

**AMERICA FOR BULGARIA
FOUNDATION**

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

31 DECEMBER 2020



American optimism meets Bulgarian potential



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 standalone financial statements and related financial information. The standalone 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 standalone 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 standalone financial statements have been audited by Baker Tilly Klitou and Partners OOD which confirms that its audit was 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. Baker Tilly Klitou and Partners OOD 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, 2020 and 2019, the Foundation's internal control environment has provided reasonable assurance as to the integrity and reliability of the standalone financial statements and related financial information.

May 31, 2021

A handwritten signature in blue ink, appearing to read "Nancy L. Schiller".

Nancy L. Schiller
President & Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Bojana Kourteva".

Bojana Kourteva
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

AMERICA FOR BULGARIA FOUNDATION

We have audited the accompanying standalone financial statements of America for Bulgaria Foundation (the "Foundation"), which comprise the standalone statements of financial position as of December 31, 2020 and 2019 and the related standalone statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the standalone financial statements.

Management's Responsibility for the Standalone Financial Statements

Management is responsible for the preparation and fair presentation of these standalone financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the standalone financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the standalone financial statements.

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Baker Tilly Klitou and Partners OOD trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the standalone financial statements referred to above present fairly, in all material respects, the financial position of America for Bulgaria Foundation as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Svilena Todorova
Registered Auditor
31 May 2021
Sofia, Bulgaria



Krassimira Radeva
Managing Director
Baker Tilly Klitou and Partners OOD
5, Stara Planina Str., 5th floor

America for Bulgaria Foundation
Standalone Statements of Financial Position
December 31, 2020 and 2019

<i>in USD (000)</i>	<i>Note</i>	<u>2020</u>	<u>2019</u>
Assets			
Cash and cash equivalents	4a	\$ 9,951	4,484
Restricted cash	4a	350	-
Investments, at fair value			
ETF and public mutual funds	4b,c	333,447	264,415
Private mutual funds	4b,c,d	127,285	146,896
Equity investments	4b,c	-	2,382
Bonds	4b,c	1,566	3,846
Partnership investments	4b,c,d,e	81	90
Total Investments	4b	<u>462,379</u>	<u>417,629</u>
Dividends and interest receivable	4b	468	330
Prepaid expenses and other assets		190	855
Fixed assets, net	5	2,516	2,657
Intangible assets, net	6	112	170
Investment in subsidiaries	10	<u>7,658</u>	<u>9,885</u>
Total Assets		<u>\$ 483,624</u>	<u>436,010</u>
Liabilities and Net Assets			
Liabilities			
Grants payable	7	\$ 14,046	7,636
Accounts payable and accrued payroll		<u>285</u>	<u>435</u>
Total Liabilities		<u>14,331</u>	<u>8,071</u>
Net Assets - without donor restrictions		469,293	427,939
Total liabilities and net assets		<u>\$ 483,624</u>	<u>436,010</u>

See accompanying notes to standalone financial statements

America for Bulgaria Foundation
Standalone Statements of Activities and Changes in Net Assets
Years Ended December 31, 2020 and 2019

<i>in USD (000)</i>	<i>Note</i>	Without Donor Restrictions	
		2020	2019
Changes in net assets:			
Contributions received	\$	24	77
Reversed Grants Income		68	1,157
Other Income / (Loss)		-	42
Investment income			
Interest income		1,300	2,218
Dividend income		6,276	7,301
Net realized gain / (loss) on investments	4b	10,029	7,993
Net unrealized gain / (loss) on investments	4b	53,058	52,334
Realized exchange rate gain / (loss)	4b	(298)	33
Unrealized exchange rate gain / (loss)	4b	181	(144)
Total Investment income/ (loss)		70,546	69,735
Less investment management fees	4b	(1,356)	(944)
Investment income / (loss), net		69,190	68,791
Total Income / (Loss)		69,282	70,067
Grant Expenses	8	(17,796)	(12,171)
Program related and donation expenses		(2,759)	(4,841)
Management and general expenses		(3,753)	(4,204)
Depreciation and amortization		(216)	(159)
Total Expenses	9	(24,524)	(21,375)
Impairment loss on investment in subsidiary	10b	(3,404)	(1,766)
Total Non-operating Expenses		(3,404)	(1,766)
Changes in net assets		41,354	46,926
Net assets, beginning of the year		427,939	381,013
Net assets, end of the year	\$	469,293	427,939

