

ROMANIAN-AMERICAN FOUNDATION

Consolidated Financial Statements as of and for the Year
Ended December 31, 2014

and

Independent Auditors' Report





To the Board of Trustees of the
Romanian-American Foundation
New York, NY

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INDEPENDENT AUDITORS' REPORT

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of the Romanian-American Foundation and its subsidiary (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

6. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte Audit SRL
Bucharest, Romania
May 20, 2015

ROMANIAN-AMERICAN FOUNDATION CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

ASSETS	December 31, 2014	December 31, 2013
	\$	\$
Investments, at fair value (Notes 3 and 5):		
Mutual Funds – Equity	30,455,479	25,856,750
Mutual Funds – Fixed Income	12,031,534	11,386,085
Mutual Funds – Other	8,323,423	8,230,534
Cash and cash equivalents (Note 3)	17,764,454	5,081,629
Cash restricted in bank deposits as collateral for student loans guarantee (Note 3)	77,000	77,000
Program related investments, committed (Note 3)	232,000	371,000
Prepaid expenses and other assets	11,432	13,237
Property, net (Note 7)	3,662,681	3,820,272
Total Assets	72,558,002	54,836,506
LIABILITIES AND UNRESTRICTED NET ASSETS		
Accounts payable and accrued expenses	61,516	59,273
Program related investments, payable (Note 3)	150,000	105,000
Grants payable (Note 3)	1,784,219	1,708,528
Total Liabilities	1,995,735	1,872,801
Unrestricted Net Assets (Note 2)	70,562,267	52,963,705
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	72,558,002	54,836,506

ROMANIAN-AMERICAN FOUNDATION CONSOLIDATED STATEMENTS
OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2014

Changes in net assets:	Year ended December 31, 2014	Year ended December 31, 2013
	Unrestricted	Unrestricted
INCOME		
Interest and dividend income (Note 5)	1,046,768	638,189
Support and Contribution income - Romanian-American Enterprise Fund (Note 4)	20,000,000	-
Total income	21,046,768	638,189
EXPENSES		
Employee compensation and benefits	647,414	452,195
Occupancy expenses	151,854	141,880
Professional services	86,016	137,260
Trustees'expenses	137,947	112,536
Advisory Board expenses	-	63,953
Administrative and other	201,354	161,569
Depreciation and amortization	161,630	150,488
Total operating expenses	1,386,215	1,219,881
Grants (Note 6)	(2,415,441)	(1,714,000)
Income in excess of grants and expenses	17,245,112	(2,295,692)
Net realized gain (loss) on investments (Note 5)	810,290	1,496,709
Net unrealized gain (loss) on investments (Note 5)	(450,319)	3,308,278
Net currency remeasurement (losses)/ gains	(6,521)	1,253
Total increase in unrestricted net assets	17,598,562	2,510,548
Unrestricted net assets, beginning of year	52,963,705	50,453,157
Unrestricted net assets, end of the year	70,562,267	52,963,705

The accompanying notes are an integral part of these consolidated financial statements

**ROMANIAN-AMERICAN FOUNDATION CONSOLIDATED STATEMENTS
OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014**

	Year Ended December 31, 2014	Year Ended December 31, 2013
	\$	\$
Cash flows from operating activities:		
Increase in unrestricted net assets	17,598,562	2,510,548
Adjustments to reconcile increase in unrestricted net assets to net cash used in operating activities:		
Net realized (gain) loss on investments	(810,290)	(1,496,709)
Net unrealized (gain) loss on investments	450,319	(3,308,278)
Depreciation and amortization	161,630	150,488
Decrease (increase) in cash collateral guarantees	-	(77,000)
Decrease (increase) in program related investments, assets	139,000	342,000
Increase (decrease) in program related investments, payables	45,000	(140,000)
Increase (decrease) in grants payable	75,690	294,191
Decrease (increase) in prepaid expenses	1,805	(153)
Increase in accounts payable and accrued expenses	2,242	16,955
Net cash (used in)/ provided by operating activities	17,663,958	(2,485,167)
Cash flows from investing activities:		
Proceeds from sales of investments	12,372,380	22,885,200
Cost of investments purchased	(17,349,474)	(19,286,134)
Cost of building improvements	-	-
Cost of fixed assets	(4,039)	(2,247)
Net cash provided by / (used in) investing activities	(4,981,133)	3,596,819
Net increase in cash and cash equivalents	12,682,825	1,111,652
Cash and cash equivalents, beginning of year	5,081,629	3,106,905
Cash and cash equivalents, end of year	17,764,454	4,218,557

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014

1. ORGANIZATION

The Romanian-American Foundation (the Foundation) is a United States ("U.S.") not-for-profit corporation originally filed in the State of Delaware on October 24, 2008 and thereafter amended and restated in its incorporation on September 29, 2009 pursuant to an agreement between the Romanian-American Investment Foundation [the former Romanian-American Enterprise Fund] ("RAEF" or the "Fund") and the U.S. Government. The Foundation was formed to advance the purposes of the U.S. Foreign Assistance Act of 1961 and of the U.S. Support for East European Democracy act of 1989 (SEED Act) by building upon the programs established by the Romanian-American Enterprise Fund by furthering the development of the private sector through education, entrepreneurship and private sector philanthropy and volunteerism in Romania. The Foundation shall be operated as a perpetual endowment.

The Foundation is capitalized with an endowment through a grant from the Fund. The Fund pays or transfers to the Foundation certain "RAEF proceeds", such payments or transfers constituting in the aggregate the endowment of the Foundation (see Note 4). The original source of the grant funds provided by the Fund to the Foundation is the U.S. Government acting through USAID and the funds provided through the Foundation are therefore a gift from the American people to the citizens of Romania.

The Foundation's mission is to be an effective leadership organization that strengthens and promotes conditions for a sustainable market economy and a democratic society that provide access to opportunities for all segments of the population in Romania. The Foundation aims to enable people and organizations in Romania to take advantage of the opportunities presented by globalization and membership to the European Union.

The Foundation allocates its resources to support several main program areas: Initiatives in Education, Community Development, Entrepreneurship and Job Creation in the Non-Profit Sector.

The Foundation uses two approaches to fund its program strategies: grants and program related investments. The Foundation generally seeks an external program manager to execute the objectives of each individual grant, thereby leveraging the Foundation's resources. The Foundation also consider using program related investments, such as loans and repayable grants, to support the cash flow of qualified NGOs or other categories of individuals or organization, which have charitable purposes aligned with the Foundation's mission. The Foundation does not have ownership or control of the external program managers.

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014

1. ORGANIZATION (continued)

The Foundation maintains offices in New York, NY, U.S.A. and in Bucharest, Romania, with the majority of the Foundation's operations performed through its direct hired personnel in Romania. During 2010 the Foundation initiated the legal procedures to incorporate a Romanian legal entity with its official name Fundatia "Organizatia Nonprofit Romanian-American Foundation" Romania ["RAF Romania"]. RAF Romania was legally formed and incorporated on January 11, 2011. The consolidated financial statements of the Foundation include RAF Romania for the years ended December 31, 2014.

2. BASIS OF PRESENTATION

The Foundation prepares its consolidated financial statements in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Foundation's consolidated financial statements are reported on a US dollar basis, the Foundation's functional and reporting currency.

The Foundation is required to classify information regarding its financial position and activities into certain classes of net assets:

Temporarily restricted net assets: Contributions to the Foundation are reported as temporarily restricted net assets if received with donor stipulations that limit the use of the contribution. When a donor restriction expires, i.e. when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. The Foundation did not receive any of such contributions.

Permanently restricted net assets: Contributions to the Foundation are reported as permanently restricted net assets if received with donor stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation did not receive any of such contributions.

Unrestricted net assets: Unrestricted net assets are those net assets that are not restricted by donor imposed stipulations. Pursuant to the Grant Agreement between the Fund and the Foundation (see Note 4), at December 31, 2014 the entire balance of net assets received from the Fund are classified as unrestricted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ materially from those estimates.

CONSOLIDATION

The operations of the Foundation's Bucharest office are primarily managed through a wholly owned and consolidated subsidiary RAF Romania. The accompanying consolidated financial statements reflect the consolidation of the accounts of the Foundation and RAF Romania. All material intercompany transactions and balances have been eliminated in consolidation.

INVESTMENTS, AT FAIR VALUE

The Foundation engages professional investment managers who make investment decisions according to the Foundation's investment policy and monitor the Foundation's investments. The Foundation's investments are managed through investment management accounts (the "managed accounts") with J.P.Morgan Securities LLC and Deutsche Bank Securities Inc. (the "investment managers"). Interest and dividend income earned and unrealized and realized gains and losses on investments are reported in the consolidated statement of activities (see Note 5 for fair value of investments).

In 2011 the Foundation adopted Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") 820 "Fair Value Measurements". ASC 820 (i) defines fair value, (ii) establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and (iii) enhances disclosures about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in such asset's or liability's principal or most advantageous market, in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 1: Inputs to the valuation methodology are unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date;

Level 2: Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date and fair value can be determined through the use of models or other valuation methodologies; and

Level 3: Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes its own estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk. The inputs into the determination of fair value require significant judgment. Due to inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets and liabilities existed.

A financial instrument's level within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. Certain instruments are valued using the net asset value ("NAV") of the investment vehicle.

The following is a description of the valuation methodology used for the Foundation's investments carried at fair value, including the general classification of such instruments within the valuation hierarchy:

Mutual Funds: The Foundation's investments consist of public mutual funds, valued using the NAV. The NAV for these funds is based on quoted prices in an active market with no redemption restrictions and, as such, are classified within Level 1 of the fair value hierarchy.

CONCENTRATION OF RISK

The Foundation's investments are held in managed accounts with J.P.Morgan Securities LLC and Deutsche Bank Securities Inc. The managed accounts seeks income and capital growth as well as preservation of principal. It is intended to have an average level of risk and may experience moderate levels of volatility, therefore the risk tolerance of the managed accounts is moderate. The Investment Policy Statement (IPS) states a long term perspective strategic allocation by asset classes with targets of 45% Global Equity, 19% Diversifying

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Strategies, 31% Global Fixed Income and 5% Cash. The IPS also states ranges around the strategic allocation for each asset class: 35–55% Global Equity, 5–30% Diversifying Strategies, 20–40% Global Fixed Income and 0–10% Cash. On a periodic basis, the actual allocation is compared to the strategic allocation and the Investment Committee of RAF develop a plan of action to rebalance the portfolio in consultation with the investment managers.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2014 the Foundation held cash and cash equivalents of \$16,677,051 with two large United States commercial banking institutions and \$1,082,404 with one large European commercial banking institution, which includes cash held in foreign currencies (RON and EUR) valued at \$96,920. In addition, as of December 31, 2014, the Foundation held petty cash valued at \$4,999, out of which cash in foreign currencies (RON and EUR) valued at \$2,250.

CASH COLLATERAL IN BANK DEPOSITS FOR STUDENT LOANS GUARANTEES

For purposes of the consolidated statements of cash flows, the Foundation considers all cash collateral guarantees pledged to the bank for a number of five student loans granted by Raiffeisen Bank to Romanian students to be cash restricted in bank deposits with an original maturity higher than three months. As of December 31, 2014 there were \$77,000 in a number of five such bank deposits that are denominated in U.S. dollars and are bearing interests of 2.45% p.a.

PROGRAM RELATED INVESTMENTS (PRI)

Program related investments are repayable grants and loans signed with Romanian non-governmental organizations. The PRIs are recorded in the consolidated statements of financial position as assets when repayable grants and loans are approved in accordance with policies set by the Board of Trustees, negotiations have been finalized with the borrower, and the parties have signed the repayable grant or loan agreement. In practice, the Foundation generally disburses repayable grants and loans to borrowers over time, as funds are required to meet certain contractual clauses. As a result the Foundation also records a PRI payable when the agreement is signed as such PRIs usually have multiple disbursements. See Note 6 for Program Related Investments.

