



ROMANIAN - AMERICAN
FOUNDATION

A gift from the American people

ROMANIAN-AMERICAN FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the years ended December 31, 2019 and 2018

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE
YEARS ENDED DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE
YEARS ENDED DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

ASSETS	DECEMBER 31, 2019 (\$)	DECEMBER 31, 2018 (\$)
Marketable Investments, at fair value (Notes 38):		
Mutual Funds – Equity	79,957,138	70,174,711
Mutual Funds – Fixed Income	45,646,889	35,449,385
Mutual Funds – Other	20,393,856	18,760,391
Non-marketable investments, at fair value (Note 8)	611,770	1,240,833
Cash and cash equivalents (Note 3)	7,313,706	11,071,528
Cash restricted in bank deposits as collateral for student loans guarantee (Note 3)	16,500	44,000
Program related investments, committed (Note 3 and Note 9)	248,449	405,099
Prepaid expenses and other assets	230,059	36,804
Fixed Assets, net (Note 11)	3,328,199	3,393,540
TOTAL ASSETS	157,746,565	140,576,291
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	112,735	125,782
Program related investments, payable (Note 3 and note 9)	50,000	50,000
Grants payable (Note 3 and Note 9)	1,468,144	1,956,906
TOTAL LIABILITIES	1,630,879	2,132,688
NET ASSETS (NOTE 5)		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Board Designated Endowment Fund (Note 6)	152,913,055	134,406,631
Fixed Assets, Net (Note 11)	3,328,199	3,393,540
Undesignated (Note 5)	(125,568)	643,432
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	156,115,686	138,443,603
TOTAL LIABILITIES AND NET ASSETS	157,746,565	140,576,291



CONSOLIDATED STATEMENTS OF ACTIVITIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE
YEARS ENDED DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

CHANGES IN NET ASSETS	YEAR ENDED DECEMBER 31, 2019 (\$)	YEAR ENDED DECEMBER 31, 2019 (\$)	YEAR ENDED DECEMBER 31, 2019 (\$)
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
INCOME			
Realized gain on sale of non-marketable investments (Note 8)	681,458	-	681,458
Interest and dividend income, net (Note 8)	3,880,289	-	3,880,289
TOTAL INCOME	4,561,747	-	4,561,747
EXPENSES			
Employee compensation and benefits	670,451	-	670,451
Occupancy expenses	162,739	-	162,739
Professional services	273,204	-	273,204
Trustees' expenses	125,703	-	125,703
Administrative and other	220,109	-	220,109
Depreciation and amortization	98,438	-	98,438
TOTAL OPERATING EXPENSES (NOTE 10)	1,550,643	-	1,550,643
GRANTS AWARDED TO OTHER ORGANIZATIONS (NOTE 9)	3,560,262	-	3,560,262
INCOME IN EXCESS OF GRANTS AWARDED AND OPERATING EXPENSES	(549,158)	-	(549,158)
Net realized gain on marketable investments (Note 8)	899,040	-	899,040
Net unrealized gain on marketable investments (Note 8)	17,351,602	-	17,351,602
Net currency remeasurement (losses)/gains (Note 3 and Note 8)	(29,401)	-	(29,401)
INCREASE IN NET ASSETS	17,672,083	-	17,672,083
NET ASSETS, BEGINNING OF YEAR	138,443,603	-	138,443,603
NET ASSETS, END OF THE YEAR	156,115,686	-	156,115,686



CONSOLIDATED STATEMENTS OF ACTIVITIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE
YEARS ENDED DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

CHANGES IN NET ASSETS	YEAR ENDED DECEMBER 31, 2018 (\$)	YEAR ENDED DECEMBER 31, 2018 (\$)	YEAR ENDED DECEMBER 31, 2018 (\$)
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
INCOME			
Realized gain on sale of non-marketable investments (Note 8)	2,735,706	-	2,735,706
Interest and dividend income, net (Note 8)	3,672,685	-	3,672,685
Support and Contribution Income Grants from Romanian-American Investment Foundation (Note 4)	1,207,655	-	1,207,655
TOTAL INCOME	7,616,047	-	7,616,047
EXPENSES			
Employee compensation and benefits	661,114	-	661,114
Occupancy expenses	159,746	-	159,746
Professional services	245,295	-	245,295
Trustees' expenses	137,504	-	137,504
Administrative and other	218,779	-	218,779
Depreciation and amortization	85,852	-	85,852
TOTAL OPERATING EXPENSES (NOTE 10)	1,508,919	-	1,508,919
GRANTS AWARDED TO OTHER ORGANIZATIONS (NOTE 9)	3,498,345	-	3,498,345
INCOME IN EXCESS OF GRANTS AWARDED AND OPERATING EXPENSES	2,608,784	-	2,608,784
Net realized gain on marketable investments (Note 8)	4,463,318	-	4,463,318
Net unrealized gain on marketable investments (Note 8)	(18,177,063)	-	(18,177,063)
Net currency remeasurement (losses)/gains (Note 3 and Note 8)	(89,096)	-	(89,096)
DECREASE IN NET ASSETS	(11,194,057)	-	(11,194,057)
NET ASSETS, BEGINNING OF YEAR	149,637,660	-	149,637,660
NET ASSETS, END OF THE YEAR	138,443,603	-	138,443,603



CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE
YEARS ENDED DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

	YEAR ENDED DECEMBER 31, 2019 (\$)	YEAR ENDED DECEMBER 31, 2018 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	17,672,083	(11,194,057)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED BY OPERATING ACTIVITIES		
Net realized (gain)/loss on marketable investments	(899,040)	(4,463,318)
Net realized (gain)/loss on sales of non-marketable investments	(681,458)	(2,735,706)
Net unrealized (gain)/loss on marketable investments	(17,351,602)	18,177,063
Net unrealized FX (gain)/loss on non-marketable investments	13,610	65,296
Depreciation and amortization	98,438	85,852
Decrease/(Increase) in cash collateral guarantees	27,500	33,000
Decrease/(Increase) in program related investments, assets	156,650	166,500
Increase /(Decrease) in program related investments, payables	-	-
Increase/(Decrease) in grants payable	(488,762)	(2,715)
Decrease/(Increase) in prepaid expenses	(193,255)	(35,626)
Increase/(Decrease) in accounts payable and accrued expenses	(13,046)	8,369
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,658,882)	104,657
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of marketable investments	36,233,166	62,293,998
Proceeds from sales of non-marketable investments	1,296,911	2,735,706
Cost of marketable investments purchased	(39,595,920)	(95,707,965)
Cost of fixed assets	(33,097)	(126,034)
Net cash provided by investing activities	(2,098,940)	(30,804,295)
Net decrease in cash and cash equivalents	(3,757,822)	(30,699,638)
Cash and cash equivalents, beginning of year	11,071,528	41,771,166
Cash and cash equivalents, end of year	7,313,706	11,071,528



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE
YEARS ENDED DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

The Foundation is capitalized with an endowment through a grant from the Fund. The Fund paid or transferred 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 provides 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 believes in a more engaged, entrepreneurial and prosperous society in Romania, in which people think innovatively and responsibly. In the long-term vision of the Foundation: communities are actively engaged in shaping their future; rural economy is a vibrant contributor to Romania; young people are empowered to become drivers of economic and social progress; innovation is a normal, integral part of day to day life and culture; philanthropy becomes a societal value of solidarity and trust. Accordingly, the Foundation allocates its resources to support several main program areas: Initiatives in Education, Technology



and Innovation; Philanthropy and Civic Engagement; Rural Economy and Entrepreneurship.

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

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. The Foundation incorporated a Romanian legal entity with its official name Fundatia "Organizatia Nonprofit Romanian-American Foundation" Romania ["RAF Romania"], which was legally formed on January 11, 2011. The consolidated financial statements of the Foundation include RAF Romania for the year ended December 31, 2019.

2. BASIS OF PREPARATION

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, rounded to the nearest dollar.

In 2017, the Foundation early adopted Financial Accounting Standard Board ("FASB") Accounting Standards Update ("ASU") 2016-14 Not-for Profit Entities (Topic 958) "Presentation of Financial Statements of Not-for-Profit Entities" that makes several improvements to current reporting requirements.

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

Net assets with donor restrictions: Contributions to the Foundation are reported as net assets with donor restrictions 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, net assets with donor restrictions are reclassified

as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Net assets without donor restrictions:

Net assets without donor restrictions 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, 2019 and at December 31, 2018 the entire balances of net assets received from the Fund are classified as net assets without donor restrictions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

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

CONSOLIDATION

The operations of the Foundation's Bucharest office are primarily

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

INVESTMENTS, AT FAIR VALUE

The Foundation engages professional investment managers who make investment decisions according to the Foundation's investment policy and monitor the Foundation's investments. The Foundation's marketable investments are managed through investment management accounts (the "managed accounts") with Alex Brown – a division of Raymond James and Fund Evaluation Group (the "investment managers").

Interest and dividend income earned and unrealized and realized gains and losses on investments are reported in the consolidated statement of activities (see Note 8 for fair value of investments).

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



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

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

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

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

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

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

- **MARKETABLE INVESTMENTS - MUTUAL FUNDS:**

The Foundation’s marketable investments consist of public mutual funds, valued using the NAV. The NAV

for these funds is based on quoted prices in an active market with no redemption restrictions and, as such, are classified within Level 1 of the fair value hierarchy.

- **NON-MARKETABLE INVESTMENTS – PARTNERSHIP INVESTMENTS:**

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

CONCENTRATION OF RISK

The Foundation’s marketable investments are held in managed accounts with Alex Brown – a division of Raymond James, and Fund Evaluation Group. The managed accounts seek income and capital growth as well as preservation of principal. It is intended to have an average level of risk and may experience moderate levels of volatility, therefore the risk tolerance of the managed accounts is moderate. The Investment Policy Statement (IPS) states a long term perspective strategic allocation by asset classes with targets of 45% Global Equity, 19% Diversifying Strategies, 31% Global Fixed Income

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

The Foundation’s non-marketable investments, namely the ownership interest in Balkan Accession Fund (BAF) partnership, is managed by the fund manager (Axxess Capital). The Investment Committee of RAF is reported quarterly by the fund manager and the Foundation delegates one of its Trustees as a member of the Supervisory Board of BAF partnership. On March 31, 2018 BAF started its liquidation procedure and discontinued its registration with Curacao Commercial Register. Upon liquidation, BAF adopted a distribution plan according to which the limited partnership will pay all its debts at short notice and the remaining liquidation balance will be paid to the investors in accordance with the stipulations in the articles of incorporation of the limited partnership.



