



ROMANIAN - AMERICAN
FOUNDATION

A gift from the American people

ANNUAL REPORT 2010

The Romanian-American Foundation aims to enable people and organizations in Romania, especially in smaller towns and rural areas, to take advantage of the opportunities presented by globalization and access to the European Union.

The Foundation seeks to collaborate over the long term with leaders and innovators who share our vision for the best possible Romania. The Romanian-American Foundation works with partners to foster creative, entrepreneurial institutions and individuals who can help Romania achieve a vibrant society with excellence and opportunities for all.

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HISTORY

The Romanian-American Foundation finances its activities from revenues generated by its endowment, a legacy of the Romanian-American Enterprise Fund (RAEF). The Foundation is a gift from the American people to the Romanian people, with an endowment of approximately \$150 million.

RAEF was funded in 1994 with a grant of \$50 million from the United States Government in an effort to assist Romania's evolution to a free-market economy. Managed by a talented team of Americans and Romanians, RAEF pioneered a combination of investment and development activities that proved very successful in the Romanian market place.

In 2009, the U.S. Congress was persuaded to establish the nonprofit, charitable Romanian-American Foundation with profits generated from the RAEF investments. The Foundation is emblematic of America's enduring commitment to the Romanian people and Romania's historic transition to a market-based economy.

RAF'S PROMISE TO ROMANIA

We work to harness American business experience and optimism with Romanian skills and ingenuity for a more prosperous, democratic and entrepreneurial society in Romania.

MISSION

Our mission is to strengthen and promote conditions for a sustainable market economy and a democratic society that provides access to opportunity for all segments of the population in Romania.

PARTNER PROFILES

Roxana Damaschin

NESST Romania, RAF grantee

"I am very lucky to be able to work in a field I am passionate about... it's more of a joy than a job."

The social enterprise experience

Since 2004, I've witnessed how the social enterprise approach can change the lives of those who are marginalized in the labor market. Afterwards, I was trained in social enterprise planning and incubation, and then I started studying and reading more about social enterprises. Now I truly believe that social enterprise has the potential to solve, in the long run, the critical social problems we are currently facing by addressing their root causes. I believe that if society would adopt a more socially focused attitude in work and daily life, an alternative economy, more responsive to the needs of local communities, could be created.

The RAF experience

Working with RAF is an ongoing, on-the-job learning experience. RAF is interested in the core activity of the programs it supports, and it has the courage to go beyond just the reporting documents to take the extra initiative to really understand its partners' work. RAF makes the effort to get to know a potential grantee before making an investment decision - as a result, it is a well-documented decision, which increases RAF's ability to help others generate positive, long-term, measurable impact and quality results. I wish more donors would endorse this approach and spend time assessing what's truly happening at a grassroots level.

I also feel personally enriched after meeting the RAF community and working closely with their staff: they are an enthusiastic, professional and committed team, willing to mobilize their own network of friends in support of the projects they are involved with. Through our relationship, RAF is actively helping to raise NESST's visibility in Romania. This is something I had never seen in a donor until now, and it is worth recognizing. In one word, both at an organizational and personal level, RAF cares.

The personal experience

We cannot afford to wait until others start doing something to create long-lasting values in our communities. We cannot wait for others to act ethically and professionally at local level. Being socially and financially responsible in our endeavors (for-profit or non-profit) can lead to a new social paradigm - economic efficiency and shared well-being can be brought back together again.



Marian Stas

Fundatia CODECS pentru Leadership, RAF grantee

School for real

I chose this field for a reason as simple as it is powerful: *the real Romania starts with „public school—the real deal”*. In other words, the historic transformation of this society will rise (or fall) with our ability to transform the school system. The defining moment that brought me to this realization and, accordingly, to my life's path was my "Harvard experience," both as a student (1998-99 - MPA/MC) and as a professor during summer semesters at the Kennedy School (2000 - present). My personal motivation? Simple: what happens to Romania matters to me!

A collaborative vision of the future

Working with RAF has been an exceptional professional experience—profound, complex and built upon mutual trust and belief in making our collaborative vision a reality. The collaborative vision to which I refer is the chance to offer the "Leaders of the Third Millennium" program to high schools from 15 rural communities and small towns across Romania.

The social change

I dream of seeing one single, essential social change in Romania above all others: an educational system which cultivates genuine values and is grounded in both *capability* and *responsibility*. Making this dream a reality is worth any effort, personally or as part of a larger movement.

LETTER FROM THE ROMANIAN-AMERICAN FOUNDATION

2010 marks the first full year of operations for the Romanian-American Foundation. The Foundation Board approved innovative programs totaling \$1.9 million, which are now taking root in rural towns and larger cities around the country. We are developing and funding programs in places and in ways that few others do.

We have initiated programs in our three areas of interest: education, entrepreneurship and community development. These programs pair lofty goals with strong project managers. We are partnering with several NGO's, highly experienced in working with young people, to bring proven models of contemporary economic education, leadership and career training to the youth in rural and disadvantaged areas. We strongly believe in social entrepreneurship and support NGOs in creating sustainable small, start-up businesses capable of serving their clientele in the long term.

To promote local community development, we are supporting the creation and growth of community foundations across Romania.

