

AMERICA FOR BULGARIA FOUNDATION

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

31 DECEMBER 2021

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 EOOD 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 EOOD 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, 2021 and 2020, 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, 2022



Nancy L. Schiller
President & Chief Executive Officer



Bojana Kourteva
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of AMERICA FOR BULGARIA FOUNDATION

Opinion

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, 2021 and 2020 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.

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, 2021 and 2020 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Standalone Financial Statements

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with GAAP, and for 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.

In preparing the standalone financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the standalone financial statements are available to be issued.

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Baker Tilly Klitou and Partners EOOD 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.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the standalone financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the standalone financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the standalone financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.



Galina Lokmadjieva-Nedkova
Registered Auditor

Managing Director
Baker Tilly Klitou and Partners EOOD
5, Stara Planina Str., 5th floor
Sofia, 1000, Bulgaria



31 May 2022

America for Bulgaria Foundation
Standalone Statements of Financial Position
December 31, 2021 and 2020

<i>in USD (000)</i>	<i>Note</i>	<u>2021</u>	<u>2020</u>
Assets			
Cash and cash equivalents	4a	\$ 29,685	9,951
Restricted cash	4a	651	350
Investments, at fair value			
ETF and public mutual funds	4b,c	314,482	333,447
Private mutual funds	4b,c,d	169,526	127,285
Bonds	4b,c	1,383	1,566
Partnership investments	4b,c,d,e	17	81
Total Investments	4b	<u>485,408</u>	<u>462,379</u>
Dividends and interest receivable	4b	266	468
Prepaid expenses and other assets		129	190
Fixed assets, net	5	9,003	2,516
Intangible assets, net	6	53	112
Investment in subsidiaries	10	<u>6,127</u>	<u>7,658</u>
Total Assets		<u>\$ 531,322</u>	<u>483,624</u>
Liabilities and Net Assets			
Liabilities			
Grants payable	7	\$ 7,858	14,046
Accounts payable and accrued payroll		<u>357</u>	<u>285</u>
Total Liabilities		<u>8,215</u>	<u>14,331</u>
Net Assets - without donor restrictions		523,107	469,293
Total liabilities and net assets		<u>\$ 531,322</u>	<u>483,624</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, 2021 and 2020

<i>in USD (000)</i>	<i>Note</i>	Without Donor Restrictions	
		2021	2020
Changes in net assets:			
Contributions received	\$	16	24
Reversed Grants Income		339	68
Other Income / (Loss)		34	-
Investment income			
Interest income		908	1,300
Dividend income		9,967	6,276
Net realized gain / (loss) on investments	4b	37,599	10,029
Net unrealized gain / (loss) on investments	4b	18,288	53,058
Realized exchange rate gain / (loss)	4b	30	(298)
Unrealized exchange rate gain / (loss)	4b	107	181
Total Investment income / (loss)		66,899	70,546
Less investment management fees	4b	(1,560)	(1,356)
Investment income / (loss), net		65,339	69,190
Total Income / (Loss)		65,728	69,282
Grant Expenses	8	(5,014)	(17,796)
Program related and donation expenses		(544)	(2,759)
Management and general expenses		(3,698)	(3,753)
Depreciation and amortization		(318)	(216)
Total Expenses	9	(9,574)	(24,524)
Impairment loss on investment in subsidiary	10b	(2,340)	(3,404)
Total Non-operating Expenses		(2,340)	(3,404)
Changes in net assets		53,814	41,354
Net assets, beginning of the year		469,293	427,939
Net assets, end of the year	\$	523,107	469,293

See accompanying notes to standalone financial statements

America for Bulgaria Foundation
Standalone Statements of Cash Flows
Years Ended December 31, 2021 and 2020

<i>in USD (000)</i>	<i>Note</i>	2021	2020
Cash Flows from Operating Activities			
Contributions received	\$	16	24
Grant payments		(10,736)	(12,063)
Grant refunds		240	56
Cash paid to suppliers and employees		(4,214)	(6,003)
Net cash used in operating activities		<u>(14,694)</u>	<u>(17,986)</u>
Cash Flows from Investing Activities			
Proceeds from investments		145,194	165,464
Proceeds from dividends		10,170	6,131
Proceeds from interest		906	2,418
Purchase of fixed assets		(6,684)	(17)
Purchase of investments		(112,459)	(147,719)
Investments in subsidiaries		(809)	(1,177)
Loan to subsidiary	11e	(393)	-
Repayment from subsidiary	11e	393	-
Investment fees paid		(1,522)	(1,357)
Net cash from investing activities		<u>34,796</u>	<u>23,743</u>
Effect of exchange rate changes on cash		<u>(67)</u>	<u>60</u>
Net increase / (decrease) in cash, cash equivalents and restricted cash		20,035	5,817
Cash, cash equivalents and restricted cash at the beginning of year		10,301	4,484
Cash, cash equivalents and restricted cash at end of year	4a \$	<u>30,336</u>	<u>10,301</u>

See accompanying notes to standalone financial statements

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

(1) Nature of Operations

The America for Bulgaria Foundation (the “Foundation”, “ABF”) is a U.S. not-for-profit incorporated in Delaware on December 16, 2019 and operating as a 501(c)(4) organization under the U.S. Internal Revenue Code since January 1, 2020.

