



ROMANIAN - AMERICAN
FOUNDATION
A gift from the American people

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021



independent auditors' report

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021 AND 2020

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

 KPMG Audit SRL
Bucharest - Picolesci Road no. 89A
Sector 1, Bucharest
013685, P.O. Box 18 - 191
Tel: +40 372 377 800
Fax: +40 372 377 700
www.kpmg.ro

Independent Auditors' Report

The Board of Trustees
Romanian-American Foundation

Opinion
We have audited the consolidated financial statements of Romanian-American Foundation ("the Foundation") and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation and its subsidiary as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Registru de publicitate
KPMG Audit SRL
Sector 1, Bucharest
013685, P.O. Box 18 - 191
Tel: +40 372 377 800
Fax: +40 372 377 700
www.kpmg.ro

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 control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

For and on behalf of KPMG Audit S.R.L.:

Jackie Li
RUBELI IRINA
registered in the electronic public register of financial auditors and audit firms under no AF-4092

KPMG Audit SRL
KPMG Audit SRL
registered in the electronic public register of financial auditors and audit firms under no FA8

Bucharest, Romania, 23 May 2022

 Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditör financiar: RUBELI IRINA
Registru Public Electronic: AF4092

 Autoritatea Pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditör financiar: KPMG AUDIT S.R.L.
Registru Public Electronic: FA8



consolidated statements of financial position

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021 AND 2020

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021
AND 2020

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NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEARS ENDED DECEMBER
31, 2021 AND 2020

ASSETS	DECEMBER 31, 2021 (\$)	DECEMBER 31, 2020 (\$)
Marketable Investments, at fair value (Note 3 and Note 8):		
Mutual Funds – Equity	122,965,420	88,061,516
Mutual Funds – Fixed Income	36,016,828	48,717,546
Mutual Funds – Other	16,982,397	22,901,852
Non-marketable investments, at fair value (Note 8)	-	2,231,624
Cash and cash equivalents (Note 3)	2,363,003	6,915,198
Cash restricted in bank deposits as collateral for student loans guarantee (Note 3)	-	16,500
Program related investments, committed (Note 3 and Note 9)	215,000	155,000
Prepaid expenses and other assets	7,092	2,885
Fixed Assets, net (Note 11)	3,287,353	3,377,029
TOTAL ASSETS	181,837,093	172,379,150
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	147,347	138,922
Program related investments, payable (Note 3 and note 9)	-	-
Grants payable (Note 3 and Note 9)	1,410,662	1,224,162
TOTAL LIABILITIES	1,558,009	1,363,084
NET ASSETS (Note 5)		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Board Designated Endowment Fund (Note 6)	175,964,647	166,928,910
Fixed Assets, Net (Note 11)	3,287,353	3,377,029
Undesignated (Note 5)	1,027,084	710,128
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	180,279,084	171,016,066
TOTAL LIABILITIES AND NET ASSETS	181,837,093	172,379,150

consolidated statements of activities

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CHANGES IN NET ASSETS	YEAR ENDED DECEMBER 31, 2021 (\$)	YEAR ENDED DECEMBER 31, 2021 (\$)	YEAR ENDED DECEMBER 31, 2021 (\$)
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
INCOME			
Realized gain on sale of non-marketable investments (Note 8)	(1,345,098)	-	(1,345,098)
Interest and dividend income, net (Note 8)	17,968,424	-	17,968,424
TOTAL INCOME	16,623,326	-	16,623,326
EXPENSES			
Employee compensation and benefits	633,639	-	633,639
Occupancy expenses	166,960	-	166,960
Professional services	293,432	-	293,432
Trustees' expenses	563	-	563
Administrative and other	162,978	-	162,978
Depreciation and amortization	115,646	-	115,646
TOTAL OPERATING EXPENSES (NOTE 10)	1,373,218	-	1,373,218
GRANTS AWARDED TO OTHER ORGANIZATIONS (NOTE 9)	4,095,726	-	4,095,726
INCOME IN EXCESS OF GRANTS AWARDED AND OPERATING EXPENSES	11,154,382	-	11,154,382
Net realized gain on marketable investments (Note 8)	10,506,260	-	10,506,260
Net unrealized gain/(loss) on marketable investments (Note 8)	(12,224,623)	-	(12,224,623)
Net currency remeasurement (losses)/gains (Note 3 and Note 8)	(173,001)	-	(173,001)
INCREASE IN NET ASSETS	9,263,018	-	9,263,018
NET ASSETS, BEGINNING OF YEAR	171,016,066	-	171,016,066
NET ASSETS, END OF THE YEAR	180,279,084	-	180,279,084



consolidated statements of activities

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CHANGES IN NET ASSETS	YEAR ENDED DECEMBER 31, 2020 (\$)	YEAR ENDED DECEMBER 31, 2020 (\$)	YEAR ENDED DECEMBER 31, 2020 (\$)
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
INCOME			
Realized gain on sale of non-marketable investments (Note 8)	476,490	-	476,490
Interest and dividend income, net (Note 8)	3,839,657	-	3,839,657
TOTAL INCOME	4,316,147	-	4,316,147
EXPENSES			
Employee compensation and benefits	647,299	-	647,299
Occupancy expenses	165,328	-	165,328
Professional services	301,348	-	301,348
Trustees' expenses	38,916	-	38,916
Administrative and other	152,754	-	152,754
Depreciation and amortization	101,196	-	101,196
TOTAL OPERATING EXPENSES (NOTE 10)	1,406,842	-	1,406,842
GRANTS AWARDED TO OTHER ORGANIZATIONS (NOTE 9)	3,785,709	-	3,785,709
INCOME IN EXCESS OF GRANTS AWARDED AND OPERATING EXPENSES	(876,403)	-	(876,403)
Net realized gain on marketable investments (Note 8)	2,584,560	-	2,584,560
Net unrealized gain on marketable investments (Note 8)	10,869,043	-	10,869,043
Net unrealized gain on non-marketable investments (Note 8)	2,231,624	-	2,231,624
Net currency remeasurement (losses)/gains (Note 3 and Note 8)	91,556	-	91,556
INCREASE IN NET ASSETS	14,900,380	-	14,900,380
NET ASSETS, BEGINNING OF YEAR	156,115,686	-	156,115,686
NET ASSETS, END OF THE YEAR	171,016,066	-	171,016,066



consolidated statements of cash flows

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CASH FLOWS FROM OPERATING ACTIVITIES

	YEAR ENDED DECEMBER 31, 2021 (\$)	YEAR ENDED DECEMBER 31, 2020 (\$)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	9,263,018	14,900,380
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED BY OPERATING ACTIVITIES		
Net realized (gain)/loss on marketable investments	(10,506,260)	(2,584,560)
Net realized (gain)/loss on sales of non-marketable investments	1,345,098	(476,490)
Net unrealized (gain)/loss on marketable investments	12,224,623	(10,869,043)
Net unrealized (gain)/loss on non-marketable investments	-	(2,231,624)
Net unrealized FX (gain)/loss on non-marketable investments	-	(52,804)
Depreciation and amortization	115,646	101,196
Decrease/(Increase) in cash collateral guarantees	16,500	-
Decrease/(Increase) in program related investments, assets	(60,000)	93,449
Increase /(Decrease) in program related investments, payables	-	(50,000)
Increase/(Decrease) in grants payable	186,500	(243,983)
Decrease/(Increase) in prepaid expenses	(4,207)	227,174
Increase/(Decrease) in accounts payable and accrued expenses	8,424	26,188
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	12,589,342	(1,160,117)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of marketable investments	170,983,729	38,070,350
Proceeds from sales of non-marketable investments	886,526	1,141,064
Cost of marketable investments purchased	(188,985,822)	(38,299,779)
Cost of fixed assets	(25,970)	(150,026)
Net cash provided by investing activities	(17,141,537)	761,609
Net decrease in cash and cash equivalents	(4,552,195)	(398,508)
Cash and cash equivalents, beginning of year	6,915,198	7,313,706
Cash and cash equivalents, end of year	2,363,003	6,915,198



notes to the consolidated financial statements

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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. In 2020 RAF Romania changed its legal name in Fundatia Romano-Americana. The consolidated financial statements of the Foundation include RAF Romania for the years ended December 31, 2020 and 2021.

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, 2021 and at December 31, 2020 the entire balances of net assets received from the Fund are classified as net assets without donor restrictions.

IMPACT OF COVID-19 PANDEMIC ON THE ACTIVITY OF THE FOUNDATION

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. 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 at that time. 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 state of alert continued during year 2021.

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 included 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.

Management has taken actions to address the effects of COVID19 outbreak on the activity of the Foundation, 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. Having reached out to our partner organizations to assure them of our assistance and funding through this unpredictable period, program directors worked with

every partner organization, assessing the state of their operations, the ways in which the pandemic affects programming, trying to gain an understanding of sponsor reactions, and developing strategies for redress.

RAF’s Board of Trustees and management are aware of the New York Stock Exchange volatility which affects the fair value of our investment portfolios. We considered the fluctuation is within the normal economic cycles of business and did not consider the medium-term average yield of the portfolios to be significantly affected. The Board of Trustees constantly monitor the structure of investments and abide by the Investment Policy in case they decide to mitigate the risks by changing the holdings’ structure. During 2021, the Board of Trustees hired a new investment manager; the investment portfolios were liquidated by the previous managers Alex Brown and Fund Evaluation Group as of the end of July 2021 and the cash re-invested in August 2021 with the new outsourced chief investment officer SEI Investments Management Corporation and

SEI Private Trust Company as the custodian, except for one investment participation that was held by RAF and transferred under SEI’s investment management.

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 were managed through investment management accounts (the "managed accounts") by Alex Brown – a division of Raymond James and Fund Evaluation Group until July 31, 2021 and by SEI Investments Management Corporation starting 01 August 2021 (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 consisted of 36.36% ownership interest of RAF in Balkan Accession Fund ("BAF"), a partnership investment organized under the laws of Netherlands Antilles that was liquidated in 2021 (see Note 8).

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.

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. The Foundation records unrealized capital gains or losses related to non-marketable investments in case of higher or lower valuation needed based on specific information available. 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.

CONCENTRATION OF RISK

The Foundation's marketable investments were held in managed accounts with Alex Brown – a division of Raymond James, and Fund Evaluation Group and since August 2021 by SEI Investments Management Corporation. 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 80% Total Return Enhancement, 10% Total Inflation Protection, and 10% Total Risk Reduction. The IPS also states acceptable ranges around the strategic allocation for each asset class:

ASSET CLASS	TARGET	ACCEPTABLE RANGES
TOTAL RETