



ROMANIAN - AMERICAN  
FOUNDATION

*A gift from the American people*

## **ROMANIAN-AMERICAN FOUNDATION**

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**CONSOLIDATED FINANCIAL STATEMENTS AS OF  
AND FOR THE YEAR ENDED DECEMBER 31, 2016**

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

## 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, 2016 and 2015, 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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, 2016 and 2015, 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*

Deloitte Audit SRL  
Bucharest, Romania  
May 9, 2017



# INDEPENDENT AUDITORS' REPORT

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- [CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016](#)
- [CONSOLIDATED STATEMENTS OF CASH FLOWS AS OF DECEMBER 31, 2016](#)
- [NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS](#)

*The Romanian-American Foundation is audited by Deloitte Audit SRL, a member of Deloitte Touche Tohmatsu.*

*The accompanying notes form an integral part of these consolidated financial statements.*





# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016](#)

[CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016](#)

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## ROMANIAN-AMERICAN FOUNDATION CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016

ASSETS	DECEMBER 31, 2016	DECEMBER 31, 2015
	\$	\$
Marketable Investments, at fair value (Notes 3 and 5):		
Mutual Funds – Equity	55,620,292	47,237,125
Mutual Funds – Fixed Income	26,617,845	20,944,138
Mutual Funds – Other	10,741,512	9,635,622
Non-marketable investments, at fair value	12,558,988	26,345,782
Cash and cash equivalents (Note 3)	12,050,142	11,262,145
Cash restricted in bank deposits as collateral for student loans guarantee (Note 3)	77,000	77,000
Program related investments, committed (Note 3 and Note 6)	197,999	600,000
Prepaid expenses and other assets	6,733	5,123
Property, net (Note 7)	3,435,729	3,529,375
<b>TOTAL ASSETS</b>	<b>121,306,240</b>	<b>119,636,310</b>
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
Accounts payable and accrued expenses	108,534	83,708
Program related investments, payable (Note 3 and note 6)	50,000	250,000
Grants payable (Note 3 and Note 6)	2,799,646	2,244,910
<b>TOTAL LIABILITIES</b>	<b>2,958,180</b>	<b>2,578,618</b>
<b>UNRESTRICTED NET ASSETS (NOTE)</b>	<b>118,348,061</b>	<b>117,057,692</b>
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b>121,306,240</b>	<b>119,636,310</b>

# CONSOLIDATED STATEMENTS OF ACTIVITIES

- [CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016](#)
- [CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016](#)
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- [NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS](#)

## ROMANIAN-AMERICAN FOUNDATION CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

	YEAR ENDED DECEMBER 31, 2016 (Unrestricted)	YEAR ENDED DECEMBER 31, 2016 (Restricted)	YEAR ENDED DECEMBER 31, 2016 (Total)	YEAR ENDED DECEMBER 31, 2015 (Unrestricted)
<b>CHANGES IN NET ASSETS</b>	\$	\$	\$	\$
<b>INCOME</b>				
Interest and dividend income (Note 5)	2,132,231	-	2,132,231	1,887,520
<b>SUPPORT AND CONTRIBUTION INCOME</b>				
Charles Stewart Mott Foundation	-	64,200	64,200	-
Romanian-American Investment Foundation, former RAEF (Note 4 and Note 8)	1,006,352	-	1,006,352	51,798,315
<b>TOTAL INCOME</b>	<b>3,138,583</b>	<b>64,200</b>	<b>3,202,783</b>	<b>53,685,835</b>
<b>EXPENSES</b>				
Employee compensation and benefits	510,691	2,000	512,691	535,191
Occupancy expenses	126,352	-	126,352	138,783
Professional services	230,559	54,714	285,273	159,935
Trustees' expenses	96,399	-	96,399	108,478
Administrative and other	218,022	7,486	225,508	142,931
Depreciation and amortization	93,646	-	93,646	140,805
<b>TOTAL OPERATING EXPENSES</b>	<b>1,275,669</b>	<b>64,200</b>	<b>1,339,869</b>	<b>1,226,123</b>

# CONSOLIDATED STATEMENTS OF ACTIVITIES

- [CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016](#)
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## ROMANIAN-AMERICAN FOUNDATION CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

	YEAR ENDED DECEMBER 31, 2016 (UNRESTRICTED)	YEAR ENDED DECEMBER 31, 2016 (RESTRICTED)	YEAR ENDED DECEMBER 31, 2016 (TOTAL)	YEAR ENDED DECEMBER 31, 2015 (UNRESTRICTED)
<b>CHANGES IN NET ASSETS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Grants (Note 6)	(3,175,855)	-	(3,175,855)	(2,096,491)
<b>INCOME IN EXCESS OF GRANTS AND EXPENSES</b>	<b>(1,312,941)</b>	<b>-</b>	<b>(1,312,941)</b>	<b>50,363,221</b>
Net realized loss on investments (Note 5)	(1,405,533)	-	(1,405,533)	1,104,665
Net unrealized gain on investments (Note 5)	4,293,651	-	4,293,651	(4,222,065)
Net currency remeasurement (losses)/gains	(284,809)	-	(284,809)	(750,396)
<b>TOTAL INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>1,290,368</b>	<b>-</b>	<b>1,290,368</b>	<b>46,495,425</b>
Unrestricted net assets, beginning of year	117,057,692	-	117,057,692	70,562,267
<b>UNRESTRICTED NET ASSETS, END OF THE YEAR</b>	<b>118,348,061</b>	<b>-</b>	<b>118,348,061</b>	<b>117,057,692</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

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## ROMANIAN-AMERICAN FOUNDATION CONSOLIDATED STATEMENTS OF CASH FLOWS AS OF DECEMBER 31, 2016

	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$</b>	<b>\$</b>
Increase in unrestricted net assets	1,290,368	46,495,425
<b>Adjustments to reconcile increase in unrestricted net assets to net cash used in operating activities:</b>		
Net realized/(gain) loss on marketable investments	1,405,533	(1,104,665)
Net unrealized/(gain) loss on marketable investments	(4,293,651)	4,447,542
Net unrealized FX (gain)/loss on non-marketable investments	337,478	749,174
Release of provisions for non-marketable investments	-	(225,477)
Depreciation and amortization	93,646	140,805
Decrease/(Increase) in cash collateral guarantees	-	-
Decrease/(Increase) in program related investments, assets	402,001	(368,000)
Increase /(Decrease) in program related investments, payables	(200,000)	100,000
Increase/(Decrease) in grants payable	554,736	460,691
Decrease/(Increase) in prepaid expenses	(1,610)	6,309
Increase/(Decrease) in accounts payable and accrued expenses	24,826	22,191
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(386,673)</b>	<b>50,723,995</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of marketable investments	27,871,820	40,369,858
Proceeds from sales of non-marketable investments	13,449,317	3,969,653
Cost of marketable investments purchased	(40,146,467)	(70,719,183)
Cost of non-marketable investments purchased	-	(30,839,132)
Cost of fixed assets	-	(7,500)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>1,174,670</b>	<b>(57,226,304)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>787,997</b>	<b>(6,502,309)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>11,262,145</b>	<b>17,764,454</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>12,050,142</b>	<b>11,262,145</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

*The accompanying notes form an integral part of these consolidated financial statements.*

## 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 use 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.

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 year ended December 31, 2016.

## 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 received on March 25, 2016 such contributions in the form of a grant from Charles Stewart Mott Foundation in the amount of \$64,200. The purpose of the grant received from Charles Stewart Mott Foundation was the Consultative Process for the National Endowment for Community Foundations in Romania and the full amount of \$64,200 of the restricted funds had been expensed as of December 31, 2016.

**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, 2016 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 marketable investments are managed through investment management accounts (the "managed accounts") with Alex Brown – a division of Raymond James and Fund Evaluation Group (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).

The Foundation's non-marketable investments consist of 36.36% ownership interest of RAF in Balkan Accession Fund ("BAF"), a partnership investment organized under the laws of Netherlands Antilles.

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:

**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:

**Marketable Investments - Mutual Funds:** The Foundation's marketable 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.

**Non-Marketable Investments – Partnership Investments:** The Foundation's non-marketable investments are private investment vehicles valued using the financial information of the partnership and the Foundation's ownership interest. These assets are classified within Level 3 of the valuation hierarchy as there is no observable data on which to base the valuation.

*The accompanying notes form an integral part of these consolidated financial statements.*

## CONCENTRATION OF RISK

The Foundation's marketable investments are held in managed accounts with Alex Brown – a division of Raymond James, and Fund Evaluation Group. The managed accounts seek 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 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.

The Foundation's non-marketable investments, the ownership interest in Balkan Accession Fund partnership respectively, are managed by the fund manager (Axxess Capital) and seek capital growth. The Investment Committee of RAF is reported quarterly by the fund manager and the Foundation delegates one of its Trustees as a member of the Supervisory Board of BAF partnership.

The general policy of the Foundation is to carry the non-marketable investments at cost less provision for estimated impairment losses. The cost less provisions for estimated impairment losses is used to represent the fair values of the investments in the absence of information that would support the need for a lower or higher valuation. In determining carrying values, management considers relevant qualitative and quantitative information available. The values assigned to investments are based on available information and do not necessarily represent amounts that might ultimately be realized, since such amounts depend on future development inherent in long-term investments. These values are subject to change over time and are reviewed periodically. As adjustments become necessary, they are reported in the period in which they become known. Due to the inherent uncertainty of the valuation, those estimated carrying values may differ from the values

that would have been used had a ready market for the investments existed, and the differences could be material. There is limited precedent for valuing such investments in the region. Therefore, there is little experience upon which to base the estimate of risk and amount of possible losses.

## 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, 2016 the Foundation held cash and cash equivalents of \$8,385,572 with three large United States commercial banking institutions and \$3,654,018 with one large European commercial banking institution, which includes cash held in foreign currencies (RON and EUR) valued at \$2,812,246. In addition, as of December 31, 2016, the Foundation held petty cash valued at \$10,552, out of which cash in foreign currencies (RON and EUR) valued at \$5,590.

## 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, 2016 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 loans signed with Romanian non-governmental organizations. The PRIs are recorded in the consolidated statements of financial position as assets when 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 loan agreement. In practice, the Foundation generally disburses 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.

## SUPPORT AND CONTRIBUTION INCOME

Amounts received from the Fund are conditioned on the Foundation's compliance with the requirements of the RAIF 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 disburse grants to grantees over time, as funds are required to meet the costs of each program. As a result, the amount recorded as grants expenses 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.

*The accompanying notes form an integral part of these consolidated financial statements.*



## 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 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 "RAIF" (the former Romanian-American Enterprise Fund "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 was 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 \$129,915,029 contributed by RAEF to the Foundation and \$25,000,000 paid by RAEF to U.S. Treasury as of December 31, 2016.

In 2015 there were \$20,951,157 contributions in cash and \$8,026 contributions with fixed assets and \$30,839,132 contributions of in-kind investments made by the Fund to the Foundation, totaling \$51,798,315.

In 2016 there were \$1,006,352 contributions in cash 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.

*The accompanying notes form an integral part of these consolidated financial statements.*

## 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, 2016 and 2015, as well as the accumulated unrealized gains (losses) and realized gains (losses) for the years ended December 31, 2016 and 2015 are presented in the tables on the right:

### INVESTMENTS AS OF DECEMBER 31, 2016

	COST	FAIR VALUE	ACCUMULATED UNREALIZED GAINS (LOSSES)	REALIZED GAINS (LOSSES)
	\$	\$	\$	\$
<b>MARKETABLE INVESTMENTS:</b>				
Mutual Funds – Equity	51,210,770	55,260,293	4,409,523	(546,602)
Mutual Funds – Fixed Income	27,362,200	26,617,846	(744,354)	(341,413)
Mutual Funds – Other	10,948,622	10,741,512	(207,110)	(525,049)
Tax costs adjustments	(78)	-	78	-
<b>NON-MARKETABLE INVESTMENTS:</b>				
Partnership investments	12,558,988	12,558,988	-	-
	<b>102,080,502</b>	<b>105,538,638</b>	<b>3,458,137</b>	<b>(1,405,533)</b>

