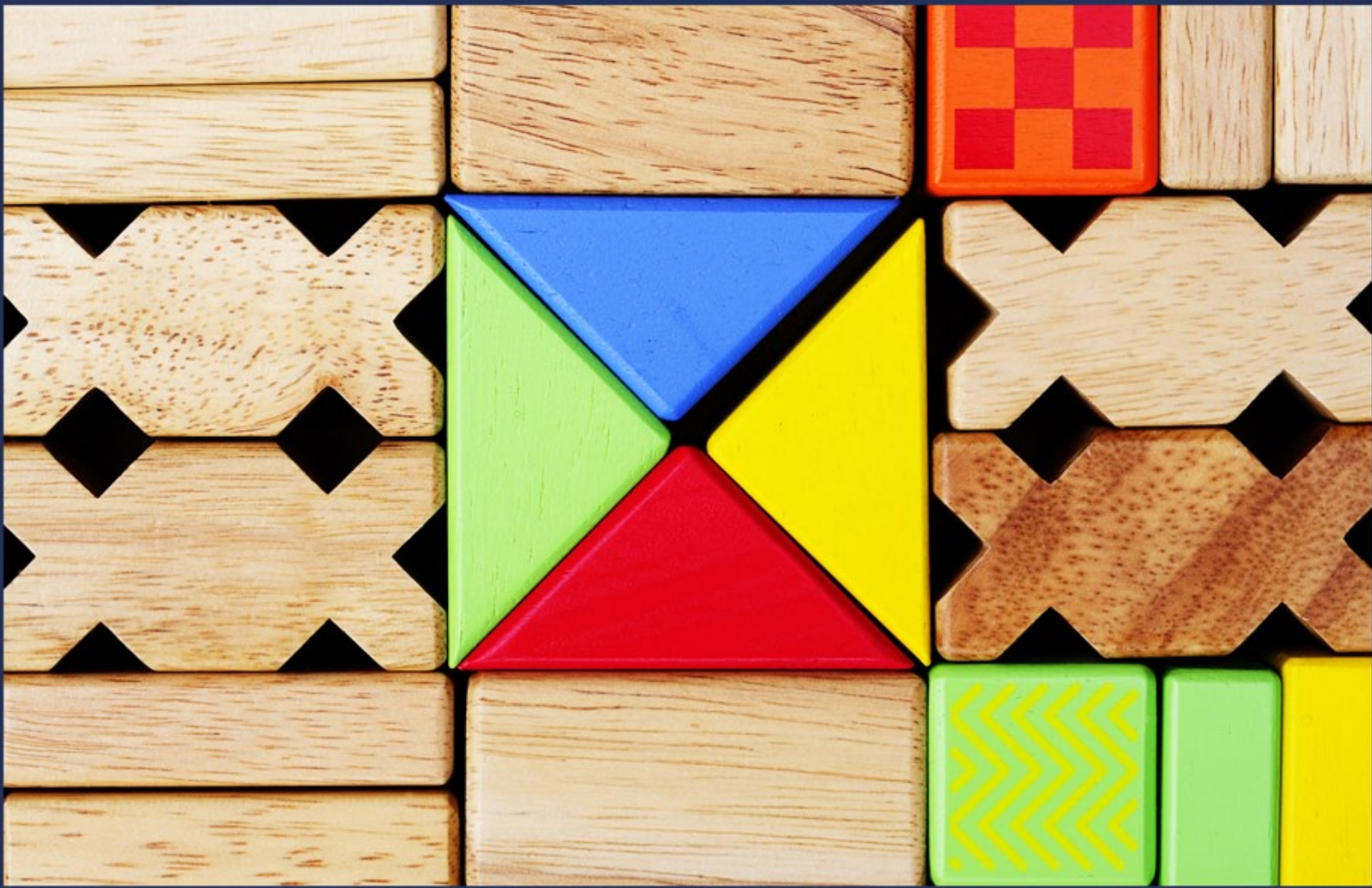




ANNUAL REPORT 2013



ABOUT RAF

Letter from the Romanian-American Foundation

In carrying out our work, we always keep in mind what lies ahead of us and how our actions can impact the lives of people and communities throughout the country. Four years ago, the Romanian-American Foundation embarked on a mission that has been both challenging and rewarding: that of lending a hand to Romania's development. We focus on generating economic growth and fostering social development, trying to leverage the advantages of EU membership and globalization while complementing the initiatives of the Romanian social entrepreneurs, NGOs, local leaders, the national government and others seeking to help Romania flourish.

We believe in the power of entrepreneurship, private initiative and citizens' involvement, and we develop and fund programs that act on those beliefs. We invest in two complex programs bound to rejuvenate rural economies and promote eco-tourism; this is a special entrepreneurship model that includes the community and celebrates rural life. Through our special initiative ARTIE, we are exploring solutions for encouraging a different profile of entrepreneur: one involved in technology-based

start-ups. We work to improve Romania's education system, where we emphasize access to quality training for all and ultimately endowing students with both the information and skills required to succeed in today's competitive global markets. We encourage civic participation and individual philanthropy, urging communities to mobilize local resources to provide customized solutions to their problems and inspire citizens to make personal financial contributions to organizations promoting causes and social values they believe in.

Looking back over the past four years, we reflect upon the know-how we have gained, the people we have met, the lessons we have learned, the progress we have made, and the obstacles we have overcome, and we are motivated to move forward with determination, applying those lessons learned to craft even more effective programs.

Using our accumulated experience, we have taken time to sharpen our strategy for the coming years. It was a constructive exercise for the entire RAF team, offering valuable insight about who we are and more clarity as to where

we want to go, both at the programmatic and organizational levels. We identified our leading priorities, discussed what the outcomes would be in the medium and long term, and defined the core areas we need to work in to reach our goals. Starting with 2014, we look forward to finalizing our grant making strategies and finally to putting the new strategy into practice.

One of our core values is partnership. The process of strategic reflection we undertook confirmed the importance we place on collaboration and, at the risk of overusing a buzz word, on "co-creation." The organizations we work with are true partners, working closely with us to advance the ideas we support on the paths of learning, innovation and development. We also aim in the coming years to be more intentional in collaborating within the foundation, facilitating the development of cross-program initiatives as a way of reinforcing and leveraging our own investments. As an example, we might go into place-based interventions, bringing school-related educational component as a building block for the long-term change in the places where we deploy our Green

Entrepreneurship or Rural Entrepreneurship programs.

In our vision, tomorrow's Romania is a place where people think innovatively and act responsibly, communities are actively engaged in shaping their future, the rural sector and innovation become vibrant contributors to the country's economy, empowered citizens grow into drivers of economic and social progress, and philanthropy becomes everyone's way of giving back to society to help make it better. Our commitment to working with our partners under the rejuvenated strategy will certainly bring us even closer to our idea of contributing to the development of a thriving Romania.