In October 2010, the Foundation staff moved into RAF's new headquarters a historic building in the heart of Bucharest. "RAF House" provides a welcoming work environment, a convenient place to meet current and prospective project partners, and allows us to offer space to the community. Several rooms at the ground level have been set aside for conferences, meetings or workgroups. We are happy to make these facilities available, free of charge, to like-minded organizations, universities and student groups who might not otherwise have access to such facilities in downtown Bucharest. We see our headquarters as another opportunity to fulfill our mission of supporting growth, innovation and positive change in Romania.

Last but not least, in October this year, two great friends of Romania, RAEF and RAF, have reached the term of their mandate and have withdrawn from the Board: Ambassador Harry G. Barnes Jr. and Ambassador Richard N. Viets. We wish to express our gratitude for their exceptional long-lasting involvement and ongoing contribution to Romania.

The past year has represented a solid step forward in RAF's evolution as a foundation and an agent of change. This year we are looking forward to building upon what we have started and to identifying further ways in which RAF can contribute to a more prosperous, democratic and entrepreneurial Romania.

*Ida F.S. Schmertz,
Chair of RAF's Board of Trustees*

*Roxana Vitan
Executive Director*



RAF House, built in 1932 as a graceful home in a protected area in downtown Bucharest. Meeting rooms are available to the Foundation's partners and friends.

WHERE WE WORK

NATIONAL INITIATIVES,
LOCAL IMPACT

We support innovative programs in education, entrepreneurship and community development in over 125 towns throughout Romania.



TOTAL PROGRAM
APPROVALS, 2010

\$ 1,987,956

EDUCATION

\$ 1,268,545

ENTREPRENEURSHIP

\$ 569,411

COMMUNITY
DEVELOPEMNT

\$ 150,000

PROGRAMS

Led by the Foundation staff in Bucharest and an international board of directors, the Romanian-American Foundation makes social investments in the areas of entrepreneurship, education and community development.

We partner with public, private and nonprofit leaders and organizations in Romania and America, policymakers who are engaged in or committed to entrepreneurship and education policy development and implementation, and other funders in the region. We identify creative partners and program managers who offer good ideas, a strong track record, collaborative skills and shared values.



RAF Programs Take Root in Education

Education that empowers students and allows them access to opportunity beyond the classroom is the cornerstone of a thriving democracy and a robust economy. Our programs bridge the gap between formal education and the labor market by equipping teachers and students with the knowledge, attitudes and skills vital to an engaged citizenry and economic success.

Learning by doing is fundamental for today's students. This is why we believe that a hands-on way of learning is essential to prepare young people for a highly competitive labor market by providing them with the necessary soft skills that complement the hard skills and specific knowledge provided by the formal education system. The dedicated teachers that we and our partners work with share our opinion and make concrete change possible.

Our work advances a vision of education as a way to prepare students for the future in a globalized world. Getting involved in engaging activities, gaining first-hand experience, stimulating imagination and taking charge of their educational opportunities are all key elements that could transform our children into better students, better citizens and agents of change in a more dynamic Romania.

Program	Program manager	RAF contribution
Entrepreneurial Education in Small Town Schools	Junior Achievement Romania	\$325,500 / 3 years <i>Start: October 2009</i>
Youth Leadership Program for Small Urban Communities	CODECS Foundation for Leadership	\$126,000 / 3 years <i>Start: July 2010</i>
IMPACT – Mainstreaming Non-formal Education	Fundatia Noi Orizonturi	\$332,965 / 2 years <i>Start: November 2010</i>
Career Counseling	Asociatia Alternative Sociale	\$484,080 / 3 years <i>Start: November 2010</i>
Total Education (2009-2013)		\$1,268,545





“YES – Young Entrepreneurs for Sustainability”

Program Manager: Junior Achievement Romania (JA Romania)

Partners: The Ministry of Education

RAF Contribution: \$325,500 (total project budget: \$345,800)

Duration: October 2009 – July 2012

Objectives

1. To stimulate the entrepreneurial spirit of rural students through business/entrepreneurial courses offered to schools in small and/or underdeveloped communities;
2. To create a pool of teachers able to run business and entrepreneurial training programs in their schools;
3. To facilitate exchange of experience and good practices between teachers and students by creating and operating separate networks.

Expected results

- Manuals for teachers and students are translated, revised and adapted to the national context, then distributed to each participant enrolled in the program;
- 105 teachers are trained in basic knowledge of business and entrepreneurship, in using case studies, and in the new teaching methodology;
- 5,880 students from over 100 targeted schools acquire business and entrepreneurial literacy. They also develop personal skills such as working in teams, communication, decision-making, time management, creative thinking, and learn the importance of business ethics.

Program Manager: Established in 1993 as a non-profit and nongovernmental organization, **Junior Achievement Romania** develops programs for young people under the slogan “Invest in education!”. JA Romania is part of Junior Achievement Worldwide, founded in the USA in 1919, as well as Junior Achievement - Young Enterprise, Europe, a network with over 40 years in European education activity.

All JA Romania programs have been translated and adapted and are implemented according to an agreement signed with the Romanian Ministry of Education and Research. JAR provides training, materials, service and technical support to schools that have chosen to implement its programs as optional curriculum



Leaders of the Third Millennium

Program Manager: CODECS Foundation for Leadership

Partners: The Ministry of Education

Budget RAF: \$126,000 (total project budget \$132,300)

Duration: September 2010 - July 2013

Objectives

1. To support youth in small urban communities to study and build their career through their own strengths, creativity and intelligence;
2. To generate islands of best practices and new attitudes in the school system.