Prior to that, ABF operated as a 501 (c)(3) organization under the U.S. Internal Revenue Code since 2006 when it was established 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.

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.

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.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

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, 2021 and 2020 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.

(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 1 above), at December 31, 2021 and 2020, 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.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

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.

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. |
|---------|--|

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

- 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 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.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

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.

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.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

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.

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.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

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.

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:

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

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.

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

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 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.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

In March 2021, the FASB issued ASU 2021-03 – *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events* which allows private companies and not-for-profit entities (NFPs) to use an accounting alternative for performing the goodwill impairment triggering event evaluation (the “goodwill impairment triggering event alternative”). Specifically, the ASU gives a private company or NFP the option to perform the goodwill impairment triggering event evaluation required by ASC 350-20, as well as any resulting goodwill impairment test, as of the end of the entity’s interim or annual reporting period, as applicable. The ASU is effective for fiscal years beginning after 15 December 2019. Entities may elect to apply it in both interim and annual financial statements that have not yet been issued or made available for issuance as of 30 March 2021. 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, 2021 and 2020, the Foundation’s cash and cash equivalents consisted of \$29,685 and \$9,951, respectively, comprised mainly of money market and checking accounts that were deposited in various financial institutions in the United States and Bulgaria.

Pursuant to an agreement signed in 2020 between ABF and Tokuda Bank JSC with regards to the implementation of a mission-driven program and in order to secure the realization of the program, in 2020 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, 2021 and 2020, restricted cash at this account was \$651 and \$350, respectively.

The following table provides a reconciliation of cash, cash equivalents and restricted cash for years ended December 31, 2021 and 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:

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash and cash equivalents	\$	29,685	9,951
Restricted cash		651	350
Cash, cash equivalents and restricted cash shown in the statement of cash flows	\$	<u>30,336</u>	<u>10,301</u>

b. Investments

Investment activity for the years ended December 31, 2021 and 2020 was as follows:

	<u>December 31, 2021</u>				<u>December 31, 2020</u>			
		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	314,482	-	121,845	192,637	333,447	-	116,021	217,426
Private mutual funds	169,526	-	47,166	122,360	127,285	-	26,582	100,703
Bonds	1,383	(312)	331	1,364	1,566	(211)	395	1,382
Partnership Investments	17	(126)	-	143	81	(122)	59	144
	<u>\$ 485,408</u>	<u>(438)</u>	<u>169,342</u>	<u>316,504</u>	<u>462,379</u>	<u>(333)</u>	<u>143,057</u>	<u>319,655</u>

Net realized gain/(loss) on investments for the years ended December 31, 2021 and 2020 are presented in the table below:

		<u>2021</u>	<u>2020</u>
ETF and public mutual funds	\$	38,821	5,161
Private mutual funds		(1,222)	7,977
Equity investments		-	(3,109)
	\$	<u>37,599</u>	<u>10,029</u>

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

Net unrealized gain/(loss) on investments for the years ended December 31, 2021 and 2020 are presented in the table below:

	<u>2021</u>	<u>2020</u>
ETF and public mutual funds	\$ 5,825	54,688
Private mutual funds	12,587	(4,685)
Equity investments	-	3,138
Bonds	(64)	(65)
Partnership Investments	(60)	(18)
	<u>\$ 18,288</u>	<u>53,058</u>

Investments and cash equivalents held in different currencies are reported at the year-end exchange rates. As a result, a translation adjustment of approximately \$137 and \$(117) increased/(decreased) the investments and cash equivalents at December 31, 2021 and 2020, 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 \$1,383 and \$1,566, including principal in the amount of \$1,367 and \$1,548 and accrued interest receivable in the amount of \$16 and \$18 as of December 31, 2021 and December 31, 2020, respectively.

Dividends and interest receivable of \$266 and \$468 at December 31, 2021 and 2020, respectively, represent dividends and interest income earned but not received.