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SUPPORT AND CONTRIBUTION INCOME

Amounts received from the Fund are conditioned on the Foundation's compliance with the requirements of the RAEF Grant and the SEED Act, which imposes certain U.S. policy objectives and reporting obligations. Such income is recognized as unrestricted contributions when received, as management of the Foundation believes that on receipt it is unlikely those conditions will not be met and that all restrictions on the expenditure of such funds are for the general purposes and programs of the Foundation.

INTEREST AND DIVIDEND INCOME

Interest and dividend income is recorded in the period in which is earned.

GRANTS AND GRANTS PAYABLE

Grants are recorded as grants expense in the consolidated statements of activities and grants payable in the consolidated statements of financial position when the grant is approved in accordance with policies set by the Board of Trustees, negotiations have been finalized with the grantee, and the parties have signed the grant agreement. In practice, the Foundation generally disburses grants to grantees over time, as funds are required to meet the costs of each program. As a result, the amount recorded as grants expense in the consolidated statements of

activities generally does not equal the amount of grants disbursed by the Foundation in a fiscal period. See Note 6 for Grants and Grants Payable.

FOREIGN CURRENCY

The Foundation's transactions are initiated in U.S. dollars and exchanged for Romanian lei and/or EURO ("EUR") only when needed. Revenues and expenses transacted in Romanian lei and/or EURO are re-measured into U.S. dollars at the bank exchange rate resulted from the forex tender. All of the Foundation's Romanian lei and EUR assets and liabilities are re-measured into U.S. dollars at the period's end official exchange rate. The functional currency of RAF Romania is the Romanian Leu ("RON"). Re-measurement and translation adjustments are reflected in the consolidated statements of activities.

DONATED SERVICES

Members of the Foundation's U.S. Board of Trustees donate significant amounts of their time to the Foundation's work. No amounts have been reflected in the accompanying consolidated financial statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for such donated services because there is no objective basis available to measure the value of such services.

DEPRECIATION AND AMORTIZATION

Office building and building improvements are recorded at cost. Depreciation of the building is calculated on a straight-line basis over fifteen years, less residual value. Building improvements are amortized on a straight-line basis over their useful lives. Office equipment and capitalized software are recorded at cost. Depreciation is calculated on a straight-line basis over the estimated useful life of the equipment and software, generally two to five years. Land is recorded at cost based on the market value when received by donation and is not depreciated.

OPERATING EXPENSES

Professional services, expenses of Board of Trustees meetings, expenses for travel, lodging and meals incurred in connection with the Foundation's operations and administrative expenses are classified as operating expenses.

4. ROMANIAN-AMERICAN INVESTMENT FOUNDATION (the former RAEF or the FUND) GRANT

On September 29, 2009 the Foundation entered into a Grant Agreement with the Fund. The Fund has begun the process of liquidating its investment portfolio, and approximately \$140 million in proceeds is expected to be generated from the sale, transfer or liquidation of its equity investments, loans and other assets. At the date of the Grant Agreement the Fund has also committed to repay \$25 million to the U.S. Treasury as return of capital to USAID. It was the consensus of the Board of Directors of the Fund, in consultation with USAID, the U.S. Department of States and the U.S. Congress, that, following payment to the U.S. Treasury, all the Fund's proceeds should be contributed to the Foundation to build upon the work of the Fund. According to the terms of the Grant Agreement the Fund shall from time to time pay or transfer to the Foundation the Fund's proceeds, such payments or transfers constituting in the aggregate the endowment amount which shall constitute the endowment of the Foundation.

Since the inception of the Foundation, there has been a total of \$77,110,362 contributed by RAEF to the Foundation and \$25,000,000 paid by RAEF to U.S. Treasury as of December 31, 2014.

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014

4. ROMANIAN-AMERICAN INVESTMENT FOUNDATION (the former RAEF or the FUND) GRANT (continued)

In 2014 there were \$20,000,000 contributions in cash made by the Fund to the Foundation. In 2013 there were no contributions made by the Fund to the Foundation.

According to the terms of the Grant Agreement, the Fund has the right to suspend payment or transfer of all or any portion of the RAEF proceeds and to require repayment or transfer of all or any portion of the endowment amount, together with any endowment proceeds, if foreign policy grounds exist as described in the Foreign Assistance Act and the SEED Act.

5. INVESTMENTS AT FAIR VALUE

See Note 3 "Investments at Fair Value", for a discussion of the basis for determining the fair value of the Foundation's investments. The cost and fair value of the Foundation's investments at December 31, 2014 and 2013, as well as the accumulated unrealized gains (losses) and realized gains (losses) for the years ended December 31, 2014 and 2013 are presented in the tables below:

Investments as of December 31, 2014	Cost	Fair Value	Accumulated Unrealized Gains (Losses)	Realized Gains (Losses)
Mutual Funds – Equity	26,323,483	30,455,479	4,131,995	1,032,431
Mutual Funds – Fixed Income	12,242,307	12,031,534	(210,773)	30,004
Mutual Funds – Other	8,612,984	8,323,423	(289,561)	(252,145)
Tax Costs Adjustments	19,634	-	(19,634)	-
	\$47,198,408	\$50,810,435	\$3,612,027	\$810,290

Investments as of December 31, 2013	Cost	Fair Value	Accumulated Unrealized Gains (Losses)	Realized Gains (Losses)
Mutual Funds – Equity	\$21,415,877	\$25,856,749	\$4,440,872	\$1,682,141
Mutual Funds – Fixed Income	11,501,476	11,386,085	(115,390)	(91,349)
Mutual Funds – Other	8,493,670	8,230,534	(263,136)	(94,083)
	\$41,411,023	\$45,473,368	\$4,062,346	\$1,496,709

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014

5. INVESTMENTS AT FAIR VALUE (continued)

The unrealized gains (losses) on investments for the years-ended December 31, 2014 and 2013 are presented in the table below:

	Accumulated Gains (Losses) as of December 31, 2013	Unrealized Gains (Losses) for the year-ended December 31, 2014	Accumulated Gains (Losses) as of December 31, 2014
Mutual Funds – Equity	4,440,873	(308,878)	4,131,995
Mutual Funds – Fixed Income	(115,390)	(95,600)	(210,990)
Mutual Funds – Other	(263,137)	(45,841)	(308,978)
	\$4,062,346	\$(450,319)	\$3,612,027

Set forth in the table below are the Foundation's investments as of December 31, 2014 and 2013, at fair value on a recurring basis, by the hierarchy levels described in Note 3:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments as of December 31, 2014				
Mutual Funds – Equity	30,455,479	\$ -	\$ -	30,455,479
Mutual Funds – Fixed Income	12,031,534	-	-	12,031,534
Mutual Funds – Other	8,323,423	-	-	8,323,423
	\$50,810,435	\$0	\$0	\$50,810,435
% total	100%	0%	0%	100%

5. INVESTMENTS AT FAIR VALUE (continued)

Investments as of December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds – Equity	\$25,856,749	\$ -	\$ -	\$25,856,749
Mutual Funds – Fixed Income	11,386,085	-	-	11,386,085
Mutual Funds – Other	8,230,534	-	-	8,230,534
	\$45,473,368	\$0	\$0	\$45,473,368
% total	100%	0%	0%	100%

Included in the amount reported as interest and dividend income in the consolidated statements of activities for the year ended December 31, 2014 is \$1,043,953 that represents amounts distributed from the Foundation's various mutual fund investments as dividend income, net after custodial fees of \$192,219.