Expected results

- 25 teachers will be trained in implementing the leadership program for their students in 25 schools and will promote and share best practices;
- About 1,200 students aged 15 to 19 will be trained in leadership so as to achieve new abilities for project development, public speaking, structuring and delivering an impactful message/vision, building effective interpersonal relationships;
- Teams of students will practice their abilities, developing by the end of the training session small projects related to their school/community interests;

Program manager: **CODECS Foundation for Leadership** is a Romanian not-for-profit organization, established in 2001 by CODECS SA, www.codecs.ro, which was created in 1993 with the support of the Know How Fund of Great Britain and of the Romanian Foundation for Democracy. Its mission is to create, develop and consolidate the organizational culture of leadership in Romania, by fostering the emergence of new generations of leaders, capable to put to work effective change management mechanisms, based on professional excellence, knowledge, influence and networking. (www.lmt.ro)

“IMPACT –Non-formal Education in Romania”



Program manager: New Horizons Foundation (NHF)

Partners: Center for Democratic Studies (Babes-Bolyai University); School Inspectorates from nine counties (Mehedinti, Timis, Iasi, Neamt, Cluj, Brasov, Calarasi, Hunedoara and Vrancea);

RAF contribution: \$332,965 (total project budget: \$1,004,496)

Duration: December 2010 – November 2013

This program supports the implementation and promotion of the innovative IMPACT model of non-formal education. The model is based on youth clubs that encourage entrepreneurial ways of thinking and behaving, and create grassroots community development and volunteerism in small towns and rural areas.

Objectives

1. To train 200 teachers (volunteers) from small towns and rural areas by using a field-tested curriculum so they could work with at least 1,000 students enrolled in IMPACT youth clubs;
2. To enhance entrepreneurship, leadership, citizenship, and employability knowledge of 1,000 students aged between 12 and 18 from 65 small towns and rural areas schools;
3. To increase awareness among central and local authorities, schools, teachers and others about supplementing formal education with non-formal models that allow youth to “learn by doing”.

Expected results

- A field-tested training curriculum for the teachers, based on the “learn by doing” method; it will include four main components: active citizenship, social entrepreneurship, employability and leadership;
- 200 volunteer teachers trained to coordinate the IMPACT clubs;
- 1,000 students will be involved in the non-formal education activities of the IMPACT clubs, implementing at least 245 community and entrepreneurial projects at a local level;
- An impact study of the non-formal education on youth, teachers, and community;
- A collection of emerging best practices distributed to Ministry of Education, local schools inspectorates, schools and media;
- A web-based communication and resource platform for students, teachers and general public to support broad based non-formal education for engaged citizenship, sharing information and disseminate best practices.

Program manager: New Horizons Foundation

Established in 2000, New Horizons Foundation (NHF) is a nonprofit organization whose mission is to promote top quality experiential education models that advance life skills among youth as a means for sustainable development. NHF is a leader in experiential education in Romania implementing two programs: VIATA, a summer adventure education camp and IMPACT, student clubs based on non-formal education, a program that received the diploma of excellence in 2006 from the National Authority for Youth. In 2010 NHF was awarded 2nd place in the “Best NGO in Education Field” category at the Education Awards Gala organized by Dinu Patriciu Foundation. (www.new-horizons.ro).

Career Counseling



(ACT-IV – Abilitati de Cariera pentru Tineri – Investitie in Viitor!)

Program manager: Alternative Sociale Association

Partners: School Inspectorates and Houses of Teachers from eight counties (Iasi, Suceava, Botosani, Neamt, Vaslui, Bacau, Galati and Vrancea); Iasi County Agency for Employment

RAF contribution: \$ 484,080 (total project budget \$ 557,842)

Duration: December 2010 – November 2013

Objectives

1. To train and equip 816 teachers with knowledge, methodologies and tools to provide career guidance and counseling to their students from small towns and rural areas in eight counties of Moldova region.
2. To help 20,000 students aged 13 to 15 from small towns and rural areas in Moldova to take advantage of educational opportunities and acquire skills and abilities for a more effective management of their career and successful integration into the labor market.

Expected results

- 16 career guidance experts affiliated with the House of Teachers in each county, equipped with proper skills and accreditations, will act as trainers for teachers and school counselors;
- 800 teachers and school counselors will be trained and certified for conducting career guidance and counseling in schools;
- The training curriculum on career guidance will be approved by the Ministry of Education;
- A teacher's guide and student's book on career counseling will be made available to be used in the classroom and for individual study as well;
- 20,000 students will have the knowledge and capacity to identify and pursue their career goals; they will be better able to develop their potential and make informed educational choices for successful integration into the labor market.
- A report related to the methodology and best the practices on career guidance and counseling submitted for consideration to the Ministry of Education for potential dissemination and replication at the national level.

Program manager: Alternative Sociale Association (AAS) is a non-profit organization established in 1997 with the mission of protecting and promoting human rights through activities of prevention, capacity building, research and advocacy. It has organized a considerable number of programs created for and with youth to address such social issues as juvenile delinquency, drug abuse, truancy, trafficking in human beings and child labor. AAS has previously targeted the subject of career guidance and counseling in several programs narrowly focused on minimizing risks associated with dropping out of school in the Moldova region. AAS is accredited by the Ministry of Education and the Ministry of Labor to organize trainings of trainers and of project managers and to issue certificates that are acknowledged at the European level.