The general policy of the Foundation is to carry the non-marketable investments at cost less provision for estimated impairment losses. The cost less provisions for estimated impairment losses is used to represent the fair values of the investments in the absence of information that would support the need for a lower or higher valuation. In determining carrying values, management considers relevant qualitative and quantitative information available. The values assigned to investments are based on available information and do not necessarily represent amounts that might ultimately be realized, since such amounts depend on future development inherent in long-term investments. These values are subject to change over time and are reviewed periodically. As adjustments become necessary, they are reported in the period in which they become known. Due to the inherent uncertainty of the valuation, those estimated carrying values may differ from the values that would have been used had a ready market for the investments existed, and the differences could be material. There is limited precedent for valuing such investments in the region. Therefore, there is little experience upon which to base the estimate of risk and amount of possible losses.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of financial position and 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. Cash equivalents include cash held in investment managed accounts.

CASH COLLATERAL IN BANK DEPOSITS FOR STUDENT LOANS GUARANTEES

For purposes of the consolidated statements of financial position and of cash flows, the Foundation considers all cash collateral guarantees pledged to the bank for 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, 2019 there were \$16,500 in one such bank deposit that is denominated in U.S. dollars and is bearing interest of 2.45% p.a. As of December 31, 2018 there were \$44,000 in a number of three such bank deposits that are denominated in U.S. dollars and are bearing interests of 2.45% p.a.

PROGRAM RELATED INVESTMENTS (PRI)

Program related investments are loans signed with Romanian non-governmental organizations. The PRIs are recorded in the consolidated statements of financial position as assets when loans are approved in accordance with policies set by the Board of Trustees, negotiations have been finalized with the borrower, and the parties have signed the loan agreement. In practice, the Foundation generally disburses loans to borrowers over time, as funds are required to meet certain contractual clauses. As a result, the Foundation also records a PRI payable when the agreement is signed as such PRIs usually have multiple disbursements. See Note 9 for Program Related Investments.

SUPPORT AND CONTRIBUTION INCOME

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

funds are for the general purposes and programs of the Foundation.

INTEREST AND DIVIDEND INCOME

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

GRANTS EXPENSES AND GRANTS PAYABLE

Grants are recorded as grants expense in the consolidated statements of activities and grants payable in the consolidated statements of financial position when the grant is approved in accordance with policies set by the Board of Trustees, negotiations have been finalized with the grantee, and the parties have signed the grant agreement. In practice, the Foundation generally disburse grants to grantees over time, as funds are required to meet the costs of each program. As a result, the amount recorded as grants expenses in the consolidated statements of activities generally does not equal the amount of grants disbursed by the Foundation in a fiscal period. See Note 9 for Grants and Grants Payable.

FOREIGN CURRENCY

The functional currency of the Romanian American Foundation is the United States Dollar. 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 National Bank exchange rate. The functional currency of RAF Romania is the Romanian Leu ("RON"). Re-measurement and translation adjustments are reflected in the consolidated statements of activities.

DONATED SERVICES

Members of the Foundation's U.S. Board of Trustees donate significant amounts of their time to the Foundation's work. No amounts have been reflected in the accompanying consolidated financial statements for such donated services because there is no objective basis available to measure the value of such services.

FIXED ASSETS

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 estimated 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. Land and building held at cost are periodically tested for impairment.

OPERATING EXPENSES

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

4. ROMANIAN-AMERICAN INVESTMENT FOUNDATION "RAIF" (the former Romanian-American Enterprise Fund "RAEF" or "the Fund") GRANT

On September 29, 2009 the Foundation entered into a Grant Agreement with the Fund. The Fund has begun the process of liquidating its investment portfolio, and an estimated \$140 million in proceeds was expected to be generated from the sale, transfer or liquidation of its equity investments, loans and other assets. At the date of the Grant

Agreement the Fund has also committed to repay \$25 million to the U.S. Treasury as return of capital to USAID. It was the consensus of the Board of Directors of the Fund, in consultation with USAID, the U.S. Department of States and the U.S. Congress, that, following payment to the U.S. Treasury, all the Fund's proceeds should be contributed to the Foundation to build upon the work of the Fund. According to the terms of the Grant Agreement the Fund shall from time to time pay or transfer to the Foundation the Fund's proceeds, such payments or transfers constituting in the aggregate the endowment amount which shall constitute the endowment of the Foundation.

Since the inception of the Foundation, there has been a total of \$131,122,684 contributed by RAIF to the Foundation and \$25,000,000 paid by RAIF to U.S. Treasury as of December 31, 2019.

In 2019 there were no contributions made by RAIF to the Foundation.

In 2018 there were \$1,207,655 contributions in cash made by RAIF 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 RAIF 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.

