unconditional grants or conditional grants for which the grantee has met the conditions of the grant. As of December 31, 2009 grants payable are expected to be paid in the following years:

2010	\$	3,008
2011		1,297
2012		<u>180</u>
Grants payable		<u><u>4,485</u></u>

(8) Tax Status

a. United States

The Foundation is exempt from U.S. Federal income taxes under Section 501(c)(3) of the Code and has been classified as an organization that is not a private foundation as defined in Section 509(a)(1) of the Code. In addition, the Foundation is exempt from payments of state and local income taxes.

AMERICA FOR BULGARIA FOUNDATION

**Notes to the Financial Statements
December 31, 2009 and 2008
(in thousands)**

b. Bulgaria

Pursuant to a bilateral agreement between the Government of the United States of America and the Government of the Republic of Bulgaria regarding cooperation to facilitate the provision of assistance, the Foundation is exempt from taxation on income received in connection with implementation of the U.S. assistance programs.

(9) Program and administrative expenses

Program and administrative expenses at December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Payroll and benefits	\$ 843	-
Travel and related expenses	120	-
Occupancy and telecommunications	132	-
General and administrative	163	7
Professional fees	242	7
Directors expenses	447	-
Insurance	20	-
Operating expenses	<u>1,967</u>	<u>14</u>

(10) Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Foundation considers as a related party the Bulgarian-American Enterprise Fund.

At August 15, 2008 the Foundation agreed to purchase from the Fund 491,003 shares which represent 3.9% of the share capital of BACB at BGN 67 (\$50) per share. The transaction with the Fund closed on September 1, 2008.

Related party payables at December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Bulgarian American Enterprise Fund	\$ -	17

AMERICA FOR BULGARIA FOUNDATION

Notes to the Financial Statements
December 31, 2009 and 2008
(in thousands)

Related party receivables relate to grants that have been committed to the Foundation by the Fund, but not received as of the end of the year. At December 31, 2009 and 2008 related party receivables were as follows:

		<u>2009</u>	<u>2008</u>
Bulgarian American Enterprise Fund	\$	4,000	-

(11) Market risk

a. Currency Risk

The Foundation is exposed to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The investments held by the Foundation denominated in foreign currency at December 31, 2009 and 2008 are presented below:

		<u>2009</u>	<u>2008</u>
Term deposits in EUR	\$	101,208	35,245
Term deposits in AUD		1,767	-
Equity Investments in BGN		6,180	4,247
Bonds in EUR		27,087	-

b. Price Risk

The Foundation is exposed to market price risks related to its investments. This risk has increased recently as a result of the global financial crisis that affected Bulgaria throughout 2009 and 2008. The crisis has a material effect on the global and the Bulgarian financial markets, respectively on the valuation of investments and causes material uncertainty regarding the accounting estimates. The valuation of investments in the current market conditions, and the risks of continued significant market deterioration and narrow liquidity may produce results that differ significantly from the values that would have been used had an active market for the investments existed, and these differences could be material.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Financial Statements
December 31, 2009 and 2008
(in thousands)

(12) Commitments and contingencies

a. Grants

The Foundation has signed certain conditional grant agreements for which the grantee has not met the grant conditions and the amount of the grant has not been included in grant expense. The amount of such grants at December 31, 2009 is \$9,152. As of December 31, 2009 contingent grant liabilities are expected to be paid in the following years:

2010	\$	3,441
2011		3,152
2012		1,728
2013		831
Contingent grant liabilities		<u>9,152</u>

b. Lease Commitments

In October 2008, the Foundation entered into a lease agreement for office Space for the Bulgarian branch expiring December 2013. Future annual rental payments are approximately \$92 in 2010 through 2013.

Rent expense is recognized on a straight line basis and it totaled \$86 and \$7 in 2009 and 2008, respectively.