

AMERICA FOR BULGARIA FOUNDATION

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

31 DECEMBER 2022

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, 2022 and 2021, 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, 2023



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, 2022 and 2021 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, 2022 and 2021 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 2023

America for Bulgaria Foundation
Standalone Statements of Financial Position
December 31, 2022 and 2021

<i>in USD (000)</i>	<i>Note</i>	2022	2021
Assets			
Cash and cash equivalents	4a	\$ 9,190	29,685
Restricted cash	4a	1,610	651
Investments, at fair value			
ETF and public mutual funds	4b,c	194,950	314,482
Private mutual funds	4b,c,d	100,147	169,526
Bonds	4b,c	93,891	1,383
Partnership investments	4b,c,d,e	-	17
Total Investments	4b	<u>388,988</u>	<u>485,408</u>
Dividends and interest receivable	4b	159	266
Prepaid expenses and other assets		120	129
Fixed assets, net	5	8,829	9,003
Intangible assets, net	6	-	53
Investment in subsidiaries	10	<u>692</u>	<u>6,127</u>
Total Assets		<u>\$ 409,588</u>	<u>531,322</u>
Liabilities and Net Assets			
Liabilities			
Grants payable	7	\$ 6,966	7,858
Accounts payable and accrued payroll		<u>292</u>	<u>357</u>
Total Liabilities		<u>7,258</u>	<u>8,215</u>
Net Assets - without donor restrictions		402,330	523,107
Total liabilities and net assets		<u>\$ 409,588</u>	<u>531,322</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, 2022 and 2021

<i>in USD (000)</i>	<i>Note</i>	Without Donor Restrictions	
		2022	2021
Changes in net assets:			
Contributions received	\$	3	16
Reversed Grants Income		84	339
Other Income / (Loss)		11	34
Investment income			
Interest income		1,257	908
Dividend income		8,241	9,967
Net realized gain / (loss) on investments	4b	(14,330)	37,599
Net unrealized gain / (loss) on investments	4b	(91,035)	18,288
Realized exchange rate gain / (loss)	4b	155	30
Unrealized exchange rate gain / (loss)	4b	(130)	107
Total Investment income / (loss)		(95,842)	66,899
Less investment management fees	4b	(1,407)	(1,560)
Investment income / (loss), net		(97,249)	65,339
Total Income / (Loss)		(97,151)	65,728
Grant Expenses	8	(10,348)	(5,014)
Program related and donation expenses		(1,374)	(544)
Management and general expenses		(4,712)	(3,698)
Depreciation and amortization		(491)	(318)
Total Expenses	9	(16,925)	(9,574)
Impairment loss on investment in subsidiary	10b	(6,701)	(2,340)
Total Non-operating Expenses		(6,701)	(2,340)
Changes in net assets		(120,777)	53,814
Net assets, beginning of the year		523,107	469,293
Net assets, end of the year	\$	402,330	523,107

See accompanying notes to standalone financial statements

America for Bulgaria Foundation
Standalone Statements of Cash Flows
Years Ended December 31, 2022 and 2021

<i>in USD (000)</i>	<i>Note</i>	2022	2021
Cash Flows from Operating Activities			
Contributions received	\$	3	16
Grant payments		(11,054)	(10,736)
Grant refunds		41	240
Cash paid to suppliers and employees		(6,085)	(4,214)
Net cash used in operating activities		<u>(17,095)</u>	<u>(14,694)</u>
Cash Flows from Investing Activities			
Proceeds from investments		100,513	145,194
Proceeds from dividends		8,068	10,170
Proceeds from interest		813	906
Proceeds from disposal of fixed assets		41	-
Purchase of fixed assets		(303)	(6,684)
Purchase of investments		(108,822)	(112,459)
Investments in subsidiaries		(1,266)	(809)
Loan to subsidiary	11e	-	(393)
Repayment from subsidiary	11e	-	393
Investment fees paid		(1,449)	(1,522)
Net cash (used in) / from investing activities		<u>(2,405)</u>	<u>34,796</u>
Effect of exchange rate changes on cash		<u>(36)</u>	<u>(67)</u>
Net increase / (decrease) in cash, cash equivalents and restricted cash		(19,536)	20,035
Cash, cash equivalents and restricted cash at the beginning of year		30,336	10,301
Cash, cash equivalents and restricted cash at end of year	4a \$	<u>10,800</u>	<u>30,336</u>

See accompanying notes to standalone financial statements

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2022 and 2021 (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’s predecessor organization 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 predecessor organization 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 works in partnership with Bulgarians to support the country’s private sector and related democratic institutions.