During 2018 the RAIF completed the disposition of its remaining investments and filed a Certificate of Dissolution on September 28, 2018 ("Dissolution Date") with the Secretary of State of the State of Delaware. The Plan of Complete Liquidation and Dissolution of the Fund ("the Plan") was approved and adopted by the Board of Trustees of the Fund on April 27, 2018. The Plan was intended to accomplish the complete liquidation of RAIF. Under the Plan, the Fund shall pay or make reasonable provisions to pay all claims and obligations and distribute any remaining assets to RAF no later than the three-year anniversary of the Dissolution Date. As of December 31, 2018 RAIF distributed all of its remaining assets to the Romanian American Foundation.



5. NET ASSETS CLASIFICATION

NET ASSETS	YEAR ENDED DECEMBER 31, 2019 (\$)	YEAR ENDED DECEMBER 31, 2018 (\$)
	WITHOUT DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS
CURRENT UNRESTRICTED		
Board Designated Endowment Funds:		
Investment Managed Funds, marketable investments	145,997,882	124,384,487
Investment Managed Funds, non-marketable investments	611,770	1,240,833
Investment Managed Funds, cash	6,303,403	8,781,311
Cash set aside for quasi-endowment investments in following year	-	-
TOTAL QUASI-ENDOWMENT	134,406,631	134,406,631
Fixed Assets, Net	3,328,199	3,393,540
Undesignated	(125,568)	643,432
CURRENT RESTRICTED	-	-
TOTAL NET ASSETS	156,115,686	138,443,603

The Foundation did not hold net assets with donor restrictions as of December 31, 2019 and 2018, either by purpose, time or perpetual in nature. The total net assets of the Foundation as of December 31, 2019 and 2018 are net assets without donor restrictions. However, there are several self-imposed limits on the use of resources of the Foundation (i.e. Board Designated Endowment Funds).

6. BOARD DESIGNATED ENDOWMENT FUNDS or “QUASI-ENDOWMENT”

As required by U.S. GAAP, net assets associated with endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowment), are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's endowment consists of funds designated by the Board of Trustees to function as endowments or the “quasi-endowment”. The governing documents of the Foundation allow the governing board to appropriate so much of an endowment fund as is prudent considering the following relevant factors: the duration and preservation of the endowment fund, the purposes of the Foundation, general economic conditions, the possible effect of the inflation or deflation, the expected total return from income and the appreciation of investments, the Foundation's other resources, and the Foundation's investment policy.

The Board of Trustees of RAF decides on the quasi-endowment funds, i.e. on

appropriation of funds to either increase or decrease the quasi-endowment and on the cash held or repositioned for further investments, as well as on capital expenditures and on funds appropriated for the following year operating budget; remaining net assets are Undesignated net assets. The Foundation's Board of Trustees approve the annual operating budgets, the annual capital expenditures and its related cash-flows projections and plan for annual withdrawals from quasi-endowment funds to assure the necessary liquid funds (Note 7).

Endowment Net Assets Composition by Type of Fund (**all Without Donor Restrictions**) as of December 31, 2019 and 2018:

ENDOWMENT NET ASSETS	YEAR ENDED DECEMBER 31, 2019 (\$)	YEAR ENDED DECEMBER 31, 2018 (\$)
QUASI-ENDOWMENT FUNDS		
Investment Managed Funds, marketable investments	145,997,882	124,384,487
Investment Managed Funds, non-marketable investments	611,770	1,240,833
Investment Managed Funds, cash	6,303,403	8,781,311
Cash set aside for quasi-endowment investments in following year	-	-
TOTAL QUASI-ENDOWMENT	152,913,055	134,406,631
DONOR-RESTRICTED ENDOWMENT FUNDS	-	-
TOTAL ENDOWMENT	152,913,055	134,406,631



6. BOARD DESIGNATED ENDOWMENT FUNDS or “QUASI-ENDOWMENT” (continued)

Changes in Endowment Net Assets (all Without Donor Restrictions) for the Fiscal Years Ended December 31, 2019 and 2018 (below):

ENDOWMENT NET ASSETS	YEAR ENDED DECEMBER 31, 2019 (\$)	YEAR ENDED DECEMBER 31, 2018 (\$)
QUASI-ENDOWMENT NET ASSETS, BEGINNING OF YEAR	134,406,631	144,498,681
Support income i.e. grants received	-	1,207,655
Disposition of marketable investments	36,233,166	62,293,998
Proceeds from sale of non-marketable investments	615,453	-
Net realized gain on sale of non-marketable investments	681,458	2,735,706
Purchase of marketable investments	(39,595,920)	(95,707,965)
Net realized FX gain (loss) on non-marketable investments	(13,610)	(65,296)
Net realized gain on marketable investments	899,040	4,463,318
Net unrealized appreciation (depreciation) on marketable investments	17,351,602	(18,177,063)
Interest and dividend income, net	3,880,289	3,672,685
Contributions i.e. cash reinvested	2,751,856	33,428,273
Appropriation of endowment assets for expenditure (i.e. cash withdrawn)	(4,296,911)	(3,943,362)
Set-aside to increase board-designated endowment funds in following year	-	-
QUASI-ENDOWMENT NET ASSETS, END OF YEAR	152,913,055	134,406,631

The Foundation has adopted investment and spending policies for its quasi-endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the quasi-endowment assets are invested in a

manner that is intended to produce annual results in excess of the Broad Policy Benchmark comprised of each broad asset category benchmark weighted by its target allocation.

The current Broad Policy Benchmark is:

WEIGHT	INDEX	ASSET CATEGORIES
60%	Russell 3000	U.S. Equity / Real Assets
20%	MSCI ACWI ex-U.S.	International Equity / Real Assets
20%	Barclays Capital Aggregate Bond	Global Fixed Income / Diversified Strategies

The primary objective of the Foundation's investment portfolio is to achieve a total return, net of fees, equal to or greater than spending, administrative fees, and inflation. RAF seek to outperform its benchmarks over full market cycles and does not expect that all investment objectives will be attained in each year; it may produce significant deviations relative to the benchmarks. For this reason, investment returns are evaluated over a full market cycle (for measurement purposes: three years). The annual spending policy of the Foundation is reviewed annually by the Board of Trustees and adjusted as

appropriate according to the needs of the Foundation and to the current market climate.

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's working capital and cash flows have annual variations attributable to the annual budgets approved by the Board of Trustees and financed through cash receipts from sale of investments and from return on investments. To manage liquidity the Foundation plans annual withdrawals from board-designated endowment funds according to the budgets and its related cash flows projections approved by the Board of Trustees. See Note 6 for disclosing the spending policy and Note 9 for disclosing grant awards and program related investments disbursements. Although RAF does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, additional amounts from its quasi-endowment could be made available with the governing board approval, if necessary.



7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

FINANCIAL ASSETS, AT YEAR END	DECEMBER 31, 2019 (\$)	DECEMBER 31, 2018 (\$)
Marketable Investments, at fair value	145,997,882	124,384,487
Non-marketable Investments, at fair value	611,770	1,240,833
Cash and cash equivalents	7,313,706	11,071,528
Cash restricted in bank deposits as collateral for student loans guarantee	16,500	44,000
Program Related investments, committed	248,449	405,099
Program Related investments, payable	(50,000)	(50,000)
TOTAL FINANCIAL ASSETS, AT YEAR END	154,138,307	137,095,946
LESS THOSE UNAVAILABLE FOR GENERAL EXPENDITURES WITHIN ONE YEAR, DUE TO:		
Cash restricted in bank deposits as collateral for student loans guarantee	(16,500)	(44,000)
Program Related Investments, net receivables	(198,449)	(355,099)
Board Designations for Quasi-Endowment:		
Marketable & Non-marketable Investments	(146,609,652)	(125,625,320)
Cash held in investment managed accounts	(6,303,403)	(8,781,311)
Cash set-aside for investments in following year	-	-
FINANCIAL ASSETS AVAILABLE AT BALANCE SHEET DATE	1,010,303	2,290,217
Add back amounts available for expenditure in following year, i.e. amounts to be withdrawn from quasi-endowment as per Board approval	5,000,000	4,000,000
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR EXPENDITURES WITHIN ONE YEAR	6,010,303	6,290,217

The Foundation had \$154,138,307 in financial assets as of December 31, 2019, reduced by amounts not available for general use within one year because of internal designations. Assets available include the Board approved appropriation from the quasi-endowment invested managed funds for the following year of \$5,000,000 and cash existent in operating bank accounts of \$1,010,303 as of December 31, 2019 for a total available financial assets of \$6,010,303.

As of December 31, 2019 the Foundation held cash and cash equivalents of \$6,469,668 with three large United States commercial banking institutions and 839,656 with one large European commercial banking institution, which includes cash held in foreign currencies (RON and EUR) valued at \$318,428 and the remaining are in USD. In addition, as of December 31, 2019, the Foundation held petty cash valued at \$4,383, out of which cash in foreign currencies (RON and EUR) valued at \$3,882 and the remaining are in USD.



8. INVESTMENTS AT FAIR VALUE

See Note 3 "Investments at Fair Value" for a presentation 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, 2019 and 2018, as well as the accumulated unrealized gains (losses) and realized gains (losses) for the years ended December 31, 2019 and 2018 are presented in the tables below:

Investments as of December 31, 2019

MARKETABLE INVESTMENTS:	COST (\$)	FAIR VALUE (\$)	ACCUMULATED UNREALIZED GAINS (LOSSES) (\$)	REALIZED GAINS (LOSSES) (\$)
Mutual Funds – Equity	69,183,996	79,957,138	10,773,141	951,461
Mutual Funds – Fixed Income	45,239,684	45,646,889	407,204	(201,919)
Mutual Funds – Other	19,542,853	20,393,856	851,003	149,284
Tax costs adjustments and wash sales	-	-	-	213
Non-Marketable Investments: Partnership investments	611,770	611,770	-	681,458
	134,578,304	146,609,652	12,031,348	1,580,498

Investments as of December 31, 2018

MARKETABLE INVESTMENTS:	COST (\$)	FAIR VALUE (\$)	ACCUMULATED UNREALIZED GAINS (LOSSES) (\$)	REALIZED GAINS (LOSSES) (\$)
Mutual Funds – Equity	73,334,234	70,174,711	(3,159,523)	5,090,066
Mutual Funds – Fixed Income	36,793,430	35,449,385	(1,344,045)	(485,112)
Mutual Funds – Other	19,732,641	18,760,391	(972,249)	(100,126)
Tax costs adjustments and wash sales	20,293	-	(20,293)	(41,510)
Non-Marketable Investments: Partnership investments	1,240,833	1,240,833	-	2,735,706
	131,121,431	125,625,320	(5,496,110)	7,199,024

The unrealized gains (losses) on investments for the years-ended December 31, 2019 and 2018 are presented in the table below:

	ACCUMULATED UNREALIZED GAINS (LOSSES) AS OF DECEMBER 31, 2018	UNREALIZED GAINS (LOSSES) FOR THE YEAR ENDED DECEMBER 31, 2019	ACCUMULATED UNREALIZED GAINS (LOSSES) AS OF DECEMBER 31, 2019
Mutual Funds – Equity	(3,159,523)	13,932,664	10,773,141
Mutual Funds – Fixed Income	(1,344,045)	1,751,249	407,204
Mutual Funds – Other	(972,250)	1,823,253	851,003
Tax costs adjustments	(20,293)	(155,564)	(175,857)
	(5,496,110)	17,351,602	11,855,491
Tax costs adjustments posted to prior year	175,857	-	175,857
	(5,320,253)	17,351,602	12,031,348



During fiscal year 2019 the investment managers posted tax costs adjustments to prior year period reports for two investments under management for a total of \$175,857.

Set forth in the table below are the Foundation's investments as of December 31, 2019 and 2018, at fair value on a recurring basis, by the hierarchy levels described in Note 3:

Investments as of December 31, 2019

	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	79,957,138	-	-	79,957,138
Mutual Funds – Fixed Income	45,646,889	-	-	45,646,889
Mutual Funds – Other	20,393,856	-	-	20,393,856
Partnership investments	-	-	611,770	611,770
	145,997,882	0	611,770	146,609,652
% total	99.58%	0%	0.42%	100%

Investments as of December 31, 2018

	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	70,174,711	-	-	70,174,711
Mutual Funds – Fixed Income	35,449,385	-	-	35,449,385
Mutual Funds – Other	18,760,391	-	-	18,760,391
Partnership investments	-	-	1,240,833	1,240,833
	124,384,487	0	1,240,833	125,625,320
% total	99%	0%	1%	100%

A summary of Level 3 activity for the year ended December 31, 2018 and 2019 is as follows:

Balance, December 31, 2017	1,306,129
Proceeds from sale of investments received from BAF	(2,735,706)
Realized gain (loss) on sales of investments	2,735,706
Realized Exchange Rate gain (loss)	(65,296)
Balance, December 31, 2018	1,240,833
Hurdle amounts received from BAF under liquidation	(1,296,911)
Realized gain (loss) on sales of investments	681,458
Realized Exchange Rate gain (loss)	(13,610)
Balance, December 31, 2019	611,770

In accordance with its Limited Partnership Agreement, on termination date, i.e. March 31, 2018, BAF was dissolved and appointed the General Partner BAMC NV as its liquidator. The General Partner submitted to the Limited Partners (RAF is a 36.36% interest limited partner) the plan regarding the liquidation of BAF starting at the termination date. According to the plan the remaining invested portfolio companies are expected to be exited in approximately two years and so the liquidation process of BAF shall be fully completed during the year 2021. The liquidation proceeds to RAF included a EUR 1,090,800 or USD 1,240,833 equivalents escrow amount that was retained in BAF during the exit of a major investment prior to

the liquidation date and not reconciled as of December 31, 2018.

During fiscal year 2019 an amount of EUR 545,400 or USD 615,453 equivalents has been released from the escrow account and refunded to RAF as part of the total hurdle amounts distributed to RAF of \$1,296,911. All other liquidation proceeds received by RAF from BAF in excess of the escrow amounts are considered realized gain from sale of non-marketable investments.

As of December 31, 2019 there were EUR 545,400 or USD 611,770 equivalents of escrow amounts that were retained in BAF. The management of RAF considers such escrow amount due by BAF liquidator to the Foundation as a reasonable market fair value for BAF investment as of 31 December 2019.

INCOME FROM INVESTMENTS

Included in the amount reported as interest and dividend income in the consolidated statements of activities for the year ended December 31, 2019 is \$3,879,760 that represents amounts distributed from the Foundation's various mutual fund investments as interest and dividend income, net after custodial fees of \$381,354. Interest earned on operating bank accounts as of the year ended December 31, 2019 was in amount of \$529.



Included in the amount reported as interest and dividend income in the consolidated statements of activities for the year ended December 31, 2018 is \$3,669,360 that represents amounts distributed from the Foundation's various mutual fund investments as dividend income, net after custodial fees of \$375,913. Interest earned on operating bank accounts as of the year ended December 31, 2018 was in amount of \$3,325.

Included in the amount reported as realized gain on sales of investments in the consolidated statements of activities for the year ended December 31, 2019 is \$681,458 that represents hurdle amounts received from Balkan Accession Fund as distribution of proceeds from BAF under liquidation.

Included in the amount reported as realized gain on sales of investments in the consolidated statements of activities for the year ended December 31, 2018 is \$2,735,706 that represents hurdle amounts received from Balkan Accession Fund as distribution of proceeds from BAF under liquidation. Upon liquidation, BAF adopted a distribution plan according to which the limited partnership will pay all its debts at short notice and the remaining liquidation balance will be paid to the investors in accordance with the stipulations in the articles of incorporation of the limited partnership.

9. GRANTS AWARDED AND PROGRAM RELATED INVESTMENTS

For the year ended December 31, 2019 the Foundation signed 31 new grant agreements and amended 46 grant agreements signed in previous years for a total of \$3,600,073 grant awards in the focus areas of education, technology innovation, entrepreneurship and community development and civil society. During 2019 the Foundation reversed \$39,811 of previous years contracted grant awards as the funds were not entirely used by recipients and subsequently cancelled, the grants awarded during the year and recorded through the consolidated statement of activities amounting to \$3,560,262. The net grants disbursed during the year ended December 31, 2019 consisted of \$4,049,024 and the outstanding signed grant agreements not yet disbursed until year end amounted to \$1,468,144.

As of December 31, 2019 the Program Related Investments ("PRIs") consisted of \$248,449 committed funds in loans 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, 2019 there were \$50,000 not yet disbursed. During 2019 the Foundation signed two PRI

loans of \$140,000, decreased with \$50,000 a previous year loan committed and disbursed \$90,000. During 2019 the Foundation collected \$246,650 as repayments of loans. The total outstanding principal balance of the PRIs was \$198,449 as of December 31, 2019. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2019.

For the year ended December 31, 2018 the Foundation signed 36 new grant agreements and amended 30 grant agreements signed in previous years for a total of \$3,499,845 grant awards in the focus areas of education, technology innovation, entrepreneurship and community development and civil society. During 2018 the Foundation reversed \$1,500 of previous years contracted grant awards as the funds were not entirely used by recipients and subsequently cancelled, the grants awarded during the year and recorded through the consolidated statement of activities amounting to \$3,498,345. The net grants disbursed during the year ended December 31, 2018 consisted of \$3,501,060 and the outstanding signed grant agreements not yet disbursed until year end amounted to \$1,956,906.

As of December 31, 2018 PRIs consisted of \$405,099 committed funds in loans 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, 2018 there were \$50,000 not yet disbursed. During 2018 the Foundation signed two PRI loans of \$260,000 and disbursed \$260,000. During 2018 the Foundation collected \$426,500 as repayments of loans. The total outstanding principal balance of the PRIs was \$355,099 as of December 31, 2018. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2018.

10. STATEMENT OF FUNCTIONAL EXPENSES AND EXPENSE ALLOCATION

The Foundation's consolidated financial statements as of December 31, 2019 and 2018 report certain categories of expenses that are attributable to more than one program or supporting function. Therefore these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, occupancy, other office administrative expenses which are allocated on a square-footage basis as well as employees compensation and benefits which are allocated on the basis of estimates of time and effort.



The following table presents the functional expenses for the year ended December 31, 2019:

	PROGRAM ACTIVITIES				SUPPORTING ACTIVITIES	
	EDUCATION, TECHNOLOGY & INNOVATION (\$)	PHILANTHROPY, COMMUNITY DEVELOPMENT AND CIVIC ENGAGEMENT (\$)	RURAL ECONOMY AND ENTREPRENEURSHIP(\$)	PROGRAMS SUBTOTAL (\$)	MANAGEMENT AND GENERAL EXPENSES (\$)	TOTAL EXPENSES (\$)
Employee salaries, taxes and benefits	211,995	156,563	145,388	513,946	156,505	670,451
Employee business expenses	14,994	7,001	18,437	40,431	4,661	45,093
Occupancy expenses	70,898	29,935	40,963	141,796	20,944	162,739
Professional fees	139,010	10,807	28,543	178,360	94,844	273,204
Trustees' expenses	-	-	-	-	125,703	125,703
Other general and administrative	62,311	28,679	37,301	128,291	46,725	175,016
Depreciation	44,297	18,703	25,593	88,594	9,844	98,438
TOTAL OPERATING EXPENSES	543,505	251,687	296,225	1,091,418	459,225	1,550,643
Grants awarded to other organizations	1,675,479	1,014,110	870,673	3,560,262	-	3,560,262
TOTAL EXPENSES	2,218,984	1,265,798	1,166,898	4,651,680	459,225	5,110,905

The following table presents the functional expenses for the year ended December 31, 2018:

	PROGRAM ACTIVITIES				SUPPORTING ACTIVITIES	
	EDUCATION, TECHNOLOGY & INNOVATION (\$)	PHILANTHROPY, COMMUNITY DEVELOPMENT AND CIVIC ENGAGEMENT (\$)	RURAL ECONOMY AND ENTREPRENEURSHIP(\$)	PROGRAMS SUBTOTAL (\$)	MANAGEMENT AND GENERAL EXPENSES (\$)	TOTAL EXPENSES (\$)
Employee salaries, taxes and benefits	220,773	118,862	162,291	501,926	159,188	661,114
Employee business expenses	18,992	7,748	21,250	47,990	4,567	52,557
Occupancy expenses	71,886	30,352	41,534	143,771	15,975	159,746
Professional fees	110,791	12,257	26,492	149,540	96,385	245,925
Trustees' expenses	-	-	-	-	137,504	137,504
Other general and administrative	39,515	19,016	25,634	84,165	82,057	166,222
Depreciation	38,633	16,312	22,321	77,266	8,585	85,852
TOTAL OPERATING EXPENSES	500,590	204,546	299,522	1,004,658	504,261	1,508,919
Grants awarded to other organizations	1,324,780	1,009,251	1,164,314	3,498,345	-	3,498,345
TOTAL EXPENSES	1,825,370	1,213,797	1,463,836	4,503,003	504,261	5,007,264



11. PROPERTY, NET

As of December 31, 2019 and 2018, net property consisted of:

AS OF DECEMBER 31, 2019	COST (\$)	ACCUMULATED DEPRECIATION/AMORTIZATION (\$)	NET BOOK VALUE (\$)
Land	537,273	-	537,273
Office building and improvements	3,565,555	802,195	2,763,360
Automobiles, furniture and equipment	309,725	282,159	27,566
Software	-	-	-
TOTAL	4,412,553	1,084,354	3,328,199

AS OF DECEMBER 31, 2018	COST (\$)	ACCUMULATED DEPRECIATION/AMORTIZATION (\$)	NET BOOK VALUE (\$)
Land	537,273	-	537,273
Office building and improvements	3,565,555	712,898	2,852,657
Automobiles, furniture and equipment	276,629	273,018	3,610
Software	12,887	12,887	-
TOTAL	4,392,343	998,803	3,393,540

12. CONTINGENT LIABILITIES

During fiscal year 2019, RAF sued in Romanian courts one of its neighbors who started to demolish a building jointed to RAF office building in Bucharest, Romania. RAF claimed in court that the owner of the demolished building should stop the demolition process and should protect RAF building's walls exposed to rain and snow falls. RAF won all the initial cases

in court and the demolishing process was stopped by the judge. As of December 31, 2019 the owner of the demolished building initiated a reconciliation procedure with RAF expressing its intent to proceed and execute the protective works to RAF building.

13. 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 Romanian - American Investment Foundation (that was dissolved in 2018). During 2018 the Foundation received \$1,207,655 contributions in cash from RAIF and agreed with the fund to cover any expenses incurred by RAIF after its liquidation.

14. TAX STATUS

UNITED STATES

The Foundation is exempt from U.S. Federal income taxes under the provisions of Section 501(c)(4) of the Internal Revenue 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.

15. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 22, 2020, the date the consolidated financial statements were authorized to be issued, and has determined there were no additional events requiring consideration as adjustments to the consolidated financial statements for the year ended December 31, 2019.

On March 11, 2020, the World Health Organization declared that the outbreak of the corona virus ("COVID-19") is a pandemic, and the President of Romania announced a state of emergency on March 16, 2020. Responding to the potentially serious threat that COVID-19 presents for public health, government authorities have taken steps to contain the epidemic, including introducing restrictions on cross-border movement of people, entry restrictions on foreign visitors and the "lock-down" of certain industries, pending further developments. In particular, the activity of schools, universities and restaurants as well as cultural, sports and entertainment activities with a public of more than 100 persons was suspended. Some Romanian companies have also instructed the employees to stay at home and have curtailed or temporarily suspended business operations. Starting 15 May 2020, following the state of emergency,



the state of alert was established which involved relaxation to a certain extent of the measures previously taken to control the pandemic, including resuming passenger transportation and allowing certain commercial activities previously restricted to be carried on under certain conditions.

The wider economic impacts of these events include:

- The decrease or the interruption of the commercial operations and of the economic activity in Romania and the United States, with a cascading impact on the supply chains;
- Significant disruptions for companies in certain industries, as well as on export-oriented businesses, with a high dependence on foreign markets. The distressed industries include trade and transportation, travel and tourism, entertainment, production, construction, retail, other than food insurance and education;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and foreign exchange rates.

These aspects also impacted the New York Stock Exchange and have had a

negative effect on the valuation of the Foundation's investments held at fair value and managed in the United States. The financial information as at April 30th 2020 presented a decrease in fair value of approximately \$10.6 million (7% of the net value) as compared to the value presented as at December 31st 2019.

Management has taken actions to address the effects of COVID19 outbreak on the activity, such as limiting travelling to the office or to partners, delivering the mandatory official documentation and reports electronically, agreeing to redirect grants to project-segments of partners affected by the COVID19 outbreak. As of May 22, 2020 the Foundation withdrew \$2,250,000 from its investment managed accounts at Alex Brown and FEG as a quasi-endowment decrease to cover its expenditures in fiscal 2020.

Based on the analysis performed, currently publicly available information, the Foundation's current KPI's and in view of the actions initiated by management, we do not anticipate a direct immediate and significant adverse impact of the Covid - 19 outbreak on the Foundation, its operations, financial position and activities. We cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the

economic environment will not have an adverse effect on the Company's operations, financial position and activities, in the medium and longer term. We continue to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.



Romanian-American Foundation
6, Gina Patrichi Street
010449 Bucharest, Romania

Tel: +40 312 261 223
Fax: +40 312 261 230
e-mail: office@rafonline.org

www.rafonline.org

Follow us on:    