Included in the amount reported as interest and dividend income in the consolidated statements of activities for the year ended December 31, 2013 is \$633,813 that represents amounts distributed from the Foundation's various mutual fund investments as dividend income, net after custodial fees of \$188,904.

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014

6. GRANTS AND PROGRAM RELATED INVESTMENTS

For the year ended December 31, 2014 the Board of Trustees of the Foundation had approved programs totaling \$2.45 million in all focus areas: education, applied research, technology innovation, entrepreneurship and community development. Out of the approved programs, as of December 31, 2014 the Foundation signed 41 grant agreements for a total of \$2,463,025. During 2014 the Foundation reversed \$47,584 of previous years contracted grants as the funds were not entirely used by recipients and subsequently cancelled.

As of December 31, 2014 PRIs consisted of \$232,000 committed funds in loans signed with 2 Romanian non-governmental organizations as non-bearing interest loans that are payable to the borrowers in multiple tranches. As of December 31, 2014 there were \$150,000 not yet disbursed. During 2014 the Foundation signed one PRI loan of \$150,000 and disbursed \$0. During 2014 the Foundation collected \$184,000 as repayments of loans and canceled the commitment of a PRI loan signed in previous years in amount of \$105,000. The total outstanding principal balance of the PRIs was \$82,000 as of December 31, 2014. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2014.

For the year ended December 31, 2013 the Board of Trustees of the Foundation had approved programs totaling \$2.5 million in all focus areas: education, applied research, technology innovation, entrepreneurship and community development. Out of the approved programs, as of December 31, 2013 the Foundation signed 17 grant agreements for a total of \$1,998,909. During 2013 the Foundation reversed \$284,909 of previous years contracted grants as the funds were not entirely used by recipients and subsequently cancelled.

As of December 31, 2013 PRIs consisted of \$371,000 committed funds in loans signed with 2 Romanian non-governmental organizations as non-bearing interest loans that are payable to the borrowers in multiple tranches. As of December 31, 2013 there were \$105,000 not yet disbursed. During 2013 the Foundation collected \$342,000 as repayments of loans and repayable grants. The total outstanding principal balance of the PRIs was \$266,000 as of December 31, 2013. Repayments of loans and repayable grants were made according to the repayment schedules and there were no past dues recorded as of December 31, 2013.

7. PROPERTY, NET

As of December 31, 2014 and 2013, net property consisted of:

	As of December 31, 2014	Cost \$	Accumulated Depreciation/ Amortization \$	Net Book Value \$
Land	537,273	-	537,273	
Office building and improvements	3,462,982	384,545	3,078,437	
Automobiles, furniture and equipment	264,797	217,826	46,971	
Software	12,887	12,887	-	
Total	4,277,939	615,258		3,662,681

	As of December 31, 2013	Cost \$	Accumulated Depreciation/ Amortization \$	Net Book Value \$
Land	537,273	-	537,273	
Office building and improvements	3,462,982	284,120	3,178,862	
Automobiles, furniture and equipment	260,758	156,621	104,137	
Software	12,887	12,887	-	
Total	4,273,900	453,628		3,820,272

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014

8. RELATED PARTY TRANSACTIONS

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or are part of the same group of affiliated companies under common control. The Foundation considers as a related party RAEF and the RAEF'S Subsidiary. During 2014 the Foundation received \$20,000,000 in grant tranches from RAEF under the initial Grant Agreement of September 29, 2009.

9. TAX STATUS

UNITED STATES

The Foundation is exempt from U.S. Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and has been classified as a type III supporting organization under Section 509(a)(3) of the Code. In addition, the Foundation is exempt from payments of state and local income taxes in the U.S.

ROMANIA

RAF Romania is a Romanian not-for-profit legal entity and is not required to pay corporate income tax according to Romanian tax laws, as it does not perform economic activities.

10. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 30, 2015, the date the consolidated financial statements were available to be issued, and has determined there were no additional events requiring consideration as adjustments to, or disclosures in, the consolidated financial statements for the year ended December 31, 2014.