RAF Programs Take Root in Entrepreneurship

Entrepreneurship is a crucial driver for economic development, and one with enormous potential in Romania. Our programs focus on building entrepreneurial skills and attitudes in individuals and organizations in order to develop human capital, create jobs and spur new economic activities.

While Romania's accession to the EU has opened new markets for private entrepreneurs, many require support to respond to real-world demands and grow to scale. Meanwhile, many NGOs now find themselves in a precarious situation. Many traditional philanthropic funding sources have dried up, while strict EU funding requirements prevent growing non-profit organizations from accessing monies for lack of sufficient know-how and personnel. In this environment, where almost no NGO has an endowment upon which to rely and the landscape for philanthropic funding is quickly shifting, non-profit institutions must adapt in order to thrive.

The Romanian-American Foundation works to help NGOs and promising businesses flourish in a changing world. We support the development of social enterprises, an entrepreneurial, business-based approach to solving social problems that allows civil society organizations in Romania to increase their sustainability, institutional capacity and impact.

Program	Program manager	RAF contribution
Supporting Social Enterprises	NESsT	\$80,000 / 1 year <i>Start: January 2010</i>
Green Entrepreneurship	REPF with CEED as business supporting partner	\$489,411 / 3 years <i>Start: December 2010</i>
Total Entrepreneurship (2010-2013)		\$569,411



Social Enterprises Investing in Entrepreneurial Nonprofits in Marginalized Communities



This program aims to support the development of social enterprises creating economic opportunities and employment for marginalized communities and to promote social enterprise as a model for sustainable development of NGOs in Romania.

Program Manager: NESsT

RAF Contribution: \$ 80,000 US (total project budget \$ 244,047)

Duration: January 2010-January 2011

Objectives

1. Social Enterprise Portfolio Support: to provide venture grants and business support to three operating social enterprises from the current portfolio to improve overall effectiveness and impact.
2. Social Enterprise Competition (second edition, 2009-2010): to provide venture grants for two of the five winners, in order to support the new social enterprises at the early-stages of business planning or start-up.

Expected results

Three nonprofit organizations received ongoing tailored technical assistance and consulting advice from NESsT and its Business Advisory Network (design of business plan, marketing strategy, human resources strategy, experience exchange, networking etc.) and financial support from RAF (US \$ 8,000 each):

ACSIS from Bucharest aims to empower at-risk mothers to become financially independent by means of employment and training in its textile toys production workshops. The toys are mainly sold by means of a puppets theater show in kindergartens and primary schools.

Fundația Cartea Călătoare (FCC) from Focșani produces audio books in Digital Accessible Information System (DAISY) format for people with visual impairments. Additionally, FCC sells the necessary devices and software to public libraries that are required by law to accommodate disabled readers.

Fundația Noi Orizonturi from Lupeni provides year-round tourist services, including accommodations, with access to nearby ski resorts and summer hiking excursions in the picturesque mountain resort of Straja in the Meridional Carpathians. The financial goal of the social enterprise is to secure an independent source of income which will provide 15% of total organizational revenues

During the second Social Enterprise Competition, 19 nonprofits have been selected out of an initial number of 25 to proceed in the enterprise development process and participate in the Feasibility Study workshop. Eight organizations have been granted US \$ 1,000 to conduct quality market surveys and all participating organizations have received individual consultations on various topics (industry analysis, regulations, taxes, sampling, market research questionnaires, risk analysis, etc.) as well as professional feedback on market research from the Business Advisory Network members.

Program manager: NESsT Romania is an international non-profit that develops sustainable social enterprises that solve critical social problems in emerging markets. With a staff of 50 spanning 10 countries in Latin America and Central and Eastern Europe (Argentina, Brazil, Chile, Ecuador, Peru, Croatia, Czech Republic, Hungary, Romania, Slovakia), NESsT works as a social enterprise catalyst by providing financial assistance as well as capacity-building support to organizations. NESsT achieves its mission by combining the tools and strategies of business leadership with the mission and values of non-profit entrepreneurship to support the development of social enterprises in emerging democracies worldwide.

Green Entrepreneurship – Social Enterprises for Sustainable Development



fundatia pentru
parteneriat



Program manager: Romanian Environmental Partnership Foundation (REPF)

Partners: Center for Entrepreneurship and Executive Development (CEED),
Business Support Partner

RAF contribution: \$ 489,411 (total project budget: \$ 547,221)

Duration: December 2010 – December 2013

The pilot stage of the "Green Entrepreneurship" aims to promote a model that supports the initiation and development of social enterprises based on the natural and cultural resources existing in small communities that still preserve a traditional way of life and hold a great economic potential. Income generating activities development can add socio-economic value to the local heritage and can be used as a sustainable tool for long-term conservation and local development.

Objectives

1. To encourage greater use of Romania's environmental and cultural heritage as business assets;
2. To diversify the funding base of environmental NGOs and to assist them in advancing towards financial sustainability;
3. To develop the skills and capacities of 5-6 environmental NGOs in the field of social enterprises;
4. To initiate and fund at least 5-6 environment related social enterprises and empower communities turn the local resources to account;
5. To support social enterprise development and reward sustainable business practices.