See accompanying notes to standalone financial statements

America for Bulgaria Foundation
Standalone Statements of Cash Flows
Years Ended December 31, 2020 and 2019

<i>in USD (000)</i>	<i>Note</i>	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities			
Contributions received	\$	24	77
Grant payments		(12,063)	(10,755)
Grant refunds		56	1,157
Cash paid to suppliers and employees		(6,003)	(9,110)
Net cash used in operating activities		<u>(17,986)</u>	<u>(18,631)</u>
Cash Flows from Investing Activities			
Proceeds from investments		165,464	99,423
Proceeds from dividends		6,131	7,219
Proceeds from interest		2,418	2,094
Proceeds from sale of fixed assets		-	46
Purchase of fixed assets		(17)	(112)
Purchase of intangible assets		-	(65)
Purchase of investments		(147,719)	(93,671)
Investments in subsidiaries		(1,177)	(945)
Investment fees paid		(1,357)	(935)
Net cash from investing activities		<u>23,743</u>	<u>13,054</u>
Effect of exchange rate changes on cash		<u>60</u>	<u>(46)</u>
Net increase / (decrease) in cash, cash equivalents and restricted cash		5,817	(5,623)
Cash, cash equivalents and restricted cash at the beginning of year	4a	4,484	10,107
Cash, cash equivalents and restricted cash at end of year	4a	<u>\$ 10,301</u>	<u>4,484</u>

See accompanying notes to standalone financial statements

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

(1) Nature of Operations

The America for Bulgaria Foundation (the “Foundation”, “ABF”) is a U.S. not-for-profit incorporated on December 18, 2006 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”). The Foundation was created 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. The Foundation received its first donation, in the form of a transfer of assets, from the Fund on August 8, 2008.

The America for Bulgaria Foundation works in partnership with Bulgarians to support the country’s private sector and related democratic institutions.

The America for Bulgaria Foundation seeks to enhance the longstanding legacy of goodwill and friendship between the American and Bulgarian people to promote the US – Bulgaria people-to-people contacts. Through its grants and programs, the Foundation represents the generous spirit of the American people and embodies the highest standards of US ethical conduct, transparency, and core values.

The Foundation concentrates its efforts in the following four main program areas: (i) Business Entrepreneurship, and Technology; (ii) Developing and Retaining Human Capital; (iii) Business Enabling Environment; and (iv) Cultural Heritage and Nature Tourism. The Foundation works with various organizations in Bulgaria and the U.S. in conducting its 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 (the “Branch”) 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, 2020 and 2019 of the Branch are included in the financial statements of the Foundation. The Branch prepares financial information for statutory purposes only and does not have separate audited financial statements.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

(2) Net Assets

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 12), at December 31, 2020 and 2019, the entire balance of net assets was classified as net assets without donor restrictions. Net assets without donor restrictions represent net assets that are not restricted by donor stipulations.

(3) Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying standalone financial statements have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

b. Basis of Presentation

The accompanying financial statements have been prepared on a standalone basis as at December 31 each year.

c. Measure of Operations

The Foundation has defined a measure of operations that considers all revenue and expenses to be related to operations, except changes in the fair value of subsidiaries.

d. 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 and/or other inputs, as described in "Fair Value" below. Unrealized gains or losses on investments resulting from market fluctuations are recorded in the Statement of Activities and Changes in Net Assets in the period that such fluctuations occur or upon the reversal of unrealized gains or losses at the time an investment is realized. 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.

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Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

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.

e. Fair Value

U.S. GAAP 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. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

U.S. GAAP also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. 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 U.S. GAAP are as follows:

- | | |
|---------|--|
| Level 1 | Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. |
| Level 2 | Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets, or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time. |
| Level 3 | Valuation based on inputs that are unobservable for an asset or liability and should be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input, therefore, reflects the entity's assumptions about what market participants would use in pricing the asset or |

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

liability developed based on the best information available in the circumstances. The inputs used in the determination of fair value require significant judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had an active market for these assets and liabilities existed.

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.

Pursuant to FASB Accounting Standards Update ("ASU") No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, investments measured at Net Asset Value ("NAV") as a practical expedient to estimate fair value are not included in the fair value hierarchy.

Cash, Money Market Funds, Term Deposits and Restricted Cash – 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 ("ETF") – These assets are public 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 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. Private mutual funds are classified within the investments measured at NAV category. Financial statements for each of the funds are prepared in accordance with U.S. GAAP, their portfolio is accounted at fair value, the NAV is recalculated monthly and redemptions occur at NAV by contract. The Foundation has no plans to sell investments at amounts different from NAV.

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Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

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 latest trading value of the obligations, if such exists, or prices for similar assets quoted on active markets, if not. This price is classified within Level 2 of the valuation hierarchy because either the instrument has a unit price that is quoted on an active public market or on a private market; or the instrument is issued and guaranteed by an entity that is traded on an active market.

Partnership Investments – These assets are private investment vehicles valued at NAV or its equivalent using the financial information of the partnership and our ownership interest. These assets are classified within the investments measured at NAV category.

Investment in subsidiaries – As the fair value of these investments is not readily determinable, management considers that the net assets of the subsidiaries are sufficiently close to and represent reliable fair value approximation to be used in making the accounting estimate of the recoverable amount of the investments. Investments in subsidiaries are classified within Level 3 of the valuation hierarchy.

Other Assets and Liabilities – Due to the short-term nature of cash equivalents, receivables, prepaid expenses and other assets, grants payable, accounts payable and accrued payroll, their fair value approximates carrying value.

f. Grant 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 conditions. 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 periods and the recipient is subject only to routine performance requirements, a liability and an expense for the entire amount payable is recognized.

g. Cash, Cash Equivalents and Restricted Cash

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

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

Restricted cash consists of cash held at a bank account, pledged in favor of a bank to secure the implementation of a certain program. The use of that cash is limited through the end of the program.

h. Interest and Dividend Income

Interest and dividend income is recorded when earned.

i. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

j. 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 rates in effect at the dates of such transactions. Investments and cash equivalents in foreign currencies were translated to U.S. dollars at the year-end exchange rate. The functional currency of the Branch is the Bulgarian Lev. Remeasurement and translation adjustments are reflected in the Statement of Activities and Changes in Net Assets.

k. Contributions

Contributions, including unconditional promises to give, 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 of assets other than cash are measured at their estimated 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 depend on the occurrence of a specified future and uncertain event to bind the promisor and also contain a right of return or release, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

l. Investment Expenses

Investment expenses include fees for bank trustees, investment managers and custodians and are recognized as incurred.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

m. Depreciation and Amortization

Fixed assets are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets, as follows:

Building	25 years
Hardware, purchased software and telecommunications	3 years
Furniture and fixtures	10 years
Vehicles	5 years

At the time a fixed asset is acquired, its cost is capitalized unless it has a value of BGN 1 (or its equivalent in USD or EUR) or less in which case the asset is expensed in the period acquired. Amounts paid for property with an estimated useful life of 12 months or less with a value of BGN 1 (or its equivalent in USD or EUR) or less are expensed in the period acquired as well. Management will periodically review these levels and make any modifications necessary.

Intangible assets are measured at acquisition cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated to write off the cost of intangible assets less estimated residual values using the straight-line method over their estimated useful lives, as follows:

Website Development Costs	3 years
Internal-Use Software	3 years

The Foundation annually reviews the property and equipment records as well as intangible assets for impairment of value and records any adjustments necessary to reflect material impacts in value.

n. Presentation of Expenses

The cost of providing support to the various programs and other activities has been allocated between grants, charitable donations and direct programmatic support. Other administrative cost related to operational support and activities has been allocated to management and general expenses.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

The financial statements present certain categories of expenses (Program related and donation expenses and Management and general expenses) that are attributable to program and management functions of ABF. Those expenses are allocated based on estimates of time and effort of the employees, management, and directors involved.

The Foundation does not engage in fundraising activities and, as such, has not incurred any fundraising expenses.

o. Recent Accounting Pronouncements

Accounting Standards Update 2018-15—*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (a consensus of the FASB Emerging Issues Task Force) was issued in August 2018. The FASB issued new guidance requiring a customer in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. This may be a change in practice for some entities. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. For the Foundation, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2020. Management is evaluating the impact this ASU will have on its financial statements.

In March 2021, the FASB issued ASU 2021-03 *Intangibles—Goodwill and Other (Topic 350) Accounting Alternative for Evaluating Triggering Events*. The ASU contains final guidance that allows private companies and NFPs to elect an accounting alternative to assess goodwill for impairment under ASC 350-20 only as of their reporting dates. Private companies and NFPs that elect the accounting alternative are not required to monitor for triggering events (i.e., events or changes in circumstances that indicate that goodwill may be impaired) between reporting dates. Private companies and NFPs can elect the accounting alternative, regardless of whether they have elected the accounting alternative that allows them to amortize goodwill. The guidance is effective on a prospective basis for fiscal years beginning after December 31, 2019. Entities may apply it for financial statements that have not yet been issued or made available for issuance as of March 30, 2021. Management is evaluating the impact this ASU will have on its financial statements.

In September 2020, the FASB issued ASU 2020-07 – *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

ASU includes new guidance that changes the presentation and disclosure requirements for contributed nonfinancial assets recognized by NFPs. NFPs are required to present contributed nonfinancial assets as a separate line item in the statement of activities (i.e., separately from contributions of cash and other financial assets). NFPs are required to disclose in the notes to the financial statements a disaggregation of the amount of contributed nonfinancial assets recognized in the statement of activities by category and provide new disclosures for each category. The guidance is effective for annual periods beginning after 15 June 2021 and interim periods within annual periods beginning after 15 June 2022. Early adoption is permitted. Management does not expect this ASU to have a significant impact on the financial statements.

(4) Cash, Cash Equivalents, Restricted Cash and Investments

a. Cash, Cash Equivalents and Restricted Cash

As of December 31, 2020 and 2019, the Foundation's cash and cash equivalents consisted of \$9,951 and \$4,484, respectively, comprised mainly of money market and checking accounts that were deposited in various financial institutions in the United States and Bulgaria.

In August 2020 ABF signed an Agreement with Tokuda Bank JSC with regards to the implementation of a mission-driven program. In order to secure the realization of the program, the Foundation established a pledge in favor of Tokuda bank JSC on a bank account opened at the bank. The use of that cash is limited through the end of the program. As of December 31, 2020, restricted cash at this account was \$350.

The following table provides a reconciliation of cash, cash equivalents and restricted cash for the year ended December 31, 2020 reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

		<u>December 31, 2020</u>
Cash and cash equivalents	\$	9,951
Restricted cash		<u>350</u>
Cash, cash equivalents and restricted cash shown in the statement of cash flows	\$	<u>10,301</u>

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

b. Investments

Investment activity for the years ended December 31, 2020 and 2019 was as follows:

	December 31, 2020				December 31, 2019			
		Unrealized Gain / (Loss) on Foreign Exchange	Unrealized Gain / (Loss) on Investment	Cost		Unrealized Gain / (Loss) on Foreign Exchange	Unrealized Gain / (Loss) on Investment	Cost
ETF and public mutual funds	333,447	-	116,021	217,426	264,415	-	61,333	203,082
Private mutual funds	127,285	-	26,582	100,703	146,896	-	31,267	115,629
Equity investments	-	-	-	-	2,382	(194)	(3,138)	5,714
Bonds	1,566	(211)	395	1,382	3,846	(626)	460	4,012
Partnership Investments	81	(122)	59	144	90	(130)	77	143
	<u>\$ 462,379</u>	<u>(333)</u>	<u>143,057</u>	<u>319,655</u>	<u>417,629</u>	<u>(950)</u>	<u>89,999</u>	<u>328,580</u>

Net realized gain/(loss) on investments for the years ended December 31, 2020 and 2019 are presented in the table below:

	2020	2019
ETF and public mutual funds	\$ 5,161	4,838
Private mutual funds	7,977	3,155
Equity investments	(3,109)	-
	<u>\$ 10,029</u>	<u>7,993</u>

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

Net unrealized gain/(loss) on investments for the years ended December 31, 2020 and 2019 are presented in the table below:

		2020	2019
ETF and public mutual funds	\$	54,688	38,129
Private mutual funds		(4,685)	15,019
Equity investments		3,138	(781)
Bonds		(65)	(8)
Partnership Investments		(18)	(25)
	\$	53,058	52,334

Investments and cash equivalents held in different currencies are reported at the year-end exchange rates. As a result, a translation adjustment of approximately \$(117) and \$(111) increased/(decreased) the investments and cash equivalents at December 31, 2020 and 2019, respectively, and was recorded in net realized and unrealized exchange rate gain/(loss) in the Statement of Activities and Changes in Net Assets for each year.

Bonds are valued at \$1,566 and \$3,846, including principal in the amount of \$1,548 and \$2,782 and accrued interest receivable in the amount of \$18 and \$1,064 as of December 31, 2020 and December 31, 2019, respectively.

Dividends and interest receivable of \$468 and \$330 at December 31, 2020 and 2019, respectively, represent dividends and interest income earned but not received.

Investment expenses for the year ended December 31, 2020 and 2019 were \$1,356 and \$944, respectively.

c. Fair Value of Financial Instruments

See “Fair Value” in Note 3(e), above, for discussions of the methodologies and assumptions used to determine the fair value of the Foundation’s financial instruments.

Below are the Foundation’s financial instruments carried at fair value on a recurring basis by U.S. GAAP hierarchy levels described in Note 3(e):

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

At December 31, 2020

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Total
Cash and cash equivalents	\$	9,951	-	-	9,951
Restricted cash		350	-	-	350
ETF and public mutual funds		333,447	-	-	333,447
Private mutual funds		-	-	127,285	127,285
Bonds		-	1,566	-	1,566
Partnership Investments		-	-	81	81
	\$	<u>343,748</u>	<u>1,566</u>	<u>127,366</u>	<u>472,680</u>
		72.72%	0.33%	26.95%	100%

At December 31, 2019

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Total
Cash and cash equivalents	\$	4,484	-	-	4,484
ETF and public mutual funds		264,415	-	-	264,415
Private mutual funds		-	-	146,896	146,896
Equity investments		2,382	-	-	2,382
Bonds		-	3,846	-	3,846
Partnership Investments		-	-	90	90
	\$	<u>271,281</u>	<u>3,846</u>	<u>146,986</u>	<u>422,113</u>
		64.27%	0.91%	34.82%	100%

d. Investments measured at NAV

As of December 31, 2020 and 2019, the Foundation's investments measured at NAV include investments in private mutual funds, as well as partnership investments that do not have readily determinable fair value.

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The following table represents the liquidity and redemption restrictions on the investments measured at NAV as of December 31, 2020:

	<u>Fair Value at Year End</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
International Equity	\$ 83,920	Monthly	30 Days
Global Bonds	43,365	Monthly	30 Days
International Private Equity	81	(1)	(1)
	<u>\$ 127,366</u>		

(1) No limited partner shall have the right to withdraw prior to the completion of the winding up of the Fund. The termination date of the fund is March 31, 2018 and the estimated liquidation period is through December 2021.

International Equity funds' goals are to achieve long-term growth principally by investing in a diversified portfolio of equity securities of companies ordinarily located in any country other than the United States and Canada. As many companies have multinational operations, a company's location will be determined primarily by its jurisdiction of incorporation. To achieve their objectives, the funds generally seek to invest in a portfolio of securities that possesses fundamental investment value.

Global Bond fund's investment strategy is to maximize total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing principally in a portfolio of fixed or floating rate debt securities and debt obligations issued by government or government-related issuers worldwide.

e. Partnership Investments

The partnership investments line item consists of one investment, which is in the process of liquidation with a termination date of March 31, 2018. At December 31, 2020 this investment is presented at liquidation value, based on the Partnership's Financial Statements as of December 31, 2020.

As of December 31, 2020 and 2019, there is a liability based on the performance of this investment estimated at \$102 and \$90. It is presented as part of Accounts payable and accrued payroll.

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f. Concentration of risk

The Foundation maintains commercial accounts in two U.S. banks and two Bulgarian banks. Accounts at the U.S. banks are insured by the Federal Deposit Insurance Corporation ("FDIC") and the Bulgarian accounts are insured by the Deposit Investment Fund ("DIF").

At December 31, 2020 and 2019, the Foundation had amounts that were in excess of the insurance limits. The Foundation performs ongoing evaluations of commercial banks to limit its concentration of credit risk exposure. The Foundation has not sustained a loss of funds maintained in commercial banks.

The Foundation holds investments in U.S. Government securities, mutual funds and corporate debt, and equity issues which are managed by outside investment advisors. These balances are insured up to \$500 by the Securities Investor Protection Corporation (SIPC).

The Foundation has invested \$167,339 or 34.6% of its assets in two investment funds with a single investment manager. This represents an insignificant holding compared to the investment managers' and the funds' asset size. The two funds are Level 1 and are highly liquid.

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. In addition, the Foundation uses external investment managers and advisors to manage the risk of the portfolio.

g. Liquidity

At December 31, 2020, the Foundation has \$470,683 of financial assets within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$9,951 and liquid investments of \$460,732. The liquid investments include ETF and public mutual funds of \$333,447 and private mutual funds of \$127,285. At December 31, 2019, the Foundation had \$415,795 of financial assets within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$4,484 and liquid investments of \$411,311. The liquid investments included ETF and public mutual funds of \$264,415 and private mutual funds of \$146,896. None of the financial assets are subject to donor or other contractual

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restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Foundation has a goal to maintain financial assets, which consist of cash and liquid investments, on hand to meet 90 days of normal operating expenses.

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(5) Fixed Assets

At December 31, 2020 and 2019, net fixed assets consisted of the following:

		<u>2020</u>	<u>2019</u>
Building	\$	2,645	2,645
Furniture and fixtures		204	204
Hardware, purchased software and telecommunications		260	244
Vehicles		<u>166</u>	<u>166</u>
		3,275	3,259
Less accumulated depreciation		<u>(759)</u>	<u>(602)</u>
	\$	<u><u>2,516</u></u>	<u><u>2,657</u></u>

Depreciation expenses for the years ended December 31, 2020 and 2019 amount to \$158 and \$146, respectively.

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(6) Intangible Assets

At December 31, 2020 and 2019, intangible assets consisted of the following:

	<u>2020</u>	<u>2019</u>
Website development costs	\$ 52	52
Internal-Use Software	122	122
	<u>174</u>	<u>174</u>
Less accumulated amortization	(62)	(4)
	<u>\$ 112</u>	<u>170</u>

Amortization expenses for the years ended December 31, 2020 and 2019 amount to \$58 and \$13, respectively.

(7) Grants payable

Grants payable totaling \$14,046 and \$7,636 at December 31, 2020 and 2019, respectively consisted of approved grant commitments for unconditional grants or conditional grants for which the grantee has met the conditions of the grant.

At December 31, 2020 and 2019, respectively based on the specific grant agreements, grants payable are expected to be paid in the following years:

	<u>2020</u>	<u>2019</u>
2020	-	4,702
2021	8,257	1,450
2022	4,775	1,011
2023	1,014	473
	<u>\$ 14,046</u>	<u>7,636</u>

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The schedule below reconciles grant activity throughout the year ended December 31, 2020:

Grants payable, 2020 beginning balance	\$	7,636
New and supplemental grants		17,796
Grant amendments		(11)
Grant payments		(12,063)
Realized FX on grants paid		258
Unrealized FX on grants		430
Grants payable, 2020 ending balance	\$	<u>14,046</u>

(8) Grant Expenses

For the years ended December 31, 2020 and 2019, the Foundation made grants in its main program areas, described in Note 1 “Nature of Operations”. Grant expenses to recipient entities were recognized under the following programs:

		<u>2020</u>	<u>2019</u>
Business, Entrepreneurship, and Technology	\$	1,392	1,116
Developing and Retaining Human Capital		11,864	9,480
Business Enabling Environment		4,290	1,289
Cultural Heritage and Nature Tourism		250	286
	\$	<u>17,796</u>	<u>12,171</u>

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(9) Classification of Expenses

At December 31, 2020 and 2019, the Foundation's classification of expenses was as follows:

	2020			2019		
	Program expenses	Support expenses	Total expenses	Program expenses	Support expenses	Total expenses
Grant Expenses (Note 8)	17,796	-	17,796	12,171	-	12,171
Charitable Donations	374	-	374	49	-	49
Direct Programmatic Support	2,385	-	2,385	4,792	-	4,792
	2,759	-	2,759	4,841	-	4,841
Payroll and benefits	1,632	699	2,331	1,521	652	2,173
Travel and related expenses	67	2	69	114	8	122
Occupancy and telecommunications	-	125	125	-	121	121
General and administrative	-	201	201	-	299	299
Professional fees	76	531	607	68	621	689
Directors expenses	113	230	343	125	602	727
Insurance	-	77	77	-	73	73
	1,888	1,865	3,753	1,828	2,376	4,204
Depreciation and amortization	-	216	216	-	159	159
	\$ 22,443	2,081	24,524	18,840	2,535	21,375

The financial statements present certain categories of expenses that are attributable to program and management functions of ABF as described in Note 3(n).

The Foundation has not incurred any fundraising expenses during the years ending December 31, 2020 and 2019.

(10) Investment in subsidiaries

a. Subsidiaries

At December 31, 2020 and 2019, the Foundation has two subsidiaries Muzeiko EOOD and ABF Property EOOD. The Foundation is a sole owner and ultimate controlling party of Muzeiko EOOD and ABF Property EOOD.

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Muzeiko EOOD is a for-profit company primarily involved in the performance of activities, related to the construction and the management of a children's center named "Muzeiko - the Children's Museum of Sofia" ("Muzeiko"). At December 31, 2020 and 2019, respectively the investment of the Foundation in Muzeiko was \$7,420 and \$9,647. During 2020 and 2019 respectively, capital contributions at the amount of \$1,177 and \$945 were distributed to Muzeiko.

ABF Property EOOD is a for-profit company registered to perform real estate transactions, and all other activities, permitted by Bulgarian laws. At both December 31, 2020 and 2019, respectively the investment of the Foundation in ABF Property EOOD was \$238. ABF Property EOOD owns the land on which the ABF's office building is located.

b. Impairment on investment in Muzeiko EOOD

Management has assessed for impairment the investment in subsidiary Muzeiko EOOD, and an impairment loss of \$3,404 and \$1,766 has been recorded in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2020 and 2019, respectively. As the fair value of the investment is not readily determinable, the calculation assumes that the net assets of the subsidiary totaling \$7,420 and \$9,647 as at December 31, 2020 and 2019, respectively, are sufficiently close to and represent the fair value of these assets.

The impairment loss of \$3,404 recorded in the Statements of Activities and Changes in Net Assets for the year ended December 31, 2020 is largely due to the write-down of building and equipment, which the subsidiary recorded in its annual financial statements. Due to the development of the Covid-19 crisis in 2020, Muzeiko EOOD registered a significant decrease in its activity and performed an impairment test on its assets, resulting in the write-down of buildings amounting to \$690 and of equipment amounting to \$1,622. Until the Covid-19 outbreak in 2020, the Management considered that the fixed and intangible assets of the subsidiary were relatively new, and therefore, their depreciated replacement cost closely approximated their current carrying amount (cost less accumulated depreciation). Management considers the approaches applied are appropriate and the obtained value represents reliable fair value approximation as of December 31, 2020 and 2019, to be used in making the accounting estimate of the recoverable amount of the investment. Due to the inherent uncertainty of this estimate, these values may differ materially from the values that would have been used had an active market for these assets existed.

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(11) Related Party Transactions

Parties are considered to be related if one party directly or indirectly through one or more intermediaries, controls or has significant influence over, is controlled by, or is under common control with an entity. The Foundation considers as a related party as of December 31, 2020 Muzeiko EOOD, ABF Property EOOD, Muzeiko Foundation, Friends of the Basilica Foundation and Tokuda bank JSC. ERG Capital 3 – ADSIP was a related party until October 2020. Valentin Stefanov Braykov-Lawyer and Braykov's Legal Office were related parties until December 31, 2019. The type of relationship with each of the related parties is described below.

Transactions with related parties:

a. Grants Paid and Received

There are no grants paid to/received from related parties during 2020 and 2019, and no outstanding grant balances payable to/receivable from related parties as at December 31, 2020 and 2019.

b. Payables and Receivables

At December 31, 2020 the America for Bulgaria Foundation has no amounts payable to any related party. At December 31, 2019 the America for Bulgaria Foundation has a liability in the amount of \$4 payable to Braykov's Legal Office.

