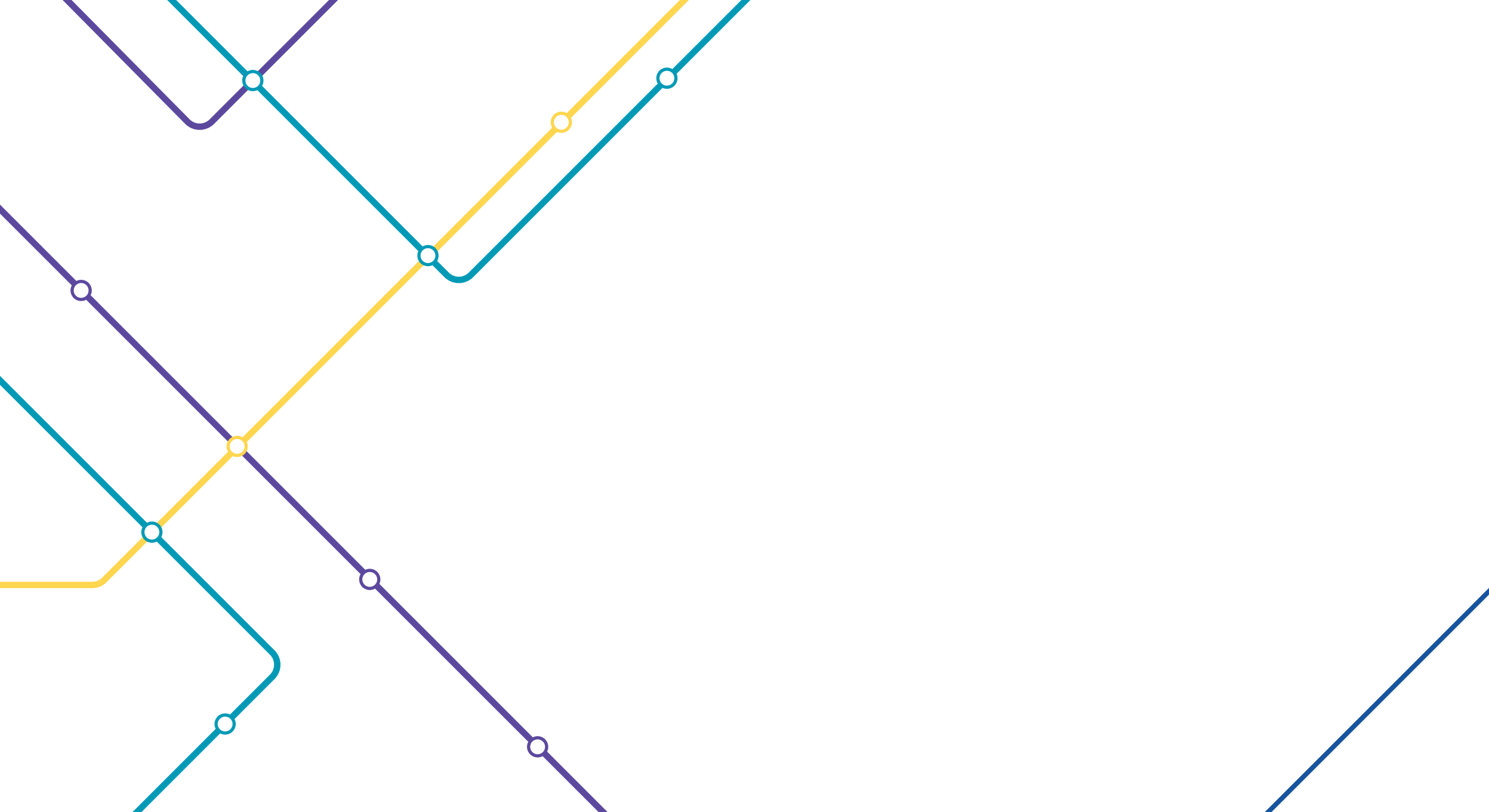




ROMANIAN-AMERICAN
FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR
ENDED DECEMBER 31, 2017



INDEPENDENT AUDITORS' REPORT

Consolidated statements of financial position as of December 31, 2017

Consolidated statements of activities for the year ended December 31, 2017

Consolidated statements of financial position as of December 31, 2017

Notes

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of the Romanian- American Foundation and its subsidiary (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte Audit SRL
Deloitte Audit S.R.L.
Bucharest, Romania
May 25, 2018