Expected results

- At least 5 new environment related social enterprises established and 5 environmental and local development NGOs with improved financial sustainability;
- 10-12 people trained in the field of business planning and management;
- 25-30 new jobs created in the framework and through the newly established social enterprises;
- At least 60-100 local producers and service providers connected through the supply and distribution chain of the newly established social enterprises.

Program manager: Romanian Environmental Partnership Foundation (REPF) was independently established in 1998 and has been part of a European network that supports environmental protection and community sustainable development. The Foundation develops and implements projects in Romania through a broad range of programs and tools, including grants, technical assistance, trainings, and own operational programs for various target groups: NGOs, local communities and authorities, businesses, mass-media, etc. (www.repf.ro)

The CEED Foundation Romania (CEED) Romania is part of the CEED international network operating in Southeastern Europe. CEED's mission is to provide entrepreneurs and their executive teams the know-how and networks they need to accelerate the growth of their businesses and to promote an entrepreneurial culture. (www.ceed-romania.org)

RAF Programs Take Root in Community Development

Solid communities that take the reins of their own future can make a substantial contribution to the development of the country. Our programs support social responsibility and active participation by investing in community foundations as local development drivers, which together form a national network.

Social responsibility and active participation are key elements for building a prosperous and stable society, and ones that require active fostering. Moreover, local resources need to be identified, valued and responsibly used if development is to be sustainable. Community-based development is a uniquely effective way to facilitate this process, as it harnesses the best local perspective and knowledge base.

RAF works to support local initiative groups to become community foundations, which can, in turn, act as resource centers for citizens and NGOs in their region. In this way, specific needs within each community are targeted, while a national cohort of such institutions is built. By supporting bottom-up community development, RAF encourages the meeting of local needs with local resources and mobilizes local donors, businesses and individuals to strengthen their own communities.

Program	Program manager	RAF contribution
Community Foundations	ARC in partnership with REPF and PACT	\$150,000 / 2 years <i>Start: January 2010</i>
Total Community Development (2010-2012)		\$150,000



Community Foundations in Romania a Nationwide Program for Development



Program manager: Asociația pentru Relații Comunitare (ARC)

Partners: Environmental Partnership Foundation and PACT Foundation

RAF contribution: \$150,000 (total project budget: US \$1,036,850)

Duration: January 2010 - June 2012

The program facilitates the creation and development of new community foundations and the strengthening of the existing ones, to support the long-term development of an active and dynamic civil society sector.

Community foundations are locally driven and resourced grant-making organizations, working to develop their geographic communities. They activate community spirit, leadership and develop philanthropy. They offer support to a wide range of issues such as education, environment, culture, youth, health, etc. They are building community trust through independence, transparency and non-discrimination. They operate in a professional manner, administering a diversity of funds, with clearly defined purposes, sources and spending rules.

Objectives:

1. To build knowledge about community foundations, attract and strengthen the national program supporters;
2. To promote the community foundations concept and the support program in 12-15 communities;
3. To identify local interest and leaders in 8-12 communities and support them in learning more about community foundations;
4. To support the initiative groups turn into independent community foundations in 4-6 communities;
5. To strengthen the 2 existing community foundations through a combination of technical and financial support appropriate to their age, resources and needs.