At December 31, 2020 and 2019, respectively, the America for Bulgaria Foundation has no receivables owing from any related parties.

c. Directors

Two members of the Board of Directors of the Foundation are in the management of Tokuda bank JSC: one of them is a member of the Supervisory board; the other is a member of the Management board of the Bank in 2020 and 2019.

Certain members of the Board of Muzeiko Foundation are part of America for Bulgaria Foundation's management in 2020 and 2019.

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d. Investments

In October 2020, the Foundation sold its equity investment in ERG Capital 3 – ADSIP. The Foundation held 49.4% of the company and its gross proceeds from the sale were \$2,668. The shares of ERG Capital 3 – ADSIP were traded on the Bulgarian Stock Exchange. In addition, in September 2020, the Foundation received a full repayment of principal in the amount of \$1,370 and interest in the amount of \$1,196 of a bond issued by ERG Capital 3 – ADSIP. The bond was valued at \$1,299 with accrued interest receivable in the amount of \$1,047 as of December 31, 2019.

e. Legal fees

Braykov's Legal Office provides legal advice to the Foundation. Valentin Braykov, owner of the Braykov's Legal Office, was a member of the Board of Directors of the Foundation until December 2019. Total legal fees paid to the Braykov's Legal Office in 2019 were \$4 and to Valentin Braykov personally as a legal advisor in 2019 were \$24.

f. Friends of the Basilica Foundation

In 2018, the Friends of the Basilica Foundation was established with the goal of promoting and supporting the Bishop's Basilica of Philippopolis, one of the Foundation's signature projects. A member of the Foundation's staff is a founder of the Friends of the Basilica Foundation and is involved in its management during 2020 and 2019. During 2020 and 2019 respectively, ABF provided to the Friends of the Basilica Foundation a donation at the amount of \$20 and \$12. In future periods, the America for Bulgaria Foundation is expected to provide financial support to the Friends of the Basilica Foundation.

g. Subsequent events with related parties

Subsequent to December 31, 2020 through April 30, 2021, no events with related parties were identified that require adjustment to or disclosure within the financial statements.

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(12) Bulgarian-American Enterprise Fund Grant

Pursuant to an agreement signed in 2007 between the Fund and the USAID in 2008, the Fund returned to the U.S. Treasury \$27,500 of the original USAID grant out of the Fund's assets and, as of December 31, 2018, contributed \$393,000 to the Foundation. Of the total amount contributed by the Fund, \$15,500 was in the form of bonds, \$175,100 in term deposits, \$600 in partnership investments, \$6,200 in equity investments, and the remainder in cash.

As of September 30, 2018, the Fund was fully liquidated and the Foundation received a final contribution upon the closing of the Fund's bank accounts in 2018.

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.

(13) 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, 2020 and 2019, respectively are presented below:

	2020	2019
Equity investments in EUR	-	2,382
Bonds in EUR	1,566	3,846
Partnership Investments in EUR	81	90

b. Price Risk

The Foundation is exposed to market price risks related to its investments. As a result of the global pandemic, the financial markets remain volatile which may lead to changes in the valuation of investments and cause uncertainty regarding the accounting estimates in future periods.

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Notes to the Standalone Financial Statements December 31, 2020 and 2019 (in thousands)

(14) Commitments and contingencies

a. Grants

The Foundation has signed certain conditional grant agreements, or conditionally approved grants, 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, 2020 and 2019 is \$2,110 and \$6,234, respectively. As of December 31, 2020, conditional grant liabilities are expected to be paid in the following years:

2021	\$	1,760
Longer than 3 years		<u>350</u>
	\$	<u>2,110</u>

b. Lease Commitments

The Foundation does not have any material lease commitments as of 31.12.2020 and 31.12.2019.

(15) Tax Status

a. United States

The Foundation is exempt from U.S. Federal income taxes under Section 501(c)(4) of the U.S. Internal Revenue Code (“the Code”). The Foundation had no uncertain tax positions for the years ended December 31, 2020 and 2019.

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.

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(16) Subsequent Events

Management evaluated events subsequent to December 31, 2020 but prior to April 30, 2021, which is the date the standalone financial statements were available to be issued. No subsequent events were identified that require adjustment to or disclosure within the standalone financial statements.