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Consolidated statements of financial position as of December 31, 2017

Consolidated statements of activities for the year ended December 31, 2017

Consolidated statements of financial position as of December 31, 2017

Notes

ASSETS	DECEMBER 31, 2017 (\$)	DECEMBER 31, 2016 (\$)
Marketable Investments, at fair value (Notes 3 and 8):		
Mutual Funds – Equity	63,394,229	55,620,292
Mutual Funds – Fixed Income	26,669,124	26,617,845
Mutual Funds – Other	14,620,911	10,741,512
Non-marketable investments, at fair value (Note 8)	1,306,129	12,558,988
Cash and cash equivalents (Note 3)	41,771,166	12,050,142
Cash restricted in bank deposits as collateral for student loans guarantee (Note 3)	77,000	77,000
Program related investments, committed (Note 3 and Note 9)	571,599	197,999
Prepaid expenses and other assets	1,178	6,733
Fixed Assets, net (Note 11)	3,353,358	3,435,729
TOTAL ASSETS	151,764,694	121,306,240
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	117,412	108,534
Program related investments, payable (Note 3 and note 9)	50,000	50,000
Grants payable (Note 3 and Note 9)	1,959,621	2,799,646
TOTAL LIABILITIES	2,127,034	2,958,180
NET ASSETS (NOTE 5)		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Board Designated Endowment Fund (Note 6)	144,498,681	113,835,704
Fixed Assets, Net (Note 11)	3,353,358	3,435,729
Undesignated (Note 5)	1,785,621	1,076,627
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	149,637,660	118,348,060
TOTAL LIABILITIES AND NET ASSETS	151,764,694	121,306,240

CONSOLIDATED STATEMENTS OF ACTIVITIES

Consolidated statements of financial position as of December 31, 2017

Consolidated statements of activities for the year ended December 31, 2017

Consolidated statements of financial position as of December 31, 2017

Notes

CHANGES IN NET ASSETS	YEAR ENDED DECEMBER 31, 2017 (\$)	YEAR ENDED DECEMBER 31, 2017 (\$)	YEAR ENDED DECEMBER 31, 2017 (\$)
	Without Donor Restrictions	With Donor Restrictions	Total
INCOME			
Realized gain on sale of non-marketable investments (Note 8)	21,768,652	-	21,768,652
Interest and dividend income, net (Note 8)	2,254,572	-	2,254,572
TOTAL INCOME	24,023,224	-	24,023,224
EXPENSES			
Employee compensation and benefits	605,240	-	605,240
Occupancy expenses	131,745	-	131,745
Professional services	217,617	-	217,617
Trustees' expenses	121,719	-	121,719
Administrative and other	153,910	-	153,910
Depreciation and amortization	82,371	-	82,371
TOTAL OPERATING EXPENSES (NOTE 10)	1,312,602	-	1,312,602
GRANTS AWARDED TO OTHER ORGANIZATIONS (NOTE 9)	3,496,254	-	3,496,254
INCOME IN EXCESS OF GRANTS AWARDED AND OPERATING EXPENSES	19,214,368	-	19,214,368
Net realized gain on marketable investments (Note 8)	936,516	-	936,516
Net unrealized gain on marketable investments (Note 8)	9,222,893	-	9,222,893
Net currency remeasurement (losses)/gains (Note 3 and Note 8)	1,915,822	-	1,915,822
INCREASE IN NET ASSETS	31,289,599	-	31,289,599
NET ASSETS, BEGINNING OF YEAR	118,348,061	-	118,348,061
NET ASSETS, END OF THE YEAR	149,637,660	-	149,637,660

CONSOLIDATED STATEMENTS OF ACTIVITIES

Consolidated statements of financial position as of December 31, 2017

Consolidated statements of activities for the year ended December 31, 2017

Consolidated statements of financial position as of December 31, 2017

Notes

CHANGES IN NET ASSETS	YEAR ENDED DECEMBER 31, 2016 (\$)	YEAR ENDED DECEMBER 31, 2016 (\$)	YEAR ENDED DECEMBER 31, 2016 (\$)
	Without Donor Restrictions	With Donor Restrictions	Total
INCOME			
Interest and dividend income, net (Note 8)	2,132,231	-	2,132,231
SUPPORT AND CONTRIBUTION INCOME			
Charles Stewart Mott Foundation (Note 2)	-	64,200	64,200
Romanian-American Investment Foundation, former RAEF (Note 4 and Note 12)	1,006,352	-	1,006,352
TOTAL INCOME	3,138,583	64,200	3,202,783
EXPENSES			
Employee compensation and benefits	510,691	2,000	512,691
Occupancy expenses	126,352	-	126,352
Professional services	230,559	54,714	285,273
Trustees' expenses	96,399	-	96,399
Administrative and other	218,022	7,486	225,508
Depreciation and amortization	93,646	-	93,646
TOTAL OPERATING EXPENSES	1,275,669	64,200	1,339,869
GRANTS AWARDED TO OTHER ORGANIZATIONS (NOTE 9)	3,175,855	-	3,175,855
DEFICIT IN EXCESS OF GRANTS AWARDED AND OPERATING EXPENSES	(1,312,941)		(1,312,941)
Net realized gain on marketable investments (Note 8)	(1,405,533)	-	(1,405,533)
Net unrealized gain on marketable investments (Note 8)	4,293,651	-	4,293,651
Net currency remeasurement (losses)/gains (Note 3 and Note 8)	(284,809)	-	(284,809)
INCREASE IN NET ASSETS	1,290,368	-	1,290,368
NET ASSETS, BEGINNING OF YEAR	117,057,692	-	117,057,692
NET ASSETS, END OF THE YEAR	118,348,061	-	118,348,061

CONSOLIDATED STATEMENTS OF CASH FLOWS

Consolidated statements of financial position as of December 31, 2017

Consolidated statements of activities for the year ended December 31, 2017

Consolidated statements of financial position as of December 31, 2017

Notes

	YEAR ENDED DECEMBER 31, 2017 (\$)	YEAR ENDED DECEMBER 31, 2016 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	31,289,599	1,290,368
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED BY OPERATING ACTIVITIES		
Net realized (gain)/loss on marketable investments	(936,516)	1,405,533
Net realized (gain)/loss on sales of non-marketable investments	(21,768,652)	-
Net unrealized (gain)/loss on marketable investments	(9,222,893)	(4,293,651)
Net unrealized FX (gain)/loss on non-marketable investments	(1,497,650)	337,478
Release of provisions for non-marketable investments	-	-
Depreciation and amortization	82,371	93,646
Decrease/(Increase) in cash collateral guarantees	-	-
Decrease/(Increase) in program related investments, assets	(373,600)	402,001
Increase /(Decrease) in program related investments, payables	-	(200,000)
Increase/(Decrease) in grants payable	(840,025)	554,736
Decrease/(Increase) in prepaid expenses	5,555	(1,610)
Increase/(Decrease) in accounts payable and accrued expenses	8,879	24,826
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(3,252,932)	(386,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of marketable investments	24,598,237	27,871,820
Proceeds from sales of non-marketable investments	34,519,160	13,449,317
Cost of marketable investments purchased	(26,143,441)	(40,146,467)
Cost of non-marketable investments purchased	-	-
Cost of fixed assets	-	-
Net cash provided by investing activities	32,973,956	1,174,670
Net increase in cash and cash equivalents	29,721,024	787,997
Cash and cash equivalents, beginning of year	12,050,142	11,262,145
Cash and cash equivalents, end of year	41,771,166	12,050,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statements of financial position as of December 31, 2017

Consolidated statements of activities for the year ended December 31, 2017

Consolidated statements of financial position as of December 31, 2017

Notes

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

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

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

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

The Foundation maintains offices in New York, NY, U.S.A. and in Bucharest, Romania, with the majority of the Foundation’s operations performed through its direct hired personnel in Romania. During 2010 the Foundation initiated the legal procedures to incorporate a Romanian legal entity with its official name Fundatia “Organizatia Nonprofit Romanian-American Foundation” Romania [“RAF Romania”]. RAF Romania was legally formed and incorporated on January 11, 2011. The consolidated financial statements of the Foundation include RAF Romania for the year ended December 31, 2017.

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.

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

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, 2017 the entire balance 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.

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, the ownership interest in Balkan Accession Fund partnership respectively, are managed by the fund manager (Axxess Capital) and seek capital growth. The Investment Committee of RAF is reported quarterly by the fund

manager and the Foundation delegates one of its Trustees as a member of the Supervisory Board of BAF partnership.

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

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of 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. As of December 31, 2017 the Foundation held cash and cash equivalents of \$7,628,221 with three large United States commercial banking institutions and \$34,135,105 with one large European commercial banking institution, which includes cash held in foreign currencies (RON and EUR) valued at \$33,589,543 and the remaining are in USD. In addition, as of

December 31, 2017, the Foundation held petty cash valued at \$7,840, out of which cash in foreign currencies (RON and EUR) valued at \$4,378.

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 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, 2017 there were \$77,000 in a number of five such bank deposits that are denominated in U.S. dollars and are bearing interests of 2.45% p.a.

PROGRAM RELATED INVESTMENTS (PRI)

Program related investments are loans signed with Romanian non-governmental organizations. The PRIs are recorded in the consolidated statements of financial position as assets when loans are approved in accordance with policies set by the Board of Trustees, negotiations have been finalized with the borrower, and the parties have signed the loan agreement. In practice, the Foundation generally disburses loans to borrowers over time, as funds are required to meet certain contractual clauses. As a result the Foundation also records a PRI payable when the agreement is signed as such PRIs usually have multiple disbursements. See Note 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 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 Foundation's transactions are initiated in U.S. dollars and exchanged for Romanian lei and/or EURO ("EUR") only when needed. Revenues and expenses transacted in Romanian lei and/or EURO are re-measured into U.S. dollars at the bank exchange rate resulted from the forex tender. All of the Foundation's Romanian lei and EUR assets and liabilities are re-measured into U.S. dollars at the period's end official exchange rate. The functional currency of RAF Romania is the Romanian Leu ("RON"). Re-measurement and translation adjustments are reflected in the consolidated statements of activities.

DONATED SERVICES

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

DEPRECIATION AND AMORTIZATION

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

OPERATING EXPENSES

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

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

On September 29, 2009 the Foundation entered into a Grant Agreement with the Fund. The Fund has begun the process of liquidating its investment portfolio, and approximately \$140 million

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

Since the inception of the Foundation, there has been a total of \$129,915,029 contributed by RAEF to the Foundation and \$25,000,000 paid by RAEF to U.S. Treasury as of December 31, 2017.

In 2016 there were \$1,006,352 contributions in cash made by the Fund to the Foundation.

In 2017 there were no contributions made by the Fund to the Foundation.

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

5. NET ASSETS CLASIFICACION

NET ASSETS	YEAR ENDED DECEMBER 31, 2017 (\$)
	Without Donor Restrictions
CURRENT UNRESTRICTED	
Board Designated Endowment Funds	
Investment Managed Funds, marketable investments	104,684,264
Investment Managed Funds, non-marketable investments	1,306,129
Investment Managed Funds, cash	7,508,287
Cash set aside for quasi-endowment investments in following year	31,000,000
Total Quasi-Endowment	144,498,681
Fixed Assets, Net	3,353,358
Undesignated	1,785,621
CURRENT RESTRICTED	-
TOTAL NET ASSETS	149,637,660

The Foundation did not hold net assets with donor restrictions as of December 31, 2017 and 2016, either by purpose, time or perpetual in nature. The total net assets of the Foundation as of December 31, 2017 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 Funds).

6. BOARD DESIGNATED ENDOWMENT FUNDS or "QUASI-ENDOWMENT"

As required by 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, 2017 and 2016:

ENDOWMENT NET ASSETS	YEAR ENDED DECEMBER 31, 2017 (\$)	YEAR ENDED DECEMBER 31, 2016 (\$)
QUASI-ENDOWMENT FUNDS		
Investment Managed Funds, marketable investments	104,684,264	92,979,651
Investment Managed Funds, non-marketable investments	1,306,129	12,558,988
Investment Managed Funds, cash	7,508,287	8,297,065
Cash set aside for quasi- endowment investments in following year	31,000,000	-
TOTAL QUASI-ENDOWMENT	144,498,681	113,835,704
DONOR-RESTRICTED ENDOWMENT FUNDS	-	-
TOTAL ENDOWMENT	144,498,681	113,835,704

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

Changes in Endowment Net Assets (all Without Donor Restrictions) for the Fiscal Year Ended December 31, 2017:

QUASI-ENDOWMENT NET ASSETS	YEAR ENDED DECEMBER 31, 2017 (\$)
QUASI-ENDOWMENT NET ASSETS, BEGINNING OF YEAR	113,835,704
Disposition of marketable investments	26,098,237
Proceeds from sale of non-marketable investments (i.e. cash withdrawn)	(34,519,160)
Net realized gain on sale of non-marketable investments	21,768,652
Purchase of marketable investments	(26,143,441)
Net realized FX gain on non-marketable investments	1,497,650
Net realized gain on marketable investments	936,516
Net unrealized appreciation on marketable investments	9,222,893
Interest and dividend income, net	2,256,426
Contributions i.e. cash reinvested	45,204
Appropriation of endowment assets for expenditure (i.e. cash withdrawn)	(1,500,000)
Set-aside to increase board-designated endowment funds in following year	31,000,000
QUASI-ENDOWMENT NET ASSETS, END OF YEAR	144,498,681

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 plan 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 if necessary with the governing board approval.

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

FINANCIAL ASSETS, AT YEAR END	DECEMBER 31, 2017 (\$)	DECEMBER 31, 2016 (\$)
Marketable Investments, at fair value	104,684,264	55,620,292
Non-marketable Investments, at fair value	1,306,129	12,558,988
Cash and cash equivalents	41,771,166	12,050,142
Cash restricted in bank deposits as collateral for student loans guarantee	77,000	77,000
Program Related investments, committed	571,599	197,999
Program Related investments, payable	(50,000)	(50,000)
TOTAL FINANCIAL ASSETS, AT YEAR END	148,360,158	80,454,421
LESS THOSE UNAVAILABLE FOR GENERAL EXPENDITURES WITHIN ONE YEAR, DUE TO:		
Cash restricted in bank deposits as collateral for student loans guarantee	(77,000)	(77,000)
Program Related Investments, net receivables	(521,599)	(147,999)
Board Designations for Quasi-Endowment:		
Marketable & Non-marketable Investments	(105,990,394)	(68,179,280)
Cash held in investment managed accounts	(7,508,287)	(8,297,065)
Cash set-aside for investments in following year	(31,000,000)	-
FINANCIAL ASSETS AVAILABLE AT BALANCE SHEET DATE	3,262,878	3,753,077
Add back amounts available for expenditure in following year, i.e. amounts to be withdrawn from quasi-endowment as per Board approval	4,000,000	1,500,000
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR EXPENDITURES WITHIN ONE YEAR	7,262,878	5,253,077

The Foundation had \$148,360,158 in financial assets as of December 31, 2017, 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 \$4,000,000 and cash existent in operating bank accounts of \$3,262,878 as of December 31, 2017 for a total available financial assets of \$7,262,878.

8. 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, 2017 and 2016, as well as the accumulated unrealized gains (losses) and realized gains (losses) for the years ended December 31, 2017 and 2016 are presented in the table below:

INVESTMENTS AS OF DECEMBER 31, 2017

MARKETABLE INVESTMENTS:	COST (\$)	FAIR VALUE (\$)	ACCUMULATED UNREALIZED GAINS (LOSSES) (\$)	REALIZED GAINS (LOSSES) (\$)
Mutual Funds – Equity	50,213,238	63,394,229	13,180,992	1,147,939
Mutual Funds – Fixed Income	27,298,017	26,669,124	(628,893)	(2,409)
Mutual Funds – Other	14,468,712	14,620,911	152,200	(209,293)
Tax costs adjustments and wash sales	23,346	-	(23,346)	280
Non-Marketable Investments: Partnership investments	1,306,129	1,306,129	-	21,768,652
	93,309,442	105,990,394	12,680,952	22,705,168

INVESTMENTS AS OF DECEMBER 31, 2016

MARKETABLE INVESTMENTS:	COST (\$)	FAIR VALUE (\$)	ACCUMULATED UNREALIZED GAINS (LOSSES) (\$)	REALIZED GAINS (LOSSES) (\$)
Mutual Funds – Equity	51,210,770	55,260,293	4,409,523	(546,602)
Mutual Funds – Fixed Income	27,362,200	26,617,846	(744,354)	(341,413)
Mutual Funds – Other	10,948,622	10,741,512	(207,110)	(525,049)
Tax costs adjustments and wash sales	(78)	-	78	7,530
Non-Marketable Investments: Partnership investments	12,558,988	12,558,988	-	-
	102,080,502	105,538,638	3,458,137	(1,405,533)

