

FINANCIAL STATEMENTS



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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

1. We have audited the accompanying consolidated financial statements of the Romanian-American Foundation and its subsidiary (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

6. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte Audit SRL
Bucharest, Romania
April 30, 2014

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FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

1. ORGANIZATION

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

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

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

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

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

FINANCIAL STATEMENTS

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

1. ORGANIZATION (continued)

The Foundation maintains offices in New York, NY, U.S.A. and in Bucharest, Romania, with the majority of the Foundation's operations performed through its direct hired personnel in Romania. During fiscal year 2010 the Foundation initiated the legal procedures to incorporate a Romanian legal entity with its official name Fundatia "Organizatia 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 years ended December 31, 2013 and 2012.

2. BASIS OF PRESENTATION

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

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

CONSOLIDATION

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

INVESTMENTS, AT FAIR VALUE

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

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

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

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

FINANCIAL STATEMENTS

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

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

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

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

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

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

CONCENTRATION OF RISK

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

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2013 the Foundation held cash and cash equivalents of \$4,355,069 with two large United States commercial banking institutions and \$721,277 with one large European commercial banking institution, which

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

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

CASH COLLATERAL IN BANK DEPOSITS FOR STUDENT LOANS GUARANTEES

For purposes of the consolidated statements of cash flows, the Foundation considers all cash collateral guarantees pledged to the bank for a number of five student loans granted by Raiffeisen Bank to Romanian students to be cash restricted in bank deposits with an original maturity higher than three months. As of December 31, 2013 there were \$77,000 in a number of five such bank deposits that are denominated in U.S. dollars and are bearing interests of 2.45% p.a.

PROGRAM RELATED INVESTMENTS (PRI)

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

SUPPORT AND CONTRIBUTION INCOME

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

INTEREST AND DIVIDEND INCOME

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

GRANTS AND GRANTS PAYABLE

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GRANTS AND GRANTS PAYABLE (continued)

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

FOREIGN CURRENCY

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

DONATED SERVICES

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

DEPRECIATION AND AMORTIZATION

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

OPERATING EXPENSES

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

RECENTLY ADOPTED ACCOUNTING STANDARDS

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENTLY ADOPTED ACCOUNTING STANDARDS (continued)

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

4. ROMANIAN-AMERICAN ENTERPRISE FUND GRANT

On September 29, 2009 the Foundation entered into a Grant Agreement with the Fund. The Fund has begun the process of liquidating its investment portfolio, and approximately \$150 million in proceeds is expected to be generated from the sale, transfer or liquidation of its equity investments, loans and other assets. At the date of the Grant Agreement the Fund has also committed to repay \$25 million to the U.S. Treasury as return of capital to USAID.

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

Since the inception of the Foundation, there has been a total of \$57,110,362 contributed by RAEF to the Foundation and \$25,000,000 paid by RAEF to U.S. Treasury as of December 31, 2013.

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

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

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

5. INVESTMENTS AT FAIR VALUE

See Note 3 "Investments at Fair Value", for a discussion of the basis for determining the fair value of the Foundation's investments. The cost and fair value of the Foundation's investments at December 31, 2013 and 2012, as well as the accumulated unrealized gains (losses) and realized gains (losses) for the years ended December 31, 2013 and 2012 are presented in the tables below:

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

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

5. INVESTMENTS AT FAIR VALUE (continued)

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

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

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

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

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

5. INVESTMENTS AT FAIR VALUE (continued)

Investments as of December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds – Equity	\$23,304,094	\$ -	\$ -	\$23,304,094
Mutual Funds – Fixed Income	13,891,008	-	-	13,891,008
Mutual Funds – Other	6,247,520	-	-	6,247,520
	\$43,442,622	\$0	\$0	\$43,442,622
% total	100%	0%	0%	100%

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

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

6. GRANTS AND PROGRAM RELATED INVESTMENTS

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

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

6. GRANTS AND PROGRAM RELATED INVESTMENTS (continued)

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

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

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

7. PROPERTY, NET

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

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

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

7. PROPERTY, NET (continued)

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

8. RELATED PARTY TRANSACTIONS

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

9. TAX STATUS

UNITED STATES

The Foundation is exempt from U.S. Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and has been classified as a type III supporting organization under Section 509(a)(3) of the Code. In addition, the Foundation is exempt from payments of state and local income taxes in the U.S.

ROMANIA

RAF Romania is a Romanian not-for-profit legal entity and is not required to pay corporate income tax according to Romanian tax laws, as it does not perform economic activities.

10. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 30, 2014, the date the consolidated financial statements were available to be issued, and has determined there were no additional events requiring consideration as adjustments to, or disclosures in, the consolidated financial statements for the year ended December 31, 2013.