Philip Henderson
Chair of the Board of Trustees

Roxana Vitan
Executive Director



ABOUT RAF

We are RAF

The Romanian-American 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 impact of our work, since our inception four years ago, has underscored our role as an active donor in Romania. RAF is a creative and engaged grant maker with a pro-active and business-like approach, fostering vibrant partnerships and determined to promote societal change based on democratic values. We aim to create dynamic educational, entrepreneurial, and community-based opportunities that ultimately result in a more socially and economically robust society.

4 years of activity

27 ARTIE fellows

+ \$141,000

in-kind contributions through events hosted in the RAF house

+20 partner NGOs

20 ongoing grants in 2013

\$8,000,000

in grants and PRIs (2009-2013)

+ \$2,000,000

contracted in 2013

RAF history

The Romanian-American Foundation came into being in 2009, after approval by the US Congress. The Foundation grew out of a 1994 U.S. government grant of \$50 million establishing the Romanian-American Enterprise Fund (RAEF), to support Romania's transition to a free market economy. Operating under the provisions of the SEED Act (Support to East European Democracy), RAEF's fusion of investments and development activities in over fifteen years of active presence in Romania resulted in the Foundation's \$50 million endowment, expected to grow up to over \$100 million in the coming years.

1989
SEED ACT



1994
SEED Act Grant to Romania
- RAEF created



1994-2009
RAEF investments
in Romania



2009
Creation of the
Romanian-American Foundation

Guided by an international board of directors, the Foundation staff in Bucharest works closely with partner organizations to make social investments in the areas of entrepreneurship, education, and community development, cherishing and nurturing innovation.

ABOUT RAF

Our Modus Operandi

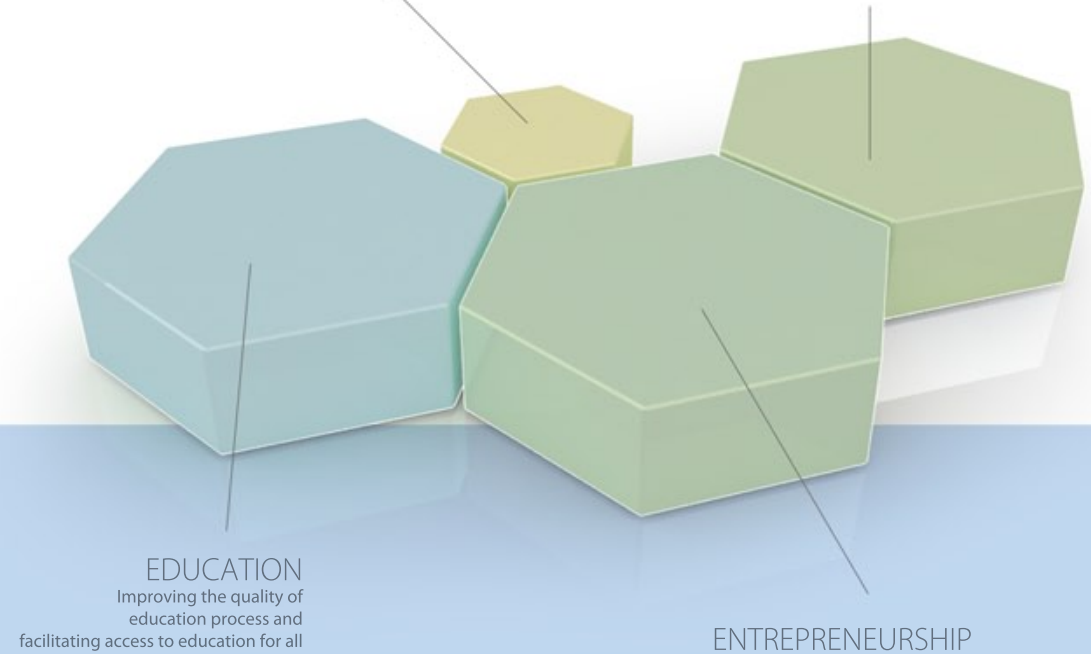
RAF's activity goes far beyond providing grants. Partnership is the key word and the governing principle of the Foundation. In this sense, our work starts long before we fund a program, and does not conclude with its end. Ours is a hands-on approach, focused on impact and sustainability. We carefully assess the potential of an idea to generate change, as well as the leadership, constituencies and community links of our potential partner. We seek to join forces with visionary leaders and innovators, in a common effort to 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 done, in most cases, by our partners, successful NGOs with demonstrated expertise. They are established entities with strong leadership, relevant track records, excellent reputations, sound operations and policies, and core permanent staff.

Investment areas

ARTIE Special Intervention
Encouraging people to develop next generation technologies, marketable applications and new business

COMMUNITY DEVELOPMENT
Working to build an infrastructure for philanthropy and a philanthropic mind-set



ENTREPRENEURSHIP

ENCOURAGE AND SUPPORT ENTREPRENEURIAL INITIATIVES

A NATURAL WONDER HAS BEEN BROUGHT BACK TO THE TOURIST CIRCUIT AND AN ENTIRE LOCAL COMMUNITY REJUVENATED IN THE APUSENI MOUNTAINS. HERE'S HOW.