The unrealized gains (losses) on investments for the years-ended December 31, 2017 and 2016 are presented in the table below:

	ACCUMULATED UNREALIZED GAINS (LOSSES) AS OF DECEMBER 31, 2016	UNREALIZED GAINS (LOSSES) FOR THE YEAR ENDED DECEMBER 31, 2017	ACCUMULATED UNREALIZED GAINS (LOSSES) AS OF DECEMBER 31, 2017
Mutual Funds – Equity	4,409,522	8,771,469	13,180,991
Mutual Funds – Fixed Income	(744,354)	115,461	(628,893)
Mutual Funds – Other	(207,110)	359,310	152,200
Tax costs adjustments	78	(23,346)	(23,346)
Partnership investments	-	-	-
	3,458,137	9,222,893	12,680,952

8. INVESTMENTS AT FAIR VALUE (continued)

Set forth in the table below are the Foundation's investments as of December 31, 2017 and 2016, at fair value on a recurring basis, by the hierarchy levels described in Note 3:

INVESTMENTS AS OF DECEMBER 31, 2017

	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	63,394,229	-	-	63,394,229
Mutual Funds – Fixed Income	26,669,124	-	-	26,669,124
Mutual Funds – Other	14,620,911	-	-	14,620,911
Partnership investments	-	-	1,306,129	1,306,129
	104,684,265	0	1,306,129	105,990,394
% total	99%	0%	1%	100%

INVESTMENTS AS OF DECEMBER 31, 2016

	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL
Mutual Funds – Equity	55,620,293	-	-	55,620,293
Mutual Funds – Fixed Income	26,617,846	-	-	26,617,846
Mutual Funds – Other	10,741,512	-	-	10,741,512
Partnership investments	-	-	12,558,988	12,558,988
	92,979,651	0	12,558,988	105,538,638
% total	88%	0%	12%	100%

8. INVESTMENTS AT FAIR VALUE (continued)

A summary of Level 3 activity for the year ended December 31, 2016 and 2017 is as follows:

Balance, December 31, 2015	26,345,782
Distribution of BAF capital received	(13,449,316)
Unrealized Exchange Rate gain (loss)	(337,478)
Balance, December 31, 2016	12,558,988
Proceeds from sale of investments received from BAF	(34,519,160)
Realized gain (loss) on sales of investments	21,768,652
Realized Exchange Rate gain (loss)	1,497,650
Balance, December 31, 2017	1,306,129

Included in the amount reported as interest and dividend income in the consolidated statements of activities for the year ended December 31, 2017 is \$2,253,238 that represents amounts distributed from the Foundation's various mutual fund investments as dividend income, net after custodial fees of \$293,595. Interest earned on operating bank accounts as of the year ended December 31, 2017 was in amount of \$1,334.

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

Included in the amount reported as realized gain on sales of investments in the consolidated statements of activities for the year ended December 31, 2017 is \$21,768,652 that represents realized gain on sales of investments in Balkan Accession Fund.

BAF divested and exited part of its investments during fiscal 2017 and distributed to limited partners their quota of such exit proceeds. RAF received its quota of 36.36% according to its participation in BAF of EUR 29,179,776 or USD equivalents of \$34,519,160 in cash out of which \$21,768,652 is realized gain on sales of investments in BAF.

9. GRANTS AWARDED AND PROGRAM RELATED INVESTMENTS

For the year ended December 31, 2017 the Foundation signed 56 new grant agreements and amended 22 grant agreements signed in previous years for a total of \$3,582,547 grant awards in the focus areas of education, technology innovation, entrepreneurship and community development and civil society. During 2017 the Foundation reversed \$86,293 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 \$3,496,254. The net grants disbursed during the year ended December 31, 2017 consisted of \$4,336,279 and the outstanding signed grant agreements not yet disbursed until year end amounted to \$1,959,621.

As of December 31, 2017 PRIs consisted of \$571,599 committed funds in loans signed with 3 Romanian non-governmental organizations as non-bearing interest loans that are payable to the borrowers in multiple tranches. As of December 31, 2017 there were \$50,000 not yet disbursed. During 2017 the Foundation signed one PRI loan of \$400,000 and disbursed \$400,000. During 2016 the Foundation collected \$26,400 as repayments of loans. The total outstanding principal balance of the PRIs was \$521,599 as of December 31, 2017. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2017.

For the year ended December 31, 2016 the Foundation signed 46 new grant agreements and amended 13 grant agreements signed in previous years for a total of \$3,214,019 grant awards in the focus areas

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

As of December 31, 2016 PRIs consisted of \$197,999 committed funds in loans signed with 2 Romanian non-governmental organizations as non-bearing interest loans that are payable to the borrowers in multiple tranches. As of December 31, 2016 there were \$50,000 not yet disbursed. During 2016 the Foundation signed two PRI loans of \$215,600 and disbursed \$165,600. During 2016 the Foundation canceled \$250,000 in loans committed in previous years. During 2016 the Foundation collected \$367,601 as repayments of loans. The total outstanding principal balance of the PRIs was \$147,999 as of December 31, 2016. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2016.

10. STATEMENT OF FUNCTIONAL EXPENSES AND EXPENSE ALLOCATION

The Foundation's consolidated financial statements as of December 31, 2017 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.

10. STATEMENT OF FUNCTIONAL EXPENSES AND EXPENSE ALLOCATION (continued)

The following table presents the functional expenses for the year ended December 31, 2017.

	PROGRAM ACTIVITIES				SUPPORTING ACTIVITIES		TOTAL EXPENSES (\$)
	EDUCATION AND TECHNOLOGY INNOVATION (\$)	COMMUNITY DEVELOPMENT AND CIVIL SOCIETY (\$)	ENTREPRENEURSHIP (\$)	PROGRAMS SUBTOTAL (\$)	MANAGEMENT AND GENERAL EXPENSES (\$)		
Employee salaries, taxes and benefits	131,229	103,538	150,078	455,722	149,518	605,240	
Employee business expenses	10,695	3,976	16,733	37,072	3,613	40,685	
Occupancy expenses	30,301	25,032	34,254	118,571	13,175	131,745	
Professional fees	14,096	8,850	12,621	109,196	108,421	217,617	
Trustees' expenses	-	-	-	-	121,719	121,719	
Other general and administrative	23,220	16,782	20,568	77,976	35,249	113,225	
Depreciation	18,897	15,611	21,362	73,947	8,425	82,371	
TOTAL OPERATING EXPENSES	443,078	173,789	255,616	872,483	440,120	1,312,602	
Grants awarded to other organizations	1,660,074	493,085	1,342,173	3,496,254	-	3,496,254	
TOTAL EXPENSES	2,104,074	666,874	1,597,789	4,368,736	440,120	4,808,856	

11. PROPERTY, NET

As of December 31, 2017 and 2016, net property consisted of:

AS OF DECEMBER 31, 2017	COST (\$)	ACCUMULATED DEPRECIATION/AMORTIZATION (\$)	NET BOOK VALUE (\$)
Land	537,273	-	537,273
Office building and improvements	3,462,982	647,939	2,815,043
Automobiles, furniture and equipment	272,296	271,255	1,042
Software	12,887	12,887	-
TOTAL	4,285,439	932,081	3,353,358

AS OF DECEMBER 31, 2016	COST (\$)	ACCUMULATED DEPRECIATION/AMORTIZATION (\$)	NET BOOK VALUE (\$)
Land	537,273	-	537,273
Office building and improvements	3,462,982	568,292	2,894,690
Automobiles, furniture and equipment	272,296	268,531	3,766
Software	12,887	12,887	-
TOTAL	4,285,439	849,710	3,435,729

12. 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 (RAIF) and the RAIF's Subsidiary (liquidated in 2017). During 2016 the Foundation received \$1,006,352 contributions in cash from RAIF and from RAIF's Subsidiary.

13. 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.

14. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 25, 2018, 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, 2017.

