

AMERICA FOR BULGARIA FOUNDATION

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

31 DECEMBER 2023

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, 2023 and 2022, 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, 2024



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, 2023 and 2022 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, 2023 and 2022 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.

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 2024

America for Bulgaria Foundation
Standalone Statements of Financial Position
December 31, 2023 and 2022

<i>in USD (000)</i>	<i>Note</i>	<u>2023</u>	<u>2022</u>
Assets			
Cash and cash equivalents	4a	\$ 2,031	9,190
Restricted cash	4a	2,103	1,610
Investments, at fair value			
ETF and public mutual funds	4b,c	207,609	194,950
Private mutual funds	4b,c,d	114,460	100,147
Bonds	4b,c	123,711	93,891
Total Investments	4b	<u>445,780</u>	<u>388,988</u>
Dividends and interest receivable	4b	163	159
Prepaid expenses and other assets		98	120
Fixed assets and intangibles, net	5	8,413	8,829
Investment in subsidiaries	9	692	692
Total Assets		<u>\$ 459,280</u>	<u>409,588</u>
Liabilities and Net Assets			
Liabilities			
Grants payable	6	\$ 28,727	6,966
Accounts payable and accrued payroll		216	292
Total Liabilities		<u>28,943</u>	<u>7,258</u>
Net Assets - without donor restrictions		430,337	402,330
Total liabilities and net assets		<u>\$ 459,280</u>	<u>409,588</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, 2023 and 2022

<i>in USD (000)</i>	<i>Note</i>	Without Donor Restrictions 2023	2022
Changes in net assets:			
Contributions received	\$	-	3
Proceeds from liquidation of subsidiary	9	322	-
Reversed Grants Income		89	84
Other Income / (Loss)		2	11
Investment income			
Interest income		2,880	1,257
Dividend income		4,767	8,241
Net realized gain / (loss) on investments	4b	13,112	(14,330)
Net unrealized gain / (loss) on investments	4b	48,184	(91,035)
Realized exchange rate gain / (loss)	4b	(37)	155
Unrealized exchange rate gain / (loss)	4b	(743)	(130)
Total Investment income / (loss)		68,163	(95,842)
Less investment management fees	4b	(1,285)	(1,407)
Investment income / (loss), net		66,878	(97,249)
Total Income / (Loss)		67,291	(97,151)
Grant Expenses	7	(32,201)	(10,348)
Program related and donation expenses		(1,097)	(1,374)
Management and general expenses		(5,534)	(4,712)
Depreciation and amortization	5	(452)	(491)
Total Expenses	8	(39,284)	(16,925)
Impairment loss on investment in subsidiary	9	-	(6,701)
Total Non-operating Expenses		-	(6,701)
Changes in net assets		28,007	(120,777)
Net assets, beginning of the year		402,330	523,107
Net assets, end of the year	\$	430,337	402,330

See accompanying notes to standalone financial statements

America for Bulgaria Foundation
Standalone Statements of Cash Flows
Years Ended December 31, 2023 and 2022

<i>in USD (000)</i>	<i>Note</i>	2023	2022
Cash Flows from Operating Activities			
Contributions received	\$	-	3
Grant payments		(11,247)	(11,054)
Grant refunds		68	41
Cash paid to suppliers and employees		(6,664)	(6,085)
Net cash used in operating activities		<u>(17,843)</u>	<u>(17,095)</u>
Cash Flows from Investing Activities			
Proceeds from investments		77,610	100,513
Proceeds from dividends		4,427	8,068
Proceeds from interest		2,761	813
Proceeds from disposal of fixed assets		-	41
Purchase of fixed assets		(35)	(303)
Purchase of investments		(72,611)	(108,822)
Investments in subsidiaries		-	(1,266)
Investment fees paid		(1,304)	(1,449)
Proceeds from liquidation of subsidiary		322	-
Net cash from / (used in) investing activities		<u>11,170</u>	<u>(2,405)</u>
Effect of exchange rate changes on cash		<u>7</u>	<u>(36)</u>
Net decrease in cash, cash equivalents and restricted cash		(6,666)	(19,536)
Cash, cash equivalents and restricted cash at the beginning of year		10,800	30,336
Cash, cash equivalents and restricted cash at end of year	4a \$	<u>4,134</u>	<u>10,800</u>