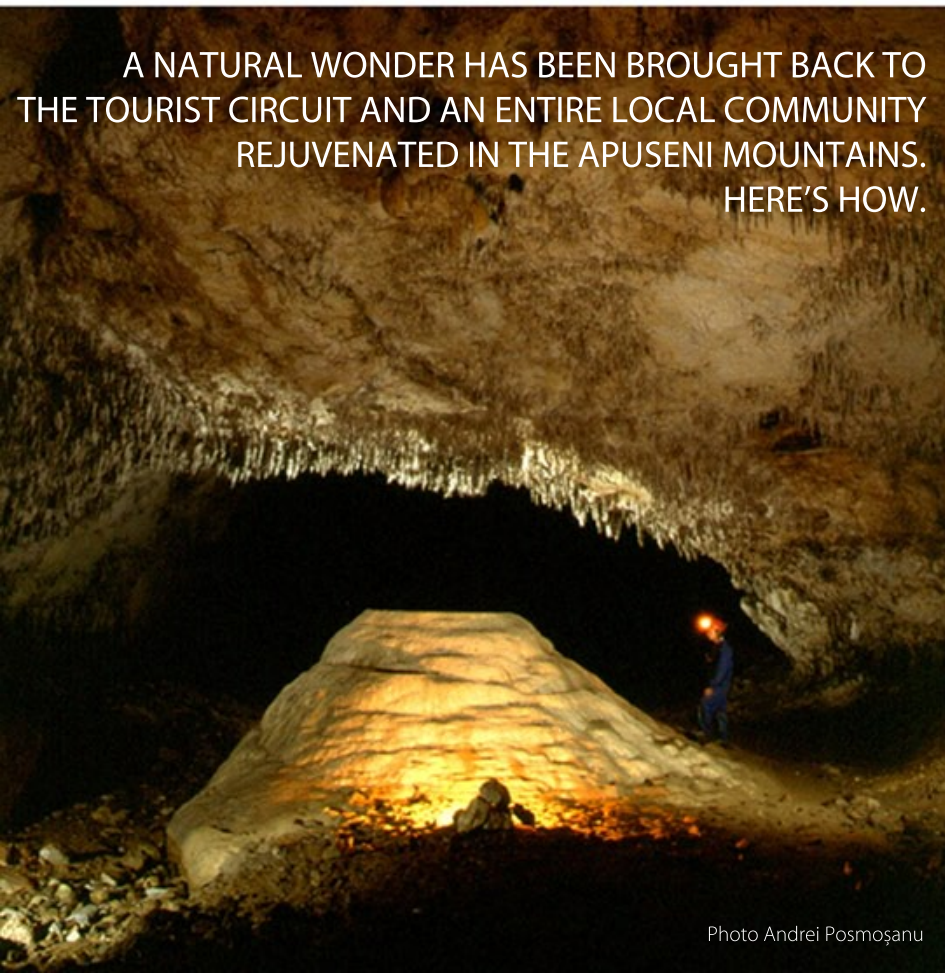


Photo Andrei Posmoșanu

The Meziad cave has a myriad of attributes: it is a natural reservation, home to several types of bat colonies, butterflies, spiders, and crustaceans. It hosts stalactites and stalagmites, prehistoric fossils and ceramic fragments that go back thousands of years. For years it was a significant research site for scientists, as well as an attractive tourist destination in Bihor County. However, lack of investment and attention had tarnished its natural glory, much to the disappointment of tourists, ecologists and the local community.

Little by little, wheels were set in motion and Meziad regained its deserved place among the eco-tourist destinations in Romania and Europe. It stands as proof that local heritage is a great asset that benefits the community, if managed properly.

“Meziad – a cave for nature and people” is part of a complex initiative launched by RAF partners Fundația pentru Parteneriat and Centrul pentru Educație Economică și Dezvoltare din România (CEED) under the Green Entrepreneurship Program. The project was led by Paul Iacobaș, Head of the Bihor Centre for Protected Areas and Sustainable Development, and Viorel Lascu, a passionate speleologist, who lent an experienced hand to provide technical expertise and coordinate the team.

The Remetea community – from the town and county authorities to the locals – joined the effort to put the Meziad cave back on the map. Local people were hired to help redesign the access ramps, and the existing staff is also indigenous. The strong social responsibility and environmental protection components of the project have resuscitated the local heritage and tangibly benefitted the community - currently, 20% of the profits from cave visits go back to the Remetea local government.

The Romanian-American Foundation supported this program by providing a grant to equip the cave with a cold lighting system, which highlights the cave’s beautiful karst geological formations without impacting the cave’s microclimate or bat colonies. The tourist access ramps were upgraded to meet safety and comfort needs, and the pathway inside the cave was redesigned to prevent disturbing the bat population. The access road was improved and tourists can now engage in outdoor activities like zip lining, or guided tours through the caves and the neighboring area.

RAF’s investment in rural entrepreneurship focuses on boosting rural economy, leveraging the value of Romania’s unique rustic heritage and fostering vibrant pastoral communities. Our long-term objective is to close the gap between impoverished and thriving areas and make our countryside a place where people love to live.

ENTREPRENEURSHIP

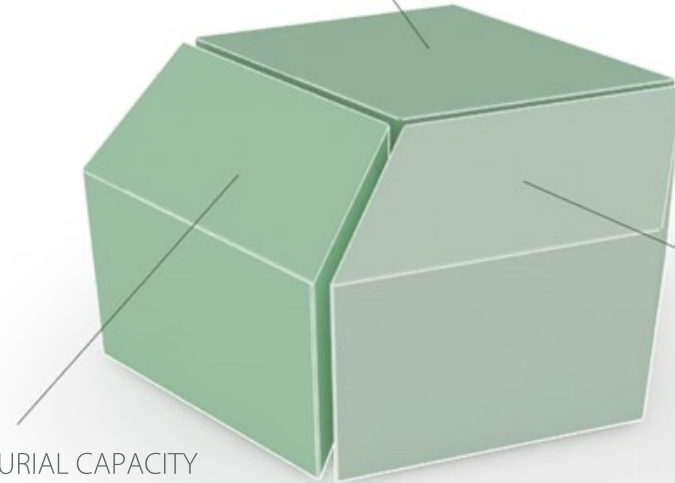
ENCOURAGE AND SUPPORT ENTREPRENEURIAL INITIATIVES

Entrepreneurship is a driver of hope and innovation, and as such plays a crucial role in any successful market economy. Our entrepreneurship programs foster local initiatives that have a wide impact and strong potential for replication, with the goal of ultimately developing successful model initiatives nationwide, in tandem with our partners. As part of this process we work with our partner organizations to develop their entrepreneurial skills, so they can create alternatives to traditional philanthropic funding modes and become sustainable. We also strive to enable individuals to work and succeed in a competitive and perpetually changing market.

“ *Entrepreneurs create jobs and economic opportunities for themselves and others. Compared to five years ago, it is impressive to see increasing numbers of youth who do think and talk about entrepreneurship. This is change; and it is a good change. We have to keep walking this path.* ”

Roxana Vitan, Executive Director, Romanian-American Foundation

FOSTER AN ENTREPRENEURIAL ENVIRONMENT
allows for the use of innovative instruments and models



BUILDING ENTREPRENEURIAL CAPACITY
catalyzes change and ensures sustainability

SOCIAL VENTURES START-UPS
act as engines for
local economic development
to the benefit of the community

\$1,918,052 in Entrepreneurship Programs (2009-2013)

Ongoing Projects in 2013

Rural Entrepreneurship Program

CEED, PACT, FDSC, Civitas, CMSC, CRPE

\$848,642 / 3 years

Start: June 2012

Green Entrepreneurship Program

Fundația pentru Parteneriat and CEED

\$539,411 / 3 years

Start: January 2011

Social Enterprises Program

Fundația NESsT România

\$ 500,000 / 4 years

Start: January 2010

ENTREPRENEURSHIP

ENCOURAGE AND SUPPORT ENTREPRENEURIAL INITIATIVES

ENTREPRENEURSHIP PROGRAMS

The **Green Entrepreneurship Program** focuses on eco-tourism as a source of income for rural communities with significant local natural and social resources. Together with Fundația pentru Parteneriat (REPF) and Centrul pentru Educație Economică și Dezvoltare din România (CEED), we supported the development of seven green enterprises, and over the course of the program we tested a sustainable model of entrepreneurship at community level. The next phase is still work in progress – we will build on the lessons learnt and we will take into account Romania's ecotourism development priorities.

“ Innovation, flexibility, and adaptability are the key words that characterize the implementation of the Green Entrepreneurship Program over the last three years. Through donor and partner coordination and a grantee-friendly approach, the program is a pioneering initiative combining community and economic development with environmental and financial sustainability. The established green social enterprises represent models of good practice and demonstrate that small-scale, community-based approaches are a viable alternative for local sustainable development. ”

Laszlo Potozky, President, Fundația pentru Parteneriat



Photo Courtesy of Asociația EcoLogic

3 years of Green Entrepreneurship

7 green start-up developed in the areas of eco-tourism and traditional fruit processing

350 jobs (some seasonal or part-time) created through the program

Zetea Processing manufacture of forest fruits and mushrooms /
Asociația Székelygyümölcs, Odorheiu Secuiesc
www.szekelygyumolcs.ro

Hilița Processing manufacture of traditional fruits/ Asociația Pomiviticolă Hilița, Costuleni (Iași)
www.aphilita.ro

Wild Time Green Tours / Asociația Agent Green, Bucharest
www.wildtime.ro

Greenway Tour Agency / Asociația EcoLogic, Baia Mare
www.maramuresgreenways.ro

Meziad Cave / Centrul pentru Aarii Protejate și Dezvoltare Sustenabilă Bihor (CAPDD), Oradea
www.pestera-meziad.ro

Rowmania Crișan Ecotourism Center /
Asociația de Ecoturism din România, Brașov & Asociația Ivan Patzaichin – Mila 23, Bucharest
www.slowtourism.ro

Technical Assistance for Protected Areas / Fundația pentru Aarii Protejate ProPark, Brașov
www.propark.ro

ENTREPRENEURSHIP

ENCOURAGE AND SUPPORT ENTREPRENEURIAL INITIATIVES



The **Rural Entrepreneurship Program** serves economically active small farmers by offering a series of interventions designed to help them transition from subsistence farming to a more profitable, business-oriented approach. With our partners, we help small farmers gain access to capital by providing basic know-how about existing financing opportunities (such as local micro financing institutions) and developing and testing various business models (associations of producers, cooperatives, food hubs) so they can aggregate and work more efficiently and cost-effectively. These models, based as they are on thorough research in consultation with grassroots stakeholders, have been actively shared with officials in charge with adopting better rural development policies. The network was closely working with the Romanian Government's representatives to share the learnings to be incorporated in formulation of the 2014-2020 National Plan for the Rural Development of Romania.

“ For CRPE (Centrul Român pentru Politici Europene), the already long-standing partnership with the Romanian-American Foundation has been an honor and a very rewarding collaboration on multiple levels.


We advocated for improved European spending mechanisms in agriculture to better assist small Romanian farmers thrive and (re)build village life. The Romanian-American Foundation was a true pioneer by focusing their interests on the farmers' associative movement, with the entrepreneurship and association building pilot becoming a reference model for further initiatives in this field. As such, for CRPE, this experience only proves that development can be fostered when constructive ideas intersect with the vision for change and intelligently channeled resources, which RAF has more than consistently ensured throughout our collaboration. ”

Cristian Ghinea, Director, Centrul Român pentru Politici Europene (CRPE)

The **Social Enterprises Program** supports marginalized communities by promoting social enterprises as a means of sustainable development. By creating jobs and leveraging local resources, they generate economic growth based on locally-driven solutions.

EDUCATION

INVEST IN MODERN EDUCATION



TEACHING HOW ABSTRACT CONCEPTS
TRANSLATE INTO EVERYDAY LIFE
MAKES THE LEARNING PROCESS
MORE ATTRACTIVE

Photo Courtesy of Societatea Română de Fizică

For years, the methodology for teaching physics focused more on theory, and less on experiential learning, which made the subject very challenging for students. Entire processes were incorporated into cryptic formulas, with little attention paid to illustrating the everyday aspects of the notions taught in class. Laboratory experiments rarely took place (if ever), with the teacher as the master of ceremonies and students as mere spectators. This method of instruction transformed physics into an arid subject and has discouraged students from choosing a career in sciences or tech areas.

To counterbalance these results, RAF supports a change of the paradigm in teaching, by trying to treat the cause and not the symptoms. Our approach was to finance a complex program led by Societatea Română de Fizică, which aims to change the way physics is taught in Romanian schools.

The program brought together visionary minds from all over the country, resulting in a new methodology and a fresh training program for teachers. In participant schools, physics is now taught starting with the knowledge students have already acquired about phenomena and processes they encounter in everyday life, allowing them to comprehend how the laws of physics govern the way things work. Students perform experiments that illustrate theoretic notions, with the teacher acting as the facilitator of this learning process. Approximately 1,000 teachers in 8 counties were trained in 2013, and the Societatea Română de Fizică is planning to expand the training program to 16 more counties.

While we don't expect such endeavors to produce immediate results, we have already seen improved outcomes and this teaching method will further spread in other schools in the near future.

Education lies at the foundation of every society. The more modern and forward-thinking the education system, the more advanced the society. In order to forge a brighter future for Romania, we need to strive to provide access to quality education for all its citizens, to help them acquire the knowledge and skills required in today's competitive labor markets. RAF is committed to investing in programs that trigger change and have strong potential for replication.

EDUCATION

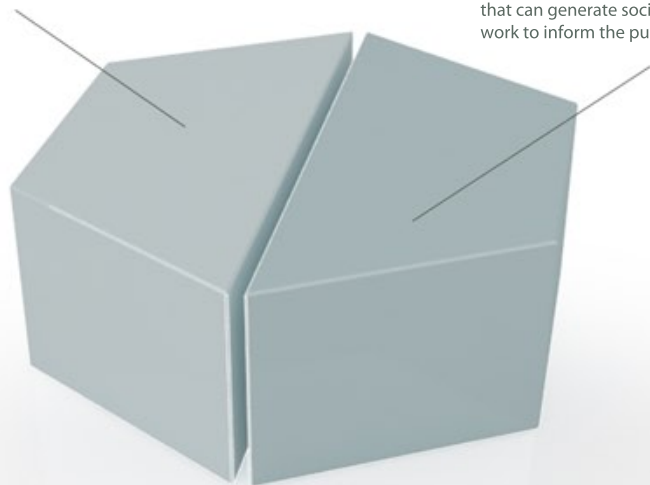
INVEST IN MODERN EDUCATION

TRANSFORMATIONAL INITIATIVES

address the roots of the problems encountered in the system and are designed to produce a significant outcome.