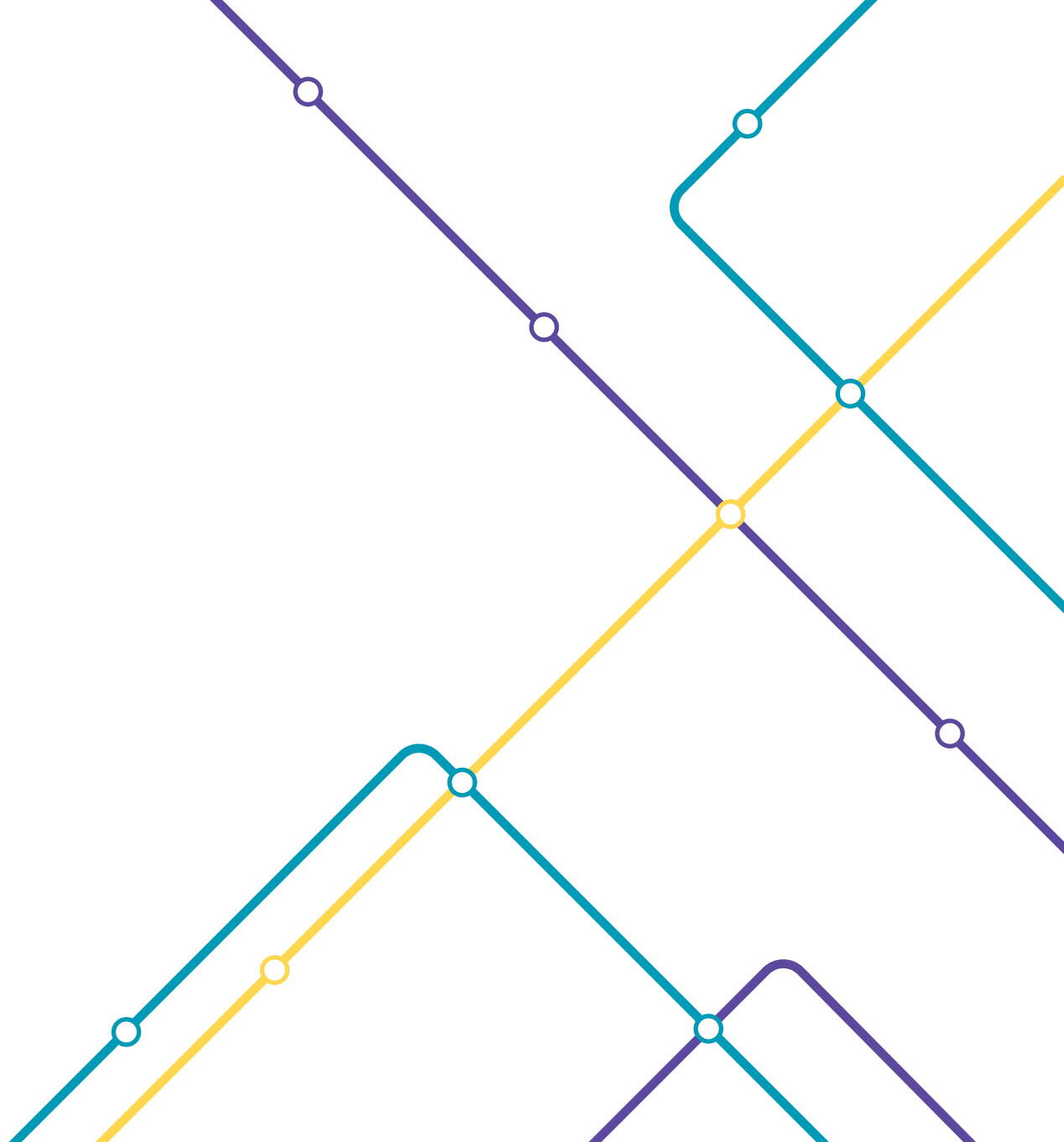
As of May 25, 2018 the Foundation transferred \$33,000,000 from its operating bank accounts to investment managed accounts at Fund Evaluation Group as a quasi-endowment increase.

As of May 25, 2018 the Foundation withdrew \$2,000,000 from its investment managed accounts at Alex Brown as a quasi-endowment decrease to cover its expenditures in fiscal 2018.

As of May 25, 2018 the Foundation received additional distributions of EUR 1,320,110 or USD equivalents of \$1,621,856 from BAF.

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 one and a half to two years and so the liquidation process of BAF shall be fully completed during the year 2021. The liquidation proceeds to RAF are estimated by the General Partner at approximately EUR 4.7 million with a 20% degree of uncertainty or even higher.

According to the Grant Agreement between RAF and RAIF (see Note 4), as of May 25, 2018 RAF received additional contributions from RAIF in three different currencies for a total of USD equivalents of \$836,791.



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