See accompanying notes to standalone financial statements

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2023 and 2022 (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 (“the 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 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, 2023 and 2022 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, 2023 and 2022 (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. As of December 31, 2023 and 2022, 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 of 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.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2023 and 2022 (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 relies on 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 the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

U.S. GAAP also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are as follows:

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

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2023 and 2022 (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 used in applying various valuation techniques refer to assumptions used by market participants 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. Thus, the placement of a financial instrument within the hierarchy is based on the transparency of its pricing rather than the Foundation's assessment of the instrument's risk.

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 is 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.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2023 and 2022 (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 Treasury instruments are classified within Level 1 of the valuation hierarchy because they 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 they 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.

Other Assets and Liabilities – Due to the short-term nature of 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 both the Foundation and the grantee, provided the grant is not contingent upon future conditions. Conditional grants are recognized as both grant expenses and grants payable in the period in which the grantee meets the specified 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 at the time of the agreement. Grants payable that are due in more than one year are discounted to their present value to reflect the time value of money. Initially the discount reduces the grants payable and the grant expenses and subsequently the periodic unwinding of the discount is recognized as grant expense.

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 United States Treasury instruments 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, 2023 and 2022 (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, 2023 and 2022 (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 fixed assets 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 associated with providing support to the various programs and other activities has been allocated between grants, charitable donations, and direct program support. Other administrative costs related to operational support and activities have been allocated to management and general expenses.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2023 and 2022 (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

ASU 2023-01 - *Leases (Topic 842): Common Control Arrangements*: This update provides a practical expedient for private companies and not-for-profit organizations that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine the existence and classification of leases. This standard is effective for fiscal years beginning after December 15, 2023. Management does not expect this ASU to have an impact on the financial statements.

ASU 2022-02 - *Financial Instruments — Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*: This update eliminates the accounting guidance for troubled debt restructurings (TDRs) for entities that have adopted the Current Expected Credit Losses (CECL) framework and enhances certain disclosure requirements. It is effective for fiscal years beginning after December 15, 2022, but includes specific amendments that are effective from December 15, 2023. Management does not expect this ASU to have an impact on the financial statements.

ASU 2022-04 - *Liabilities — Supplier Finance Programs (Subtopic 405-50)*: This standard enhances transparency by requiring disclosures related to supplier finance programs. It covers terms of the program, assets pledged as security, and other guarantees. Effective for fiscal years beginning after December 15, 2022, with certain amendments effective for fiscal years beginning after December 15, 2023. Management does not expect this ASU to have an impact on the financial statements.

AMERICA FOR BULGARIA FOUNDATION

**Notes to the Standalone Financial Statements
December 31, 2023 and 2022
(in thousands)**

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

a. Cash, Cash Equivalents, and Restricted Cash

As of December 31, 2023 and 2022, the Foundation's cash and cash equivalents consisted of \$2,031 and \$9,190, 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, 2023 and 2022, restricted cash in this account was \$2,103 and \$1,610, respectively.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash for years ended December 31, 2023 and 2022 reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash and cash equivalents	\$	2,031	9,190
Restricted cash		2,103	1,610
Cash, cash equivalents and restricted cash shown in the statement of cash flows	\$	<u>4,134</u>	<u>10,800</u>

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2023 and 2022 (in thousands)

b. Investments

Investment activity for the years ended December 31, 2023 and 2022 was as follows:

	December 31, 2023				December 31, 2022			
	Fair value	Cumulative unrealized Gain / (Loss) on Foreign Exchange	Cumulative unrealized Gain / (Loss) on Investment	Cost	Fair value	Cumulative unrealized Gain / (Loss) on Foreign Exchange	Cumulative unrealized Gain / (Loss) on Investment	Cost
ETF and public mutual funds	207,609	-	95,795	111,814	194,950	-	71,560	123,390
Private mutual funds	114,460	-	27,857	86,603	100,147	-	5,980	94,167
Bonds	123,711	(358)	2,920	121,149	93,891	(398)	783	93,506
	<u>\$ 445,780</u>	<u>(358)</u>	<u>126,572</u>	<u>319,566</u>	<u>388,988</u>	<u>(398)</u>	<u>78,323</u>	<u>311,063</u>

Net realized gain/(loss) on investments for the years ended December 31, 2023 and 2022 are presented in the table below:

		2023	2022
ETF and public mutual funds	\$	13,057	(10,636)
Private mutual funds		(530)	(3,694)
Bonds		585	-
	\$	<u>13,112</u>	<u>(14,330)</u>

Net unrealized gain/(loss) on investments for the years ended December 31, 2023 and 2022 are presented in the table below:

		2023	2022
ETF and public mutual funds	\$	24,171	(50,285)
Private mutual funds		21,877	(41,186)
Bonds		2,136	452
Partnership Investments		-	(16)
	\$	<u>48,184</u>	<u>(91,035)</u>

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements December 31, 2023 and 2022 (in thousands)

Investments and cash equivalents held in different currencies are reported at the year-end exchange rates. As a result, a translation adjustment of approximately \$(780) and \$25 (decreased)/ increased the investments and cash equivalents as of December 31, 2023 and 2022, 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 Treasury instruments and Bulgarian Government Bonds.

As of December 31, 2023, the United States Treasury instruments were valued at \$122,555, including principal of \$122,008 and accrued interest receivable of \$547. As of December 31, 2022, the United States Treasury instruments were valued at \$92,755, including principal of \$92,332 and accrued interest receivable of \$423.

As of December 31, 2023, the Bulgarian Government Bonds were valued at \$1,156, including principal of \$1,140 and accrued interest receivable of \$16. As of December 31, 2022, the Bulgarian Government Bonds were valued at \$1,136, including principal of \$1,120 and accrued interest receivable of \$16.

Dividends and interest receivable of \$163 and \$159 as of December 31, 2023 and 2022, respectively, represent dividends and interest income earned but not received.

Investment expenses for the year ended December 31, 2023 and 2022 were \$1,285 and \$1,407, 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, 2023 and 2022 (in thousands)

At December 31, 2023

		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	\$	2,031	-	-	2,031
Restricted cash		2,103	-	-	2,103
ETF and public mutual funds		207,609	-	-	207,609
Private mutual funds		-	-	114,460	114,460
Bonds		122,555	1,156	-	123,711
	\$	<u>334,298</u>	<u>1,156</u>	<u>114,460</u>	<u>449,914</u>
		74.30%	0.26%	25.44%	100%

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%

d. Investments measured at NAV

As of December 31, 2023 and 2022, the Foundation's investments measured at NAV include investments in private mutual funds that do not have readily determinable fair value.

The following table represents the liquidity and redemption restrictions on the investments measured at NAV as of December 31, 2023:

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Notes to the Standalone Financial Statements December 31, 2023 and 2022 (in thousands)

	<u>Fair Value at Year End</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
International, Emerging Market and Global Equity \$	114,460	Monthly	30 Days
\$	<u>114,460</u>		

The primary objective of International, Emerging Market and Global Equity funds is to achieve long-term growth. This goal is pursued primarily 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. Concentration of risk

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

As of December 31, 2023 and 2022, 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 United States Treasury instruments 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 \$143,858 or 31.3% 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-

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Notes to the Standalone Financial Statements December 31, 2023 and 2022 (in thousands)

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

f. Liquidity

As of December 31, 2023, the Foundation has \$446,655 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 \$2,031 and liquid investments of \$444,624. The liquid investments include ETF and public mutual funds of \$207,609, private mutual funds of \$114,460, and United States Treasury instruments of \$122,555.