### INVESTMENTS AS OF DECEMBER 31, 2015

	COST	FAIR VALUE	ACCUMULATED UNREALIZED GAINS (LOSSES)	REALIZED GAINS (LOSSES)
	\$	\$	\$	\$
<b>MARKETABLE INVESTMENTS:</b>				
Mutual Funds – Equity	46,536,328	47,237,125	700,797	1,726,298
Mutual Funds – Fixed Income	21,839,948	20,944,138	(895,810)	(155,784)
Mutual Funds – Other	10,276,759	9,635,622	(641,137)	(465,849)
Tax costs adjustments	(636)	-	(636)	-
<b>NON-MARKETABLE INVESTMENTS:</b>				
Partnership investments	26,345,782	26,345,782	-	-
	<b>104,998,182</b>	<b>104,162,667</b>	<b>(835,515)</b>	<b>1,104,665</b>

*The accompanying notes form an integral part of these consolidated financial statements.*



## 5. INVESTMENTS AT FAIR VALUE (continued)

The unrealized gains (losses) on investments for the years-ended December 31, 2016 and 2015 are presented in the table on the right:

Set forth in the table on the right are the Foundation's investments as of December 31, 2016 and 2015, at fair value on a recurring basis, by the hierarchy levels described in Note 3:

*The accompanying notes form an integral part of these consolidated financial statements.*

	ACCUMULATED UNREALIZED GAINS (LOSSES) AS OF DECEMBER 31, 2015	UNREALIZED GAINS (LOSSES) FOR THE YEAR-ENDED DECEMBER 31, 2016	ACCUMULATED UNREALIZED GAINS (LOSSES) AS OF DECEMBER 31, 2016
	\$	\$	\$
Mutual Funds – Equity	700,797	3,708,725	4,409,522
Mutual Funds – Fixed Income	(895,809)	151,456	(744,354)
Mutual Funds – Other	(641,138)	434,028	(207,110)
Tax costs adjustments	636	(558)	78
Partnership investments	-	-	-
	<b>(835,515)</b>	<b>4,293,651</b>	<b>3,458,137</b>

### INVESTMENTS AS OF DECEMBER 31, 2016

	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	55,620,293	-	-	55,620,293
Mutual Funds – Fixed Income	26,617,846	-	-	26,617,846
Mutual Funds – Other	10,741,512	-	-	10,741,512
Partnership investments	-	-	12,558,988	12,558,988
	<b>92,979,651</b>	<b>0</b>	<b>12,558,988</b>	<b>105,538,638</b>
<b>% TOTAL</b>	<b>88%</b>	<b>0%</b>	<b>12%</b>	<b>100%</b>

### INVESTMENTS AS OF DECEMBER 31, 2015

	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	47,237,125	-	-	47,237,125
Mutual Funds – Fixed Income	20,944,138	-	-	20,944,138
Mutual Funds – Other	9,635,622	-	-	9,635,622
Partnership investments	-	-	26,345,782	26,345,782
	<b>77,816,885</b>	<b>0</b>	<b>26,345,782</b>	<b>104,162,667</b>
<b>% TOTAL</b>	<b>75%</b>	<b>0%</b>	<b>25%</b>	<b>100%</b>

## 5. INVESTMENTS AT FAIR VALUE (continued)

A summary of Level 3 activity for the year ended December 31, 2015 and 2016 is as follows:

	\$
<b>BALANCE, DECEMBER 31, 2014</b>	-
Non-marketable investment BAF transferred in kind from RAIF to RAF	30,839,132
Distribution of BAF capital received	(3,969,653)
Unrealized Exchange Rate gain (loss)	(749,174)
Release of provisions for losses	225,477
<b>BALANCE, DECEMBER 31, 2015</b>	<b>26,345,782</b>
Distribution of BAF capital received	(13,449,316)
Unrealized Exchange Rate gain (loss)	(337,478)
Release of provisions for losses	-
<b>BALANCE, DECEMBER 31, 2016</b>	<b>12,558,988</b>

Included in the amount reported as interest and dividend income in the consolidated statements of activities for the year ended December 31, 2016 is \$2,130,782 that represents amounts distributed from the Foundation's various mutual fund investments as dividend income, net after custodial fees of \$270,026. Interest earned on operating bank accounts as of the year ended December 31, 2016 was in amount of \$1,449.