Investment expenses for the year ended December 31, 2021 and 2020 were \$1,560 and \$1,356, 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, 2021 and 2020 (in thousands)

At December 31, 2021

		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	\$	29,685	-	-	29,685
Restricted cash		651	-	-	651
ETF and public mutual funds		314,482	-	-	314,482
Private mutual funds		-	-	169,526	169,526
Bonds		-	1,383	-	1,383
Partnership Investments		-	-	17	17
	\$	<u>344,818</u>	<u>1,383</u>	<u>169,543</u>	<u>515,744</u>
		66.86%	0.27%	32.87%	100%

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%

d. Investments measured at NAV

As of December 31, 2021 and 2020, 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, 2021:

		Fair Value at Year End	Redemption Frequency	Redemption Notice Period
International Equity	\$	140,157	Monthly	30 Days
Global Bonds		29,369	Monthly	30 Days
International Private Equity		17	(1)	(1)
	\$	<u>169,543</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 was March 31, 2018.

Subsequent to December 31, 2021 the partnership investment was fully liquidated when the entity was deregistered as of March 31, 2022.

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 as of December 31, 2021 with a termination date of March 31, 2018. At December 31, 2021 this investment is presented at liquidation value as of December 31, 2021, based on the Partnership's Final Liquidation Plan.

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As of December 31, 2021 and 2020, there is a liability based on the performance of this investment estimated at \$97 and \$102. It is presented as part of Accounts payable and accrued payroll.

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, 2021 and 2020, 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 \$176,752 or 33.3% 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, 2021, the Foundation has \$513,693 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$29,685 and liquid investments of \$484,008. The liquid investments include ETF and public mutual funds of \$314,482 and private mutual funds of \$169,526.

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At December 31, 2020, the Foundation had \$470,683 of financial assets available 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 included ETF and public mutual funds of \$333,447 and private mutual funds of \$127,285. None of the financial assets are subject to donor or other contractual 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, 2021 and 2020, net fixed assets consisted of the following:

	<u>2021</u>	<u>2020</u>
Building	\$ 9,329	2,645
Furniture and fixtures	253	204
Hardware, purchased software and telecommunications	262	260
Vehicles	<u>109</u>	<u>166</u>
	9,953	3,275
Less accumulated depreciation	<u>(950)</u>	<u>(759)</u>
	<u>\$ 9,003</u>	<u>2,516</u>

Depreciation expenses for the years ended December 31, 2021 and 2020 amount to \$260 and \$158, respectively.

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Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

(6) Intangible Assets

At December 31, 2021 and 2020, intangible assets consisted of the following:

	<u>2021</u>	<u>2020</u>
Website development costs	\$ 52	52
Internal-Use Software	122	122
	<u>174</u>	<u>174</u>
Less accumulated amortization	(121)	(62)
	<u>\$ 53</u>	<u>112</u>

Amortization expenses for the years ended December 31, 2021 and 2020 amount to \$58 and \$58, respectively.

(7) Grants payable

Grants payable totaling \$7,858 and \$14,046 at December 31, 2021 and 2020, 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, 2021 and 2020, respectively based on the specific grant agreements, grants payable are expected to be paid in the following years:

	<u>2021</u>	<u>2020</u>
2021	-	8,257
2022	6,460	4,775
2023	1,332	1,014
2024	66	-
	<u>\$ 7,858</u>	<u>14,046</u>

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The schedule below reconciles grant activity throughout the year ended December 31, 2021:

Grants payable, 2021 beginning balance	\$	14,046
New and supplemental grants		5,014
Grant amendments		(99)
Grant payments		(10,736)
Realized FX on grants paid		(145)
Unrealized FX on grants		(222)
Grants payable, 2021 ending balance	\$	<u>7,858</u>

(8) Grant Expenses

For the years ended December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Business, Entrepreneurship, and Technology	\$	1,024	1,392
Developing and Retaining Human Capital		2,163	11,864
Business Enabling Environment		1,684	4,290
Cultural Heritage and Nature Tourism		143	250
	\$	<u>5,014</u>	<u>17,796</u>

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(9) Classification of Expenses

At December 31, 2021 and 2020, the Foundation's classification of expenses was as follows:

	2021			2020		
	Program expenses	Support expenses	Total expenses	Program expenses	Support expenses	Total expenses
Grant Expenses (Note 8)	5,014	-	5,014	17,796	-	17,796
Charitable Donations	123	-	123	374	-	374
Direct Programmatic Support	421	-	421	2,385	-	2,385
	544	-	544	2,759	-	2,759
Payroll and benefits	1,581	677	2,258	1,632	699	2,331
Travel and related expenses	86	-	86	67	2	69
Occupancy and telecommunications	-	191	191	-	125	125
General and administrative	-	181	181	-	201	201
Professional fees	102	412	514	76	531	607
Directors expenses	103	264	367	111	226	337
Insurance	-	101	101	-	83	83
	1,872	1,826	3,698	1,886	1,867	3,753
Depreciation and amortization	-	318	318	-	216	216
	\$ 7,430	2,144	9,574	22,441	2,083	24,524

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

Certain reclassifications of 2020 expense amounts were made to conform to the 2021 presentation.