As of 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 United States Treasury instruments with maturity dates throughout 2023 year totaling \$36,361.

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.

AMERICA FOR BULGARIA FOUNDATION

Notes to the Standalone Financial Statements **December 31, 2023 and 2022** **(in thousands)**

(5) Fixed Assets and Intangibles

As of December 31, 2023 and 2022, fixed assets consisted of the following:

	2023	2022
Building	\$ 9,329	9,329
Furniture and fixtures	260	254
Hardware, purchased software and telecommunications	249	251
Vehicles	242	242
Equipment	5	4
Assets under construction	58	40
	<u>10,143</u>	<u>10,120</u>
Less accumulated depreciation	(1,730)	(1,291)
	<u>\$ 8,413</u>	<u>8,829</u>

Depreciation expenses for the years ended December 31, 2023 and 2022 amount to \$452 and \$438, respectively.

As of December 31, 2023 and 2022, intangible assets were fully amortized over their useful life and consisted of the following:

	2023	2022
Website development costs	\$ 52	52
Internal-Use Software	122	122
	<u>174</u>	<u>174</u>
Less accumulated amortization	(174)	(174)
	<u>\$ -</u>	<u>-</u>

Amortization expenses for the years ended December 31, 2023 and 2022 amount to \$0 and \$53, respectively.

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Notes to the Standalone Financial Statements December 31, 2023 and 2022 (in thousands)

(6) Grants payable

Grants payable totaling \$28,727 and \$6,966 as of December 31, 2023 and 2022, respectively consisted of approved grant commitments for unconditional grants or conditional grants for which the grantee has met the conditions of the grant.

As of December 31, 2023 the grants payable have been discounted to their present value. The current portion of the grants payable, due within one year, is \$11,809, and the non-current portion, due beyond one year, is \$16,918.

As of December 31, 2023 based on the specific grant agreements, grants payable are expected to be paid in the following years:

	Gross	Present value
2024	11,809	11,809
2025	6,859	6,342
2026	5,414	4,813
Longer than 3 years	6,817	5,763
	\$ 30,899	28,727

The schedule below reconciles grant activity throughout the year ended December 31, 2023:

Grants payable, 2023 beginning balance	\$ 6,966
New and supplemental grants	34,373
Grant amendments	(21)
Grant payments	(11,247)
Realized FX on grants paid	45
Unrealized FX on grants	783
Discount to present value of grants payable	(2,172)
Grants payable, 2023 ending balance	\$ 28,727

(7) Grant Expenses

For the years ended December 31, 2023 and 2022, 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:

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Notes to the Standalone Financial Statements December 31, 2023 and 2022 (in thousands)

	2023	2022
Business, Entrepreneurship, and Technology	\$ 2,426	1,653
Developing and Retaining Human Capital	25,723	2,488
Business Enabling Environment	5,745	4,513
Cultural Heritage and Nature Tourism	479	1,694
Discount to present value of grants payable	(2,172)	-
	<u>\$ 32,201</u>	<u>10,348</u>

The effect of discounting the grants payable as of December 31, 2023, as described in Note 6, was presented as a reduction of the grant expenses for 2023.

(8) Classification of Expenses

As of December 31, 2023 and 2022, the Foundation's classification of expenses was as follows:

	2023			2022		
	Program expenses	Support expenses	Total expenses	Program expenses	Support expenses	Total expenses
Grant Expenses (Note 7)	32,201	-	32,201	10,348	-	10,348
Charitable Donations	69	-	69	202	-	202
Direct Program Support	1,028	-	1,028	1,172	-	1,172
	1,097	-	1,097	1,374	-	1,374
Payroll and benefits	2,060	883	2,943	1,828	783	2,611
Travel and related expenses	97	4	101	105	5	110
Occupancy and telecommunications	-	221	221	-	219	219
General and administrative	-	73	73	-	71	71
Communications, advertising and promotion	-	631	631	-	217	217
Professional fees	66	741	807	102	562	664
Directors expenses	103	549	652	124	576	700
Insurance	-	106	106	-	120	120
	2,326	3,208	5,534	2,159	2,553	4,712
Depreciation and amortization	-	452	452	-	491	491
	<u>\$ 35,624</u>	<u>3,660</u>	<u>39,284</u>	<u>13,881</u>	<u>3,044</u>	<u>16,925</u>

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Notes to the Standalone Financial Statements December 31, 2023 and 2022 (in thousands)

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 2022 expense amounts were made to conform to the 2023 presentation.