Included in the amount reported as interest and dividend income in the consolidated statements of activities for the year ended December 31, 2015 is \$1,886,038 that represents amounts distributed from the Foundation's

various mutual fund investments as dividend income, net after custodial fees of \$188,844. Interest earned on operating bank accounts as of the year ended December 31, 2015 was in amount of \$1,482.

## 6. GRANTS AND PROGRAM RELATED INVESTMENTS

For the year ended December 31, 2016 the Foundation signed 46 new grant agreements and amended 13 grant agreements signed in previous years for a total of \$3,214,019 grant awards in the focus areas of education, entrepreneurship and community development. During 2016 the Foundation reversed \$38,164 of previous years contracted grant awards as the funds were not entirely used by recipients and subsequently cancelled, the grants awarded during the year and recorded through the consolidated statement of activities amounting to \$3,175,855. The grants disbursed during the year ended December 31, 2016 consisted of \$2,621,119 and the outstanding signed grant agreements not yet disbursed until year end amounted to \$2,799,646.

As of December 31, 2016 PRIs consisted of \$197,999 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, 2016 there were \$50,000 not yet disbursed. During 2016 the Foundation signed two PRI loans of \$215,600 and disbursed \$165,600. During 2016 the Foundation canceled \$250,000 in loans committed in previous years. During 2016 the Foundation collected \$367,601 as repayments of loans. The total outstanding principal balance of the PRIs was \$147,999 as of December 31, 2016. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2016.

For the year ended December 31, 2015 the Foundation signed 38 new grant agreements and amended 5 grant agreements signed in previous years for a total of \$2,097,492 grant awards in the focus areas of education, entrepreneurship and community development. During 2015 the Foundation reversed \$1,001 of previous years contracted grant awards as the funds were not entirely used by recipients and subsequently cancelled, the grants

awarded during the year and recorded through the consolidated statement of activities amounting to \$2,096,491. The grants disbursed during the year ended December 31, 2015 consisted of \$1,635,800 and the outstanding signed grant agreements not yet disbursed until year end amounted to \$2,244,910.

As of December 31, 2015 PRIs consisted of \$600,000 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, 2015 there were \$250,000 not yet disbursed. During 2015 the Foundation signed one PRI loan of \$450,000 and disbursed \$350,000. During 2015 the Foundation collected \$82,000 as repayments of loans. The total outstanding principal balance of the PRIs was \$350,000 as of December 31, 2015. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2015.

*The accompanying notes form an integral part of these consolidated financial statements.*



## 7. PROPERTY, NET

As of December 31, 2016 and 2015, net property consisted of:

	COST	ACCUMULATED DEPRECIATION/AMORTIZATION	NET BOOK VALUE
<b>AS OF DECEMBER 31, 2016</b>	\$	\$	\$
Land	537,273	-	537,273
Office building and improvements	3,462,982	568,292	2,894,690
Automobiles, furniture and equipment	272,296	268,531	3,766
Software	12,887	12,887	-
<b>TOTAL</b>	<b>4,285,439</b>	<b>849,709</b>	<b>3,435,729</b>

	COST	ACCUMULATED DEPRECIATION/ AMORTIZATION	NET BOOK VALUE
<b>AS OF DECEMBER 31, 2015</b>	\$	\$	\$
Land	537,273	-	537,273
Office building and improvements	3,462,982	484,353	2,978,629
Automobiles, furniture and equipment	272,296	258,823	13,473
Software	12,887	12,887	-
<b>TOTAL</b>	<b>4,285,439</b>	<b>756,063</b>	<b>3,529,375</b>

*The accompanying notes form an integral part of these consolidated financial statements.*

## 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 RAIF and the RAIF's Subsidiary. During 2016 the Foundation received \$1,006,352 contributions in cash from RAIF and from RAIF's Subsidiary.

## 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, 2017, 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, 2016.

*The accompanying notes form an integral part of these consolidated financial statements.*

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