The Foundation has not incurred any fundraising expenses during the years ending December 31, 2021 and 2020.

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Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

(10) Investment in subsidiaries

a. Subsidiaries

At December 31, 2021 and 2020, 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.

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, 2021 and 2020, respectively the investment of the Foundation in Muzeiko was \$5,435 and \$7,420. During 2021 and 2020 respectively, capital contributions at the amount of \$355 and \$1,177 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 December 31, 2021 and 2020, respectively the investment of the Foundation in ABF Property EOOD was \$692 and \$238. During 2021 and 2020 capital contributions at the amount of \$454 and \$0, respectively were distributed to ABF Property EOOD.

b. Impairment on investment in Muzeiko EOOD

Management has assessed for impairment the investment in subsidiary Muzeiko EOOD, and an impairment loss of \$2,340 and \$3,404 has been recorded in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2021 and 2020, respectively. As the fair value of the investment is not readily determinable, the calculation assumes that the net assets of the subsidiary totaling \$5,435 and \$7,420 as at December 31, 2021 and 2020, respectively, are sufficiently close to and represent the fair value of these assets.

The impairment loss of \$2,340 and \$3,404, respectively recorded in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2021 and 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 2021 and 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 \$751 and \$690, respectively and of equipment amounting to \$0 and \$1,622, respectively. Until the Covid-19 outbreak in 2020, the

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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, 2021 and 2020, 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.

(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, 2021 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. 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 2021 and 2020, and no outstanding grant balances payable to/receivable from related parties as at December 31, 2021 and 2020.

b. Payables and Receivables

At December 31, 2021 and 2020, respectively, the America for Bulgaria Foundation has no amounts payable to any related party.

At December 31, 2021 and 2020, 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 2021 and 2020.

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Certain members of the Board of Muzeiko Foundation are part of America for Bulgaria Foundation's management in 2021 and 2020.

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.

e. Loan to subsidiary

In July 2021 the Foundation made a no-interest-loan in the amount of \$393 to ABF Property EOOD to finance its temporary shortage of funds. By the end of July 2021, the loan was fully repaid. There were no outstanding amounts due at 31 December 2021.

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 2021 and 2020. During 2021 and 2020 respectively, ABF provided to the Friends of the Basilica Foundation a donation at the amount of \$0 and \$20.

g. Tokuda bank JSC

Pursuant to an agreement signed in 2020 between ABF and Tokuda Bank JSC with regards to the implementation of a mission-driven program, during 2021 and 2020 the Foundation paid to Tokuda Bank JSC premium for good management at the amount of \$2 and \$0, respectively.

h. Subsequent events with related parties

Subsequent to December 31, 2021 through April 30, 2022, a Memorandum of Understanding was signed on April 15, 2022 between ABF, Sofia Municipality and the University of Chemical Technology and Metallurgy in which ABF pledged to donate the Children's Museum "Muzeiko" to Sofia Municipality for the establishment of a Science Technology English Mathematics innovative school and a teacher training center.

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Notes to the Standalone Financial Statements December 31, 2021 and 2020 (in thousands)

(12) 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, 2021 and 2020, respectively are presented below:

	<u>2021</u>	<u>2020</u>
Bonds in EUR	1,383	1,566
Partnership Investments in EUR	17	81

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.

(13) 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, 2021 and 2020 is \$2,478 and \$2,110, respectively. As of December 31, 2021, conditional grant liabilities are expected to be paid in the following years:

2022	\$	1,737
2023	\$	83
2024	\$	9
Longer than 3 years	\$	<u>649</u>
	\$	<u>2,478</u>

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b. Lease Commitments

The Foundation does not have any material lease commitments as of December 31, 2021 and 2020.

(14) 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, 2021 and 2020.

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.

(15) Subsequent Events

Management evaluated events subsequent to December 31, 2021 but prior to April 30, 2022, which is the date the standalone financial statements were available to be issued.

The Russian invasion in Ukraine is having an adverse effect on the local and global economy as many countries in the world imposed sanctions on Russia. The Foundation does not have commercial counterparties included in the sanctions lists published by the European Union. Management believes that the ongoing conflict will not have a direct effect on the operations, financial stability and going concern status of the Foundation, as the Foundation does not operate on the economic and financial markets of Ukraine or Russia.

No subsequent events other than those disclosed above and in Note 4(d) and Note 11(h) above were identified that require adjustment to or disclosure within the standalone financial statements.