The Foundation has not incurred any fundraising expenses during the years ending December 31, 2023 and 2022.

(9) Investment in subsidiaries

As of December 31, 2023, the Foundation has an investment in one subsidiary - ABF Property EOOD, of which it is the sole owner and ultimate controlling party.

ABF Property EOOD is a for-profit company registered to perform real estate transactions, and all other activities, permitted by Bulgarian laws. As of December 31, 2023, the investment of the Foundation in ABF Property EOOD was \$692. During 2023 and 2022, respectively no capital contributions were distributed to ABF Property EOOD.

As of December 31, 2022, the Foundation has investments in two subsidiaries: Muzeiko EOOD ("Muzeiko") at \$0 and ABF Property EOOD at \$692.

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's center through December 31, 2022. Following the donation of the Children's Museum, the Foundation initiated a 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.

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, a liquidation procedure of Muzeiko EOOD was opened and the company was fully liquidated on December 19, 2023.

The Foundation received proceeds from the liquidation in the amount of \$322 upon the closing of Muzeiko EOOD's bank accounts in December 2023.

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Notes to the Standalone Financial Statements December 31, 2023 and 2022 (in thousands)

During 2023 and 2022 respectively, capital contributions in the amount of \$0 and \$1,266 were distributed to Muzeiko.

(10) 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, 2023 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. Restricted Cash

Pursuant to an agreement between ABF and Tokuda Bank JSC, the America for Bulgaria Foundation has restricted cash in a bank account at Tokuda Bank JSC as of December 31, 2023 and 2022 in the amount of \$2,103 and \$1,610, respectively, as described in Note 4(a).

b. Grants and Charitable Donations Paid and Received

In July 2023, a donation of \$17 was made to the Muzeiko Foundation.

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 2023 and 2022.

Certain members of the Board of Muzeiko Foundation are part of America for Bulgaria Foundation's management in 2023 and 2022.

d. 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 2023 and 2022 respectively, there were no transactions between the two parties.

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Notes to the Standalone Financial Statements December 31, 2023 and 2022 (in thousands)

e. Tokuda Bank JSC

Pursuant to an agreement between ABF and Tokuda Bank JSC with regards to the implementation of a mission-driven program, during 2023 and 2022 the Foundation paid Tokuda Bank JSC premium for good management in the amount of \$15 and \$6, respectively.

(11) Market risk

a. Currency Risk

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

The investments held by the Foundation denominated in foreign currency at December 31, 2023 and 2022, respectively are presented below:

	<u>2023</u>	<u>2022</u>
Bonds in EUR	1,156	1,136

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.

(12) 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 as of December 31, 2023 and 2022 was \$12,024 and \$11,040, respectively.

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As of December 31, 2023, conditional grant liabilities are expected to be paid in the following years:

2024	\$	1,501
2025	\$	539
2026	\$	214
Longer than 3 years	\$	9,770
	\$	<u>12,024</u>

b. Lease Commitments

The Foundation does not have any material lease commitments as of December 31, 2023 and 2022.

(13) 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 Foundation had no uncertain tax positions for the years ended December 31, 2023 and 2022.

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 the implementation of the U.S. assistance programs.

(14) Subsequent Events

Management evaluated events subsequent to December 31, 2023 but prior to May 31, 2024, which is the date the standalone financial statements were available to be issued.

No subsequent events were identified that require adjustment to or disclosure within the standalone financial statements.