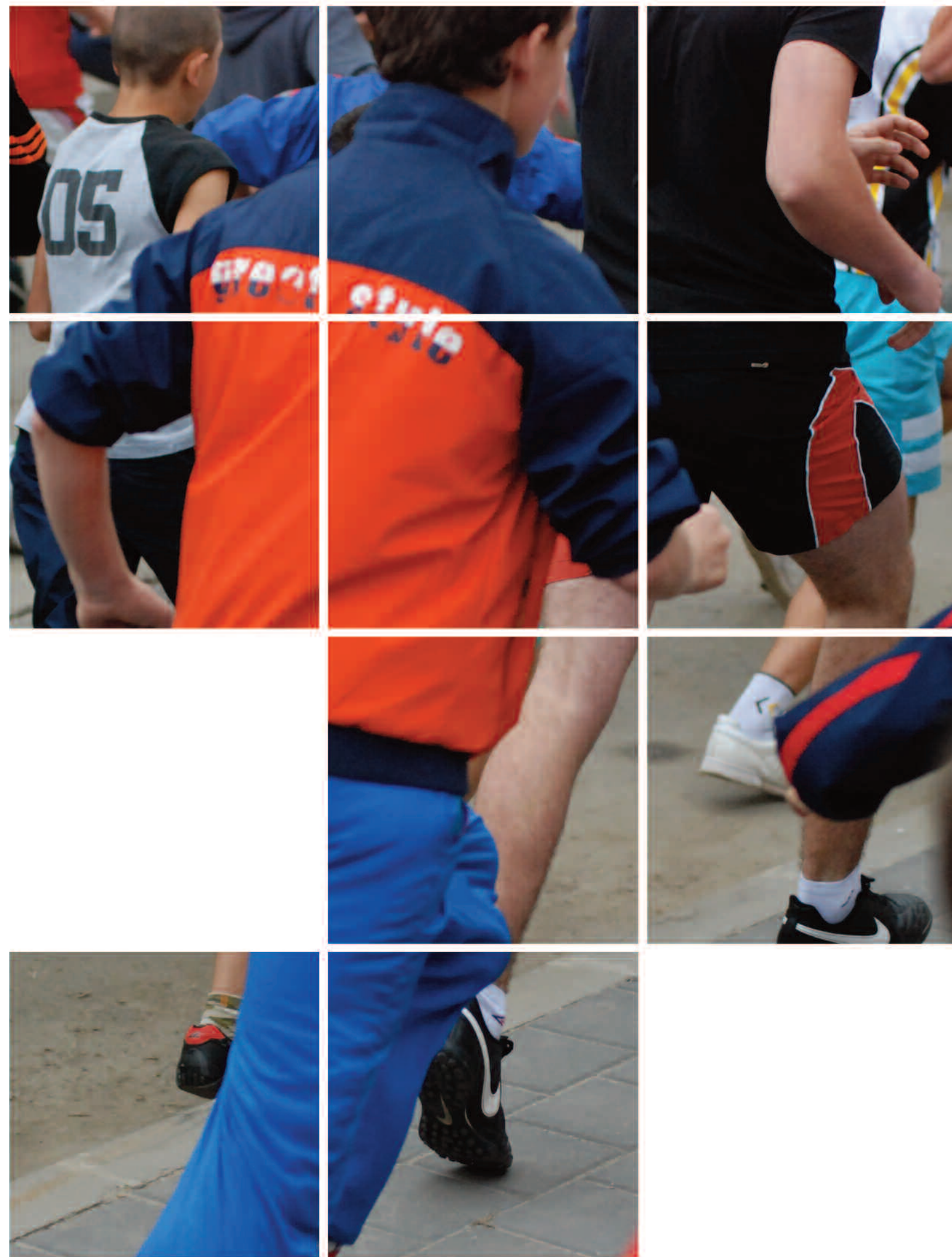
Expected Results

- 6-8 community foundations are established;
- 8-15% of Romanian population will have access to a community foundation;
- New foundations will organize at least one community granting processes;
- Community foundations will activate local private (individual and corporate) donors' interest and commitment to investing in community issues.
- Community foundations would have raised locally at least \$400,000 for grants, operations, reserve and endowment;
- Community Foundations will have active and committed boards, reflective of diversity of community interests, involved in raising resources and making grant decisions;
- Community foundations will have granted at least \$250,000 in their communities by the end of the program.

Program Manager: Asociația pentru Relații Comunitare

Asociația pentru Relații Comunitare (ARC) is a nonprofit organization founded in 2001. ARC has a clear strategic commitment towards developing community foundations based on its mission to contribute to effective mobilization of private resources for public interest causes (www.arcromania.ro). Main partners in program implementation are Romanian Environmental Partnership Foundation (www.repf.ro) and PACT Foundation (www.fundatiapact.ro).

The program is supported by Romanian-American Foundation and also by Trust for Civil Society in Central and Eastern Europe and Charles Stewart Mott Foundation.



ROMANIAN-AMERICAN FOUNDATION

Financial Statements as of and for the Year Ended December 31, 2010
and the period September 29, 2009 (date of inception) to December 31,
2009 and Independent Auditor’s Report

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

INDEPENDENT AUDITOR’S REPORT

We have audited the accompanying statement of financial position of the Romanian- American Foundation (the “Foundation”) as of December 31, 2010 and 2009, and the related statement of activities and changes in net assets and of cash flows for the year ended December 31, 2010 and for the period September 29, 2009 (date of inception) to December 31, 2009, prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation’s management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2010 and 2009, and the changes in net assets and its cash flows for the year ended December 31, 2010 and for the period September 29, 2009 (date of inception) to December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

Deloitte Audit

Deloitte Audit SRL
Bucharest, Romania
April 26, 2011

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ROMANIAN-AMERICAN FOUNDATION STATEMENT OF FINANCIAL POSITION as of December 31, 2010 and 2009

ASSETS	December 31, 2010 \$	December 31, 2009 \$
Cash and cash equivalents, 3	237,368	196,367
Prepaid expenses and other assets	44,025	-
Property and equipment, net, 7	3,275,387	-
Total Assets	3,556,780	196,367
LIABILITIES AND UNRESTRICTED NET ASSETS		
Accounts payable and accrued expenses	21,224	20,405
Grants payable	1,232,456	20,000
Total Liabilities	1,253,680	40,405
Unrestricted Net Assets	2,303,100	155,962
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	3,556,780	196,367

ROMANIAN-AMERICAN FOUNDATION STATEMENT OF ACTIVITIES

for the years ended December 31, 2010 and for the period September 29, 2009
(date of inception) to December 31, 2009

	January 01 – December 31, 2010 Unrestricted \$	September 29 – December 31, 2009 Unrestricted \$
Changes in net assets:		
INCOME		
Income from short term deposits, 5	149	10
Support and Contribution income:	-	-
Romanian-American Enterprise Fund, 4	4,800,000	350,000
Total income	4,800,149	350,010
EXPENSES		
Employee compensation and benefits	199,845	36,830
Employee business expenses	7,732	-
Occupancy expenses	42,182	-
Professional services	260,506	51,961
Trustees' expenses	117,751	18,163
Administrative and other	90,836	1,166
Depreciation and amortization	34,200	-
Total operating expenses	753,052	108,120
Grants, 6	(1,902,956)	(85,000)
Income in excess of grants and expenses	2,144,141	156,890
Net currency remeasurement gains (losses)	2,997	(928)
Total increase (decrease) in unrestricted net assets	2,147,138	155,962
Unrestricted net assets, beginning of period	155,962	-
Unrestricted net assets, end of period	2,303,100	155,962

ROMANIAN-AMERICAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2010 and 2009

	January 01 – December 31, 2010 \$	September 29 – December 31, 2009 \$
Cash flows from operating activities:		
Increase/ (decrease) in unrestricted net assets	2,147,138	155,962
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,200	-
Increase in prepaid expenses	(44,025)	-
Increase in grants payable	1,212,456	20,000
Increase in accounts payable and accrued expenses	819	20,405
Net cash provided by operating activities	3,350,588	196,367
Cash flows from investing activities:		
Purchase of building	(3,162,271)	-
Cost of leasehold improvements	(54,733)	-
Cost of fixed assets	(92,583)	-
Net cash used in investing activities	(3,309,587)	-
Net increase in cash and cash equivalents	41,001	196,367
Cash and cash equivalents, beginning of period	196,367	-
Cash and cash equivalents, end of period	237,368	196,367

1. ORGANIZATION

The Romanian-American Foundation (RAF or the Foundation) is a 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 Enterprise 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 Romanian-American Enterprise Fund (RAEF or 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.

RAF'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. RAF aims to enable people and organizations in Romania, especially in rural and smaller cities, to take advantage of the opportunities presented by globalization and membership to the European Union.

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

RAF 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. RAF also considers 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 RAF's mission. RAF 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 hiring personnel in Romania. During fiscal 2010 the Foundation initiated the legal procedures to incorporate a Romanian legal entity "RAF Romania". As of December 31, 2010 RAF Romania was not yet legally formed and/or incorporated.

2. BASIS OF PRESENTATION

The Foundation prepares its financial statements in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not for Profit Entities*.

The Foundation's statements are reported on a US dollar basis.

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 statement 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, 2010 and 2009 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 financial statements in conformity with accounting principles generally accepted in the United States of America 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 may differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. As of December 31, 2010 the Foundation held cash and cash equivalents of \$59,115 with one large United States commercial banking institution and \$119,734 with one large European commercial banking institution. As of December 31, 2010 the Foundation held foreign currency balances with banks valued at \$35,694, petty cash USD 2,644 and an amount of USD 20,181 representing share capital which will be transferred to Romanian legal entity of RAF at its incorporation.

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 statement of activities and grants payable in the statement 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 statement of activities generally does not equal the amount of grants disbursed by the Foundation in a fiscal period.

As programs develop, the Foundation and the grantee may agree to change the amount of a grant to reflect changes in a program not anticipated at the time the grant agreement was signed.

Functional Currency – The Foundation's functional and reporting currency is the U.S. dollar. The Foundation's operating transactions are initiated in U.S. dollars and exchanged for Romanian lei and/or EUR only when needed. Revenues and expenses transacted in Romanian lei and/or EUR 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. Re-measurement adjustments are reflected in the statement 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 financial statements for such donated services because there is no objective basis available to measure the value of such services.

Property and Equipment, Depreciation and Amortization – Office building is recorded at cost. Depreciation of the building is calculated using the straight-line basis over fifteen years, less residual value. Office equipment and capitalized software are recorded at cost. Depreciation is calculated using the straight-line basis over the estimated useful life of the equipment, generally two to five years. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease.

Income Taxes – The Foundation is exempt from U.S. Federal, state and local income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation is exempt from payments of state and local income taxes in the U.S.A.

4. ROMANIAN-AMERICAN ENTERPRISE FUND GRANT

On September 29, 2009 the Foundation entered into a Grant Agreement with Romanian-American Enterprise Fund (the Fund). The Fund has begun the process of liquidating its investment portfolio, and approximately \$150 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 Congress, that, following payment to the U.S. Treasury, all RAEF 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 RAF the RAEF proceeds, such payments or transfers constituting in the aggregate the endowment amount which shall constitute the endowment of the Foundation. As of December 31, 2010 there were \$5,150,000 contributed by RAEF to the Foundation and \$5,150,000 paid by RAEF to U.S. Treasury. During the year ended December 31, 2010, \$4,800,000 was contributed by the Fund to the Foundation and \$4,800,000 was paid by the Fund to U.S. Treasury.

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. INTEREST AND OTHER INCOME

As of December 31, 2010 and 2009, the following interest and other income were earned:

	December 31, 2010 \$	December 31, 2009 \$
Interest income on term deposits	149	10
Miscellaneous income	-	-
Total	149	10

6. GRANTS

For the year ended December 31, 2010 the Board of Trustees of the Foundation had approved programs totaling \$2 million in all focus areas: education, entrepreneurship and community development. Out of the approved programs, as of December 31, 2010 the Foundation signed 8 grant agreements for a total of \$1,902,956.

For the period September 29, 2009 (date of inception) to December 31, 2009 the Board of Trustees of the Foundation had approved programs totaling \$611,000. Out of the approved programs, as of December 31, 2009 the Foundation signed one grant agreement for a total of \$85,000, remaining programs totaling \$526,000 have been signed during the year 2010.

7. PROPERTY AND EQUIPMENT

As of December 31, 2010 and 2009, property and equipment consisted of:

	Cost \$	Accumulated Depreciation/ Amortization \$	Net Book Value \$
As of December 31, 2010			
Office building and improvements	3,217,004	32,240	3,184,764
Furniture, computers and equipment	92,583	1,960	90,623
Software	-	-	-
Total	3,309,587	34,200	3,275,387
As of December 31, 2009			
Office space and improvements	-	-	-
Furniture, computers and equipment	-	-	-
Software	-	-	-
Total	-	-	-

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. The Foundation considers as a related party the Romanian-American Enterprise Fund and its Romanian Subsidiary.

During the year ended December 31, 2010 the Foundation has been involved into a related party transaction with the Romanian Subsidiary of RAEF (the "RAEF Subsidiary"). On June 18, 2010 the Foundation purchased a building located in Bucharest, Romania and the RAEF Subsidiary purchased the land on which the building is located. The total amount paid by RAEF Subsidiary for the land purchase was \$569,744. It is the intention of both the Foundation and the RAEF Subsidiary to transfer the property title of the land to RAF Romania as soon as such legal entity will be incorporated.

On September 21, 2010 the Foundation entered into a rental agreement with the RAEF Subsidiary whereas the Foundation rents for free building space to RAEF Subsidiary and the RAEF Subsidiary pay the building utilities. During the year ended December 31, 2010 the RAEF Subsidiary paid the amount of \$11,328 for the building utilities.

9. COMMITMENTS AND SUBSEQUENT EVENT

The Foundation has evaluated subsequent events through April 30, 2011, the date the financial statements were available to be issued.

Subsequent to December 31, 2010 the Foundation signed 3 grant agreements totaling \$ 956,729 for the following programs Motivation \$ 30,000, SSMR \$ 506,729 and NESST \$ 420,000.

On January 11, 2011 the Bucharest Court approved the legally incorporation of RAF Romania with its official name Fundatia "Organizatia Nonprofit Romanian-American Foundation".

GOVERNANCE

A 13-member Board of Trustees governs the Romanian-American Foundation. They come from both the United States of America and Romania and have extensive experience in the worlds of business and finance, law, government, nonprofit management and entrepreneurship. Currently, the Board has 10 trustees.

Trustees serve on Board committees that cover specific areas of Board activity:

- the Nominating and Governance Committee, which manages the selection of new trustees and governance policies of the Board and the Foundation;
- the Strategy and Program Committee, which works with the Executive Director and the Board to plan and create the structure for Foundation programs;
- the Audit Committee, which supervises the Foundation’s annual audit and reports to the Board regarding audit results;
- and the Investment and Finance Committee, which is responsible for overseeing the investment of the Foundation’s corpus and working with the Executive Director and Chief Financial Officer to create and control the Foundation’s annual operating budget.

Trustees elect the Chair of the Board, who oversees both Board and RAF operations.

The Romanian-American Foundation works with a Board-approved, carefully selected group of program managers dedicated to making real changes in Romanian society through Foundation-sponsored initiatives in entrepreneurship, education and community development.

Board of Trustees

Thomas Cule Adams (through August 2010)	Alfred H. Moses
Harry G. Barnes Jr. (through October 2010)	Mircea Miclea
William B. Beekman	Ida F.S. Schmertz
Anne Busquet	Theodor Stolojan
Phillip Henderson	Florin Talpes
John Klipper	Richard N. Viets (through October 2010)
Horia Manda	

HOW WE WORK

The Foundation seeks to collaborate over the long term with leaders and innovators who share our vision for the best possible Romania. The Romanian-American Foundation works with partners to foster creative, entrepreneurial institutions and individuals who can help Romania achieve a thriving society with excellence and opportunity for all.

Led by the Foundation staff in Bucharest and an international board of directors, the Romanian-American Foundation makes social investments in the areas of entrepreneurship, education and community development. We support projects, ideas and organizations that can have a broad impact, with strong potential for replication.

We identify the organizations and initiatives that can best carry out the Foundation objectives. Program implementation is outsourced, in most cases, to external program managers that operate our programs in areas where they have demonstrated expertise. Program managers are established organizations with strong leadership, relevant track records, excellent reputations, sound operations and policies, and core permanent staff. At present, RAF does not accept proposals. Projects are funded by invitation only.

Those interested in working with our organization may contact RAF to discuss ideas for project-based collaboration. RAF staff works intensively with potential program partners to create impactful, sustainable programs. The average timeline for moving a project from idea to approved program is between six months and a year. All proposed programs go before RAF’s full Board of Trustees for approval.

The RAF team

- Oana Boingeanu**, *Program Associate*
- Deborah Brown**, *Corporate Secretary*
- Dan Cazacu**, *Administrator*
- Bogdan Giurginca**, *Chief Financial Officer*
- Irina Groza**, *Executive Assistant and Communication Coordinator*
- Alicia Krzyczkowski**, *Volunteer*
- Rodica Moise**, *Program Director*
- Dolores Neagoe**, *Senior Advisor*
- Romeo Vasilache**, *Senior Advisor*
- Roxana Vitan**, *Executive Director*

“The Romanian-American Foundation aims to support civil society initiatives with a business-like approach, which we are confident will bring added value. We are here for the long term.”
Roxana Vitan, Executive Director, Romanian-American Foundation