NEW IDEAS AND INCREASED AWARENESS

come from innovators who envisage systemic changes that can generate societal transformation. These mavericks work to inform the public and advocate for public policies



“ We strongly believe that teachers are the key to an education system based on quality. It is why we work with forward-thinking educators to explore and develop new ideas to improve teaching and learning. We also believe that teachers need regular and quality training to develop their skills and further support to transfer those new skills to the classroom. Investments in teachers are among the most effective and sustainable investments RAF makes in education. ”

Suzana Dobre, Director, Education

\$3,809,303 in education programs (2009-2013)

Ongoing Projects in 2013

Career Counseling

Asociația Alternative Sociale

\$484,080 / 3 years December 2010 – April 2014

Impact Program

Fundația Noi Orizonturi

\$332,965 / 3 years December 2010 – January 2013

\$449,400 / 3 years April 2013 – April 2016

Improving Mathematics Education

Societatea de Științe Matematice din România

\$506,729 March 2011- August 2014

Science Curriculum Reform

Centrul Educația 2000+

\$173,768 October 2012 - August 2013

Societatea Română de Fizică

\$145,404 August 2013 – June 2014

RAF Education Innovation Challenge

TechSoup Romania

\$121,461 November 2011 – September 2013

Enterprise Challenge – National Program for Entrepreneurship Competencies at Ages 15 to 19

Junior Achievement Romania

\$290,000 July 2012 – July 2015

School Development and Effectiveness – New Context, New Challenges

Centrul Educația 2000+

\$159,716 July 2012 – August 2013

Reading to Learn

Fundația Filocalia / Asociația Română de Literație

\$43,410 April – September 2013

EDUCATION

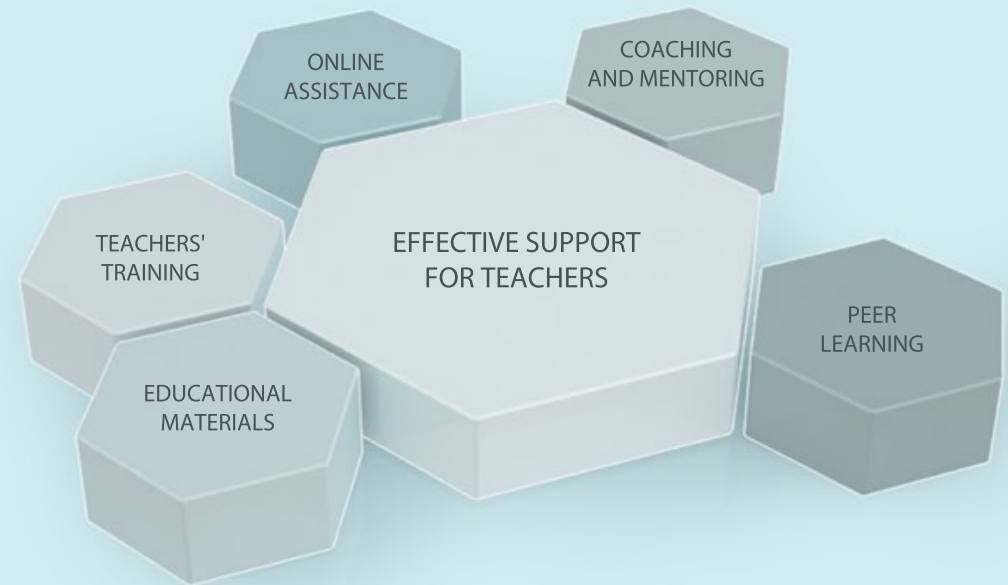
INVEST IN MODERN EDUCATION

EDUCATION PROGRAMS

Across all educational areas important for advancing RAF's mission, from entrepreneurship, science and math, community service and civic involvement, to literacy and career counseling, one issue is essential for success: **providing educators with effective support**. We believe that finding appropriate answers to this issue will result in significant improvements of teaching and learning practices in schools, boosting the impact and sustainability of our investments.

In many instances, we observed that training does not suffice and adequate post-training support is essential. Effective support for teachers means developing mechanisms that help teachers successfully apply new methodologies acquired during training in their daily work. We have encouraged our grantees to explore a variety of options and innovative solutions emerged.

For example, in the physics curriculum reform program, we invest in the leadership capacity of a core group of trainers, so they can guide other teachers through the process of change. A coaching system was put in place for teachers involved in the IMPACT program supporting students' civic involvement in community service programs. For the entrepreneurial education program, Junior Achievement has developed and uses an online communication and assistance platform that includes options for live chat with experts and document sharing among teachers. In developing lessons for connecting **math** with everyday life, using technology in math, and improving the process of communicating math to students, the math teachers received peer support as well as mentoring from university teachers. The teachers who graduated the career counseling program were invited to reflect on their practices, and ultimately a book of the most inspiring accounts was published as a teaching aid. A community of people interested in innovating education grew from the Education Innovation Challenge project. They have regular meetings on commonly agreed topics, learning from each other and from inspiring guest speakers and further developing collaborative projects.



COMMUNITY DEVELOPMENT

HELP COMMUNITIES GROW

PHILANTHROPY MADE EASY



Photo Courtesy of Asociația pentru Relații Comunitare

Donatie.ro is a platform designed to help NGOs raise funds by SMS (texting) and direct debit. It allows even small organizations to use technology for fundraising while offering donors an easy and accessible way to contribute to community causes they value. Financial contributions can be made from mobile phones by SMS.

Within just one year since its inception, the donatie.ro website has registered remarkable numbers of donations made by SMS. Asociația pentru Relații Comunitare (ARC) partnered with three providers of mobile phone services in an effort to grant smaller NGOs access to dedicated short numbers where donors could send a text message to make a donation. It is a simple mechanism, designed to allow a large number of individuals to contribute small amounts of money.

From equipping and refurbishing hospitals to upholding children's rights and education, providing hospices and health services or supporting individual causes, people demonstrated that they care enough to contribute, and the philanthropic impulse is strong in Romania. Given the right message and a well-thought out campaign, citizens do not hesitate to show their generosity.

“ 2013 was the year of the SMS donations. We are very proud to have helped make a change for the better in the lives of thousands of beneficiaries. ”

Camelia Mateș, Program Coordinator, ARC Donation Mechanisms

The 25 campaigns organized in 2013 resulted in 2.5 million RON (over \$750,000) raised for 16 NGOs and 8 individual cases through over 230,000 SMSs from 210,000 donors.

RAF seeks to promote philanthropy as a societal value, a gesture of solidarity and trust, and to develop a philanthropic tradition in Romania. Civil participation means lending a hand to help one's community. Addressing issues, contributing to the problem-solving process, or giving back to society once one has the means to do so are principles we live by. We believe that societies where robust civic engagement and individual contribution to community issues are the norm are stronger and more prosperous.

COMMUNITY DEVELOPMENT

HELP COMMUNITIES GROW

INDIVIDUAL PARTICIPATION

Challenge Fund to match the contributions raised by community foundations from individual donors.

BUILD LOCAL CAPACITY

Activate community spirit, leadership and develop philanthropy through community foundations.

PHILANTHROPY INFRASTRUCTURE

Allows Romanian NGOs to become sustainable by raising funds from a large number of individuals using recurring monthly donations (direct debit) and SMS donations.

“ There are three distinct stages in development: receiving support, becoming sustainable and then helping others. People getting involved by making donations, not just by talking about supporting a cause is the sign of a democratic society we aspire to. We are here to help accelerate the development of this spirit of participation, which although present, could grow at a faster pace. Together with our partners, we work to help catalyze this process. ”

Romeo Vasilache,
Director, Entrepreneurship, Community Development and PRIs

\$648,700 in community development projects (2009-2013)

Ongoing Projects in 2013

Easy Giving

www.donatie.ro

Asociația pentru Relații Comunitare in partnership with major banks¹ and the mobile phone companies²

\$198,700 / 2 years Start: June 2012

¹ BCR, BRD - Groupe Société Générale, Banca Transilvania, ING, Raiffeisen Bank and UniCredit Țiriac Bank

² Cosmote, Orange, Vodafone

Community Foundations Challenge Fund

(announced in 2012, funds raised in 2013)

Asociația pentru Relații Comunitare (pro bono partner)

\$300,000 / 3 years (2014 – 2016)

\$100,000/year, up to \$10,000 for each Community Foundation

12 Community Foundations

+7000 individual donors

+\$ 185,000 raised by community foundations from individual donors

ARTIE SPECIAL INTERVENTION

SMART PEOPLE INNOVATING SMART OBJECTS FOR A BETTER WORLD

“ The year is 2020. The cover story of an international business magazine describes a new programming paradigm developed by Romanian researchers. Consumers praise a new type of healthy corn flour developed in Iași, Romania. EU officials recognize the adoption of a new technology for waste water treatment, developed and tested at Polytechnic University in Bucharest. Tags reading “Made in Romania” are attached to a 3D manufacturing tool for fashionable eyewear. And, somewhere, there is a byline “RAF helped it happen”. We dream that time will prove us right. ”

Paula Apreutesei, Director, ARTIE Fellowship Program

But before any of this could happen, 27 Romanian researchers worked in teams of two to four members to develop eight projects. They won a tough competition, an open call to develop Proof of Concepts, with 151 teams competing for these eight grants. The competition was called the Applied Research Technology Innovation and Entrepreneurship (ARTIE) Fellowship Program.

The ARTIE Fellowship Program is about intervening in the innovation cycle to help researchers and entrepreneurs identify market potential, shorten the road from lab to product launch, incorporate design thinking and understand the global business landscape.

The first generation of ARTIE Fellows worked for eight months to develop a concept with demonstrated commercial potential. The selection criteria were specific and clear: number of patents filed; exploitation plan; business case; market size and opportunity qualification; articulation of value proposition; significant publications in applied research.

The work of transforming ideas into valid proofs-of-concepts requires dedicated experts to evaluate the results. The great value provided by the ARTIE Scientific Board and the specialists they recommended has enabled us to develop a process that is unique in Romania. We are honored and thankful to have benefited from their outstanding contribution.

ARTIE FELLOWSHIP PROGRAM

ARTIE supports researchers in maximizing the marketability of their ideas. We encourage teams to think in terms of marketable technologies and train them to be able to pitch their product to potential investors, seeking a greater return on investment by shortening the road from lab to product launch.



ARTIE ENTREPRENEURSHIP

Romanian Innovation Commercialization Assistance Program (RICAP) aims to assist start-ups created by technological innovation, acting as a fusion mechanism between an idea's technological and business potential.



Artie Fellowship Program

Individual Fellows Awards
\$597,512 / 8 months
Start: October 2013

Romanian Innovation Commercialization Assistance Program (RICAP)

Centrul Român pentru Inovație în Dezvoltarea Locală (CRIDL) and Larta Institute
\$448,205 / 20 months
Start: August 2013

PROGRAM-RELATED INVESTMENTS

The Romanian-American Foundation acts as a venture philanthropic institution, offering innovative philanthropic financial instruments.

RAF is the first foundation in Romania to offer Program Related Investments (PRIs) to enable people and organizations to take advantage of the opportunities presented by globalization and membership in the European Union. The Foundation uses business-like financial instruments such as soft loans and repayable grants to support the cash flow of qualified Romanian charitable organizations whose endeavors align with RAF's mission. RAF's use of PRIs to provide bridge loans has broadened the ability of our partners to gain access to European Union funds. By leveraging RAF's grant-making activities, PRIs are a uniquely entrepreneurial contribution to advancing the Foundation's mission in Romania.

Although regarded as a high risk investment by mainstream financial institutions, our records show that the portfolio quality is outstanding, with no single day of delayed payments registered.

“ *The RAF credit line available to NGOs is greatly needed in Romania. It is innovative for Romania and it has all the prerequisites for success both for the funding organization (RAF), and for beneficiaries like CEED Romania. The credit line improves access of viable NGOs to EU funding thus providing a considerable leverage effect. It enables both lenders and borrowers to pursue their common missions, while ensuring their sustainable expansion in terms of an organization's size and scope of activities. In addition to its immediate use, this credit contract is important to us as it strengthens the cooperation among the two organizations, which is a strategic choice for CEED Romania.* ”

Cristina Mănescu

Executive Director, Centrul pentru Educație Economică și Dezvoltare din România (CEED)

\$871,000 in PRIs (2009-2013)

BORROWERS

Fundația Motivation Romania

Cash-flow loan for a social enterprise (entrepreneurship)
\$24,000 / 3 years / 0% Start: January 2011

Centrul pentru Educație Economică și Dezvoltare din România

Cash-flow loan for European Project (entrepreneurship)
\$200,000 / 2 years / 0% Start: December 2011

Fundația pentru Dezvoltarea Societății Civile

Mortgage loan for headquarters acquisition (entrepreneurship)
\$320,000 / 4 years / 0% Start: February 2012

Fundația pentru Dezvoltarea Societății Civile

Cash – flow loan for European Project (entrepreneurship)
150,000 / 1 year / 0% Start: December 2012

Asociația Alternative Sociale

Cash Flow loan for European Project (education)
\$100,000 / 1.4 years / 0% Start: December 2012

PRI with Raiffeisen Bank for Student Loans

Guarantee and Cash Collateral for student loans (education)
\$77,000 / 7.5 years approval / 0% Start: 2012

A HOME FOR IDEAS TO GROW

RAF HOUSE

RAF House embodies the true spirit of the Romanian-American Foundation. It is the symbol of our pledge to make a long-term contribution to Romania's progress, and home to a large family - a community of people who work together as partners for the public good. It is where we gather to work, exchange ideas, share and discuss relevant current issues, analyze and help shape the public agenda, and together try to find the best possible solutions for Romania.

The building is remarkable not only for its historic and architectural value, but also because of the way it has stood out as a public space over the years. The ground floor rooms that once hosted the social life of old Bucharest are now offered, free of charge, to partner organizations that can host events and organize meetings in line with the Foundation's scope of work.

RAF House is not only the Foundation's headquarters, it is also home to three other organizations: Fundația Comunitară București, TechSoup Romania, and Fundația GRASP.

49 organizations hosted their events in the RAF House, free of charge.

170 events held in 2013 alone, gathering over 4,700 participants

\$141,000 in-kind contribution to our partner's events



FINANCIAL STATEMENTS



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

INDEPENDENT AUDITORS' REPORT

Report on the 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, 2013 and 2012, 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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte Audit SRL
Bucharest, Romania
April 30, 2014

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FINANCIAL STATEMENTS

ROMANIAN-AMERICAN FOUNDATION CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 AND 2012

	December 31, 2013	December 31, 2012
ASSETS	\$	\$
Investments, at fair value (Notes 3 and 5):		
Mutual Funds – Equity	25,856,750	23,304,094
Mutual Funds – Fixed Income	11,386,085	13,891,008
Mutual Funds – Other	8,230,534	6,247,520
Cash and cash equivalents (Note 3)	5,081,629	4,218,557
Cash restricted in bank deposits as collateral for student loans guarantee (Note 3)	77,000	-
Program related investments, committed (Note 3)	371,000	713,000
Prepaid expenses and other assets	13,237	13,084
Property, net (Note 7)	3,820,272	3,767,550
Total Assets	54,836,506	52,154,813
LIABILITIES AND UNRESTRICTED NET ASSETS		
Accounts payable and accrued expenses	59,273	42,319
Program related investments, payable (Note 3)	105,000	245,000
Grants payable (Note 3)	1,708,528	1,414,337
Total Liabilities	1,872,801	1,701,656
Unrestricted Net Assets (Note 2)	52,963,705	50,453,157
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	54,836,506	52,154,813

ROMANIAN-AMERICAN FOUNDATION CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Year ended December 31, 2013	Year ended December 31, 2012
Changes in net assets:	Unrestricted	Unrestricted
	\$	\$
INCOME		
Interest and dividend income (Note 5)	638,189	848,534
Support and Contribution income - Romanian-American Enterprise Fund (Note 4)	-	-
Total income	638,189	848,534
EXPENSES		
Employee compensation and benefits	452,195	337,387
Occupancy expenses	141,880	138,472
Professional services	137,260	134,190
Trustees' expenses	112,536	151,321
Advisory Board expenses	63,953	-
Administrative and other	161,569	131,380
Depreciation and amortization	150,488	151,606
Total operating expenses	1,219,881	1,044,356
Grants (Note 6)	(1,714,000)	(1,966,242)
Income in excess of grants and expenses	(2,295,692)	(2,162,064)
Net realized gain (loss) on investments (Note 5)	1,496,709	(938,015)
Net unrealized gain (loss) on investments (Note 5)	3,308,278	4,670,931
Net currency remeasurement (losses)/ gains	1,253	1,746
Total increase in unrestricted net assets	2,510,548	1,572,598
Unrestricted net assets, beginning of year	50,453,157	48,880,559
Unrestricted net assets, end of the year	52,963,705	50,453,157

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

FINANCIAL STATEMENTS

ROMANIAN-AMERICAN FOUNDATION CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Year Ended December 31, 2013	Year Ended December 31, 2012
Cash flows from operating activities:	\$	\$
Increase in unrestricted net assets	2,510,548	1,572,598
Adjustments to reconcile increase in unrestricted net assets to net cash used in operating activities:		
Net realized (gain) loss on investments	(1,496,709)	938,015
Net unrealized (gain) loss on investments	(3,308,278)	(4,670,931)
Depreciation and amortization	150,488	151,606
Decrease (increase) in cash collateral guaranties	(77,000)	-
Decrease (increase) in program related investments, assets	342,000	(489,000)
Increase (decrease) in program related investments, payables	(140,000)	65,000
Increase (decrease) in grants payable	294,191	(77,272)
Decrease (increase) in prepaid expenses	(153)	24,265
Increase in accounts payable and accrued expenses	16,955	552
Net cash (used in)/ provided by operating activities	(1,707,958)	(2,485,167)
Cash flows from investing activities:		
Proceeds from sales of investments	17,957,070	22,885,200
Cost of investments purchased	(15,182,830)	(19,286,134)
Cost of building improvements	-	-
Cost of fixed assets	(203,210)	(2,247)
Net cash provided by / (used in) investing activities	2,571,030	3,596,819
Net increase in cash and cash equivalents	863,072	1,111,652
Cash and cash equivalents, beginning of year	4,218,557	3,106,905
Cash and cash equivalents, end of year	5,081,629	4,218,557

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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 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.

FINANCIAL STATEMENTS

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. ORGANIZATION (continued)

The Foundation maintains offices in New York, NY, U.S.A. and in Bucharest, Romania, with the majority of the Foundation's operations performed through its direct hired personnel in Romania. During fiscal year 2010 the Foundation initiated the legal procedures to incorporate a Romanian legal entity with its official name Fundatia "Organizatia Non profit Romanian-American Foundation" Romania ["RAF Romania"]. RAF Romania was legally formed and incorporated on January 11, 2011. The consolidated financial statements of the Foundation include RAF Romania for the years ended December 31, 2013 and 2012.

2. BASIS OF PRESENTATION

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

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

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

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

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

Unrestricted net assets: Unrestricted net assets are those net assets that are not restricted by donor imposed stipulations. Pursuant to the Grant Agreement between the Fund and the Foundation (see Note 4), at December 31, 2013 and 2012 the entire balance of net assets received from the Fund are classified as unrestricted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ materially from those estimates.

CONSOLIDATION

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

INVESTMENTS, AT FAIR VALUE

The Foundation engages professional investment managers who make investment decisions according to the Foundation's investment policy and monitor the Foundation's investments. The Foundation's investments are managed through an investment management account (the "managed account") with J.P.Morgan Chase Bank, N.A. (the "investment manager"). Interest and dividend income earned and unrealized and realized gains and losses on investments are reported in the consolidated statement of activities. See Note 5 for fair value of investments.

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

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

FINANCIAL STATEMENTS

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) INVESTMENTS, AT FAIR VALUE (continued)

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

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

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

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

CONCENTRATION OF RISK

The Foundation's investments are held in a managed account with J.P.Morgan Chase Bank N.A.. The managed account seeks income and capital growth as well as preservation of principal. It is intended to have an average level of risk and may experience moderate levels of volatility, therefore the risk tolerance of the managed account is moderate. The Investment Policy Statement (IPS) agreed upon with the investment manager states a long term perspective strategic allocation by asset classes of 50% total Equity, 9% total Alternative Assets and 41% total Fixed Income and Cash. The IPS also states ranges around the strategic allocation for each asset class: 35.00 – 65.00% total Equity, 0.00 – 24.00% total Alternative Assets and 26.00 – 56.00% total Fixed Income and Cash. On a periodic basis, the actual allocation is compared to the strategic allocation and the investment manager rebalances the portfolio if the actual allocation is outside the strategic allocation ranges.

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, 2013 the Foundation held cash and cash equivalents of \$4,355,069 with two large United States commercial banking institutions and \$721,277 with one large European commercial banking institution, which

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) CASH AND CASH EQUIVALENTS (continued)

includes cash held in foreign currencies valued at \$49,906. In addition, as of December 31, 2013, the Foundation held petty cash in foreign currencies valued at \$5,282.

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, 2013 there were \$77,000 in a number of five such bank deposits that are denominated in U.S. dollars and are bearing interests of 2.45% p.a.

PROGRAM RELATED INVESTMENTS (PRI)

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

SUPPORT AND CONTRIBUTION INCOME

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

INTEREST AND DIVIDEND INCOME

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

GRANTS AND GRANTS PAYABLE

Grants are recorded as grants expense in the consolidated statements of activities and grants payable in the consolidated statements of financial position when the grant is approved in accordance with policies set by the Board of Trustees, negotiations have been finalized with the grantee, and the parties have signed the grant agreement. In

FINANCIAL STATEMENTS

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GRANTS AND GRANTS PAYABLE (continued)

practice, the Foundation generally disburses grants to grantees over time, as funds are required to meet the costs of each program. As a result, the amount recorded as grants expense in the consolidated statements of activities generally does not equal the amount of grants disbursed by the Foundation in a fiscal period. See Note 6 for Grants and Grants Payable.

FOREIGN CURRENCY

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

RECENTLY ADOPTED ACCOUNTING STANDARDS

FASB Accounting Standards Update ("ASU") 2010-06: Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements, was issued January 2010 and, effective for fiscal years beginning after

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENTLY ADOPTED ACCOUNTING STANDARDS (continued)

December 15, 2010, and for interim periods within those fiscal years. This update provides amendments to ASC 820 that provide for more robust disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2, and 3. The adoption of ASU did not have a material impact on the consolidated financial statements.

4. ROMANIAN-AMERICAN ENTERPRISE 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 \$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 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 \$57,110,362 contributed by RAEF to the Foundation and \$25,000,000 paid by RAEF to U.S. Treasury as of December 31, 2013.

In 2012 and 2013 there were no contributions made by the Fund to the Foundation.

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

FINANCIAL STATEMENTS

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 2013 and 2012, as well as the accumulated unrealized gains (losses) and realized gains (losses) for the years ended December 31, 2013 and 2012 are presented in the tables below:

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

Investments as of December 31, 2012	Cost	Fair Value	Accumulated Unrealized Gains (Losses)	Realized Gains (Losses)
Mutual Funds – Equity	\$22,485,658	\$23,304,094	\$818,436	(\$921,230)
Mutual Funds – Fixed Income	13,855,367	13,891,008	35,641	(26,127)
Mutual Funds – Other	6,349,449	6,247,520	(101,929)	9,342
Tax Costs Adjustments	(1,920)	-	1,920	-
	\$42,688,554	\$43,442,622	\$754,068	(938,015)

5. INVESTMENTS AT FAIR VALUE (continued)

The unrealized gains (losses) on investments for the years-ended December 31, 2013 and 2012 are presented in the table below:

	Accumulated Unrealized Gains (Losses) as of December 31, 2012	Unrealized Gains (Losses) for the year-ended December 31, 2013	Accumulated Unrealized Gains (Losses) as of December 31, 2013
Mutual Funds – Equity	\$818,436	\$3,622,437	\$4,440,873
Mutual Funds – Fixed Income	35,641	(151,031)	(115,390)
Mutual Funds – Other	(100,009)	(163,128)	(263,137)
	\$754,068	\$3,308,278	\$4,062,346

Set forth in the table below are the Foundation's investments as of December 31, 2013 and 2012, at fair value on a recurring basis, by the hierarchy levels described in Note 3:

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

FINANCIAL STATEMENTS

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

5. INVESTMENTS AT FAIR VALUE (continued)

Investments as of December 31, 2012	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	\$23,304,094	\$ -	\$ -	\$23,304,094
Mutual Funds – Fixed Income	13,891,008	-	-	13,891,008
Mutual Funds – Other	6,247,520	-	-	6,247,520
	\$43,442,622	\$0	\$0	\$43,442,622
% total	100%	0%	0%	100%

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

Included in the amount reported as interest and dividend income in the consolidated statements of activities for the year ended December 31, 2012 is \$843,867 that represents amounts distributed from the Foundation's various mutual fund investments as dividend income, net after custodial fees of \$178,476.

6. GRANTS AND PROGRAM RELATED INVESTMENTS

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

As of December 31, 2013 PRIs consisted of \$371,000 committed funds in loans signed with 2 Romanian non-governmental organizations as non-bearing interest loans that are payable to the borrowers in multiple tranches. As of December 31, 2013 there were \$105,000 not yet disbursed. During fiscal 2013 the Foundation

6. GRANTS AND PROGRAM RELATED INVESTMENTS (continued)

collected \$342,000 as repayments of loans and repayable grants. The total outstanding principal balance of the PRIs was \$266,000 as of December 31, 2013. Repayments of loans and repayable grants were made according to the repayment schedules and there were no past dues recorded as of December 31, 2013.

For the year ended December 31, 2012 the Board of Trustees of the Foundation had approved programs totaling \$2.6 million in all focus areas: education, entrepreneurship and community development. Out of the approved programs, as of December 31, 2012 the Foundation signed 89 grant agreements for a total of \$2,024,771 and 3 program related investments for a total of \$570,000. During fiscal year 2012 the Foundation reversed \$58,529 of previous years contracted grants as the funds were not entirely used by recipients and subsequently cancelled.

As of December 31, 2012 PRIs consisted of \$713,000 committed funds in loans and repayable grants signed with 4 Romanian non-governmental organizations as non-bearing interest loans that are payable to the borrowers in multiple tranches. As of December 31, 2012 there were \$245,000 not yet disbursed. During fiscal 2012 the Foundation collected \$81,000 as repayments of loans and repayable grants. The total outstanding principal balance of the PRIs was \$468,000 as of December 31, 2012. Repayments of loans and repayable grants were made according to the repayment schedules and there were no past dues recorded as of December 31, 2012.

7. PROPERTY, NET

As of December 31, 2013 and 2012, property, net consisted of:

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

FINANCIAL STATEMENTS

ROMANIAN-AMERICAN FOUNDATION NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

7. PROPERTY, NET (continued)

As of December 31, 2012	Cost \$	Accumulated Depreciation/ Amortization \$	Net Book Value \$
Land	537,273	-	537,273
Office building and improvements	3,266,163	195,996	3,070,167
Automobiles, furniture and equipment	254,367	94,794	159,573
Software	12,887	12,350	537
Total	4,070,690	303,140	3,767,550

8. RELATED PARTY TRANSACTIONS

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or are part of the same group of affiliated companies under common control. The Foundation considers as a related party RAEF and the RAEF'S Subsidiary.

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, 2014, 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, 2013.

We are a team of dedicated Romanian and American professionals, sharing a common goal to move Romania forward. The people we work with are our greatest asset. The extended RAF family includes our valued partners. Fully aware that compared to the challenges we face our resources are limited, we model solutions in close co-operation with our diverse stakeholders – organizations sharing the same vision and values, in a common effort to promote a better society for all Romanians.

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The support, expertise, talent and dedication of the people we work with inspires and motivates us. A warm **thank you** to all the individuals and organizations that helped make 2013 such an extraordinary year!

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