The 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, 2022 and 2021 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, 2022 and 2021 (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. At December 31, 2022 and 2021, 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 and 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, 2022 and 2021 (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 |

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Notes to the Standalone Financial Statements December 31, 2022 and 2021 (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, 2022 and 2021 (in thousands)

Bonds – These assets are government (USA and Bulgaria) fixed income investment vehicles valued using the latest trading value of the obligations. United States Government Bonds are classified within Level 1 of the valuation hierarchy because the instruments have a unit price that is quoted on an active public market. Bulgarian Government Bonds are classified within Level 2 of the valuation hierarchy because these instruments are traded on markets in which there are few transactions and prices are not current, but their fair value can be determined based on other data values or market prices.

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, except for U.S. government bonds which are held as part of the investment portfolio.

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.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2022 and 2021 (in thousands)

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, 2022 and 2021 (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
Equipment	4 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, 2022 and 2021 (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

Effective January 1, 2022, the Foundation adopted 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. Adoption of this ASU did not 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, 2022 and 2021, the Foundation's cash and cash equivalents consisted of \$9,190 and \$29,685, 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, 2022 and 2021, restricted cash at this account was \$1,610 and \$651, respectively.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2022 and 2021 (in thousands)

The following table provides a reconciliation of cash, cash equivalents and restricted cash for years ended December 31, 2022 and 2021 reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

		December 31, 2022	December 31, 2021
Cash and cash equivalents	\$	9,190	29,685
Restricted cash		1,610	651
Cash, cash equivalents and restricted cash shown in the statement of cash flows	\$	10,800	30,336

b. Investments

Investment activity for the years ended December 31, 2022 and 2021 was as follows:

	December 31, 2022				December 31, 2021			
		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	194,950	-	71,560	123,390	314,482	-	121,845	192,637
Private mutual funds	100,147	-	5,980	94,167	169,526	-	47,166	122,360
Bonds	93,891	(398)	783	93,506	1,383	(312)	331	1,364
Partnership Investments	-	-	-	-	17	(126)	-	143
	\$ 388,988	(398)	78,323	311,063	485,408	(438)	169,342	316,504

Net realized gain/(loss) on investments for the years ended December 31, 2022 and 2021 are presented in the table below:

		2022	2021
ETF and public mutual funds	\$	(10,636)	38,821
Private mutual funds		(3,694)	(1,222)
	\$	<u>(14,330)</u>	<u>37,599</u>

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2022 and 2021 (in thousands)

Net unrealized gain/(loss) on investments for the years ended December 31, 2022 and 2021 are presented in the table below:

		2022	2021
ETF and public mutual funds	\$	(50,285)	5,825
Private mutual funds		(41,186)	12,587
Bonds		452	(64)
Partnership Investments		(16)	(60)
	\$	<u>(91,035)</u>	<u>18,288</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 \$25 and \$137 increased the investments and cash equivalents at December 31, 2022 and 2021, 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.

The bonds line item consists of investments in United States Government Bonds and Bulgarian Government Bonds.

In November 2022 United States Government Bonds with a par value of \$96,200 were purchased. At December 31, 2022, the United States Government Bonds are valued at \$92,755, including principal in the amount of \$92,332 and accrued interest receivable in the amount of \$423.

The Bulgarian Government Bonds are valued at \$1,136 and \$1,383, including principal in the amount of \$1,120 and \$1,367 and accrued interest receivable in the amount of \$16 and \$16 as of December 31, 2022 and December 31, 2021, respectively.

Dividends and interest receivable of \$159 and \$266 at December 31, 2022 and 2021, respectively, represent dividends and interest income earned but not received.

Investment expenses for the year ended December 31, 2022 and 2021 were \$1,407 and \$1,560, respectively.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2022 and 2021 (in thousands)

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):

At December 31, 2022

		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	\$	9,190	-	-	9,190
Restricted cash		1,610	-	-	1,610
ETF and public mutual funds		194,950	-	-	194,950
Private mutual funds		-	-	100,147	100,147
Bonds		92,755	1,136	-	93,891
	\$	<u>298,505</u>	<u>1,136</u>	<u>100,147</u>	<u>399,788</u>
		74.67%	0.28%	25.05%	100%

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%

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d. Investments measured at NAV

As of December 31, 2022 and 2021, the Foundation's investments measured at NAV include investments in private mutual funds that do not have readily determinable fair value. At December 31, 2021 the balance also included a partnership investment which also does not have a readily determinable fair value.

The following table represents the liquidity and redemption restrictions on the investments measured at NAV as of December 31, 2022:

		<u>Fair Value at Year End</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
International Equity	\$	100,147	Monthly	30 Days
	\$	<u>100,147</u>		

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.

e. Partnership Investments

At December 31, 2021 the partnership investments line item was comprised of one investment, which was fully liquidated when the entity was deregistered as of March 31, 2022.

During 2022 the liability, based on the performance of this investment estimated at \$97, was fully paid. It was presented as part of Accounts payable and accrued payroll as of December 31, 2021.

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").

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At December 31, 2022 and 2021, 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 bonds and 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 \$140,637 or 34.3% 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, 2022, the Foundation has \$340,648 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 \$9,190 and liquid investments of \$331,458. The liquid investments include ETF and public mutual funds of \$194,950, private mutual funds of \$100,147 and US government bonds with maturity dates throughout 2023 year totalling \$36,361.

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.

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.

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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, 2022 and 2021, net fixed assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Building	\$ 9,329	9,329
Furniture and fixtures	254	253
Hardware, purchased software and telecommunications	251	260
Vehicles	242	109
Equipment	4	2
Assets under construction	<u>40</u>	<u>-</u>
	10,120	9,953
Less accumulated depreciation	<u>(1,291)</u>	<u>(950)</u>
	<u>\$ 8,829</u>	<u>9,003</u>

Depreciation expenses for the years ended December 31, 2022 and 2021 amount to \$438 and \$260, respectively.

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(6) Intangible Assets

At December 31, 2022 and 2021, intangible assets consisted of the following:

	2022	2021
Website development costs	\$ 52	52
Internal-Use Software	122	122
	174	174
Less accumulated amortization	(174)	(121)
	\$ -	53

Amortization expenses for the years ended December 31, 2022 and 2021 amount to \$53 and \$58, respectively.

(7) Grants payable

Grants payable totaling \$6,966 and \$7,858 at December 31, 2022 and 2021, 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, 2022 and 2021, respectively based on the specific grant agreements, grants payable are expected to be paid in the following years:

	2022	2021
2022	-	6,460
2023	4,918	1,332
2024	1,721	66
2025	327	-
	\$ 6,966	7,858

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The schedule below reconciles grant activity throughout the year ended December 31, 2022:

Grants payable, 2022 beginning balance	\$	7,858
New and supplemental grants		10,348
Grant amendments		(43)
Grant payments		(11,054)
Realized FX on grants paid		(186)
Unrealized FX on grants		43
Grants payable, 2022 ending balance	\$	<u>6,966</u>

(8) Grant Expenses

For the years ended December 31, 2022 and 2021, 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:

		2022	2021
Business, Entrepreneurship, and Technology	\$	<u>1,653</u>	<u>1,024</u>
Developing and Retaining Human Capital		2,488	2,163
Business Enabling Environment		4,513	1,684
Cultural Heritage and Nature Tourism		<u>1,694</u>	<u>143</u>
	\$	<u>10,348</u>	<u>5,014</u>

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(9) Classification of Expenses

At December 31, 2022 and 2021, the Foundation's classification of expenses was as follows:

	2022			2021		
	Program expenses	Support expenses	Total expenses	Program expenses	Support expenses	Total expenses
Grant Expenses (Note 8)	10,348	-	10,348	5,014	-	5,014
Charitable Donations	202	-	202	123	-	123
Direct Programmatic Support	1,172	-	1,172	421	-	421
	1,374	-	1,374	544	-	544
Payroll and benefits	1,828	783	2,611	1,581	677	2,258
Travel and related expenses	105	5	110	86	-	86
Occupancy and telecommunications	-	219	219	-	191	191
General and administrative	-	288	288	-	181	181
Professional fees	102	562	664	102	412	514
Directors expenses	124	576	700	103	264	367
Insurance	-	120	120	-	101	101
	2,159	2,553	4,712	1,872	1,826	3,698
Depreciation and amortization	-	491	491	-	318	318
	\$ 13,881	3,044	16,925	7,430	2,144	9,574

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, 2022 and 2021.

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Notes to the Standalone Financial Statements December 31, 2022 and 2021 (in thousands)

(10) Investment in subsidiaries

a. Subsidiaries

At December 31, 2022 and 2021, the Foundation has two subsidiaries Muzeiko EOOD and ABF Property EOOD. The Foundation is the sole owner and ultimate controlling party of Muzeiko EOOD and ABF Property EOOD.

Muzeiko EOOD (“Muzeiko”) 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”. During 2022 and 2021 respectively, capital contributions at the amount of \$1,266 and \$355 were distributed to Muzeiko. In 2022 the Foundation as the sole owner of Muzeiko decided to donate the Children’s Museum “Muzeiko” to Sofia Municipality through an asset donation from Muzeiko EOOD. Muzeiko EOOD continued to operate and manage the children center through December 31, 2022. As a result of the decision to donate Children’s Museum „Muzeiko“ the investment in the subsidiary has been impaired (see Note 10(b) below). At December 31, 2022 and 2021, respectively the investment of the Foundation in Muzeiko was \$0 and \$5,435.

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, 2022 and 2021, respectively the investment of the Foundation in ABF Property EOOD was \$692 and \$692. During 2022 and 2021 capital contributions at the amount of \$0 and \$454, 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 \$6,701 and \$2,340 has been recorded in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2022 and 2021, respectively.

In 2022 the Foundation, as the sole owner of Muzeiko, decided to donate the Children’s Museum “Muzeiko” to Sofia Municipality through a donation of all tangible and intangible assets of Muzeiko EOOD. The donation procedure was initiated in December 2022 and was completed in January 2023. Muzeiko EOOD continued to operate and manage the children center through December 31, 2022. Following the donation of the Children’s center, the Foundation initiated a

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Notes to the Standalone Financial Statements December 31, 2022 and 2021 (in thousands)

procedure for liquidation of the subsidiary. Based on the above the Foundation has concluded that the investment in Muzeiko EOOD should be impaired in full and an impairment loss of \$6,701 was recorded in the Statements of Activities and Changes in Net Assets for the year ended December 31, 2022.

The impairment loss of \$2,340, recorded in the Statements of Activities and Changes in Net Assets for the year ended December 31, 2021 is largely due to the write-down of building, which the subsidiary recorded in its annual financial statements.

Management considers the approaches applied are appropriate and the obtained value represents reliable fair value approximation as of December 31, 2022 and December 31, 2021, 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, 2022 Muzeiko EOOD, ABF Property EOOD, Muzeiko Foundation, Friends of the Basilica Foundation and Tokuda bank JSC. 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 2022 and 2021, and no outstanding grant balances payable to/receivable from related parties as at December 31, 2022 and 2021.

b. Payables and Receivables

At December 31, 2022 and 2021, respectively, the America for Bulgaria Foundation has no amounts payable to any related party.

At December 31, 2022 and 2021, respectively, the America for Bulgaria Foundation has no receivables owing from any related parties.

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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 2022 and 2021.

Certain members of the Board of Muzeiko Foundation are part of America for Bulgaria Foundation's management in 2022 and 2021.

d. Loan to subsidiary

In 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 2021, the loan was fully repaid. There were no outstanding amounts due at December 31, 2022 and 2021, respectively.

e. 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. During 2022 and 2021 respectively, there were no transactions between the two parties.

f. 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 2022 and 2021 the Foundation paid to Tokuda Bank JSC premium for good management at the amount of \$6 and \$2, respectively.

g. Subsequent events with related parties

In February 2023, ABF as a sole owner of Muzeiko EOOD, decided to start the liquidation of the legal entity Muzeiko EOOD effective March 1, 2023. On April 19, 2023, Muzeiko EOOD entered into an official procedure for liquidation. Subsequent to December 31, 2022 through April 30, 2023, no other events with related parties were identified that require adjustment to or disclosure within the standalone financial statements.

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Notes to the Standalone Financial Statements December 31, 2022 and 2021 (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, 2022 and 2021, respectively are presented below:

	<u>2022</u>	<u>2021</u>
Bonds in EUR	1,136	1,383
Partnership Investments in EUR	-	17

b. Price Risk

The Foundation is exposed to market price risks related to its investments. As a result of the global geopolitical and economic developments, 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, 2022 and 2021 was \$11,040 and \$2,478, respectively. As of December 31, 2022, conditional grant liabilities are expected to be paid in the following years:

2023	\$	1,986
2024	\$	34
Longer than 3 years	\$	<u>9,020</u>
	\$	<u>11,040</u>

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b. Lease Commitments

The Foundation does not have any material lease commitments as of December 31, 2022 and 2021.

(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, 2022 and 2021.

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, 2022 but prior to April 30, 2023, which is the date the standalone financial statements were available to be issued.

Liquidation of Muzeiko EOOD

In February 2023, ABF as a sole owner of Muzeiko EOOD, decided to start the liquidation of the legal entity Muzeiko EOOD effective March 1, 2023. On April 19, 2023, Muzeiko EOOD officially entered into a procedure for liquidation.

Bankruptcy of US banking institutions

It is not expected that there will be any direct and immediate effects of the bankruptcy of the two regional banks in the USA in March 2023 on the Foundation's assets. The Foundation's portfolio does not contain material investments in bank stocks from the US financial sector. It is not expected that these credit events will have a significant negative impact on the Foundation's assets in the medium term.

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No subsequent events other than those disclosed above were identified that require adjustment to or disclosure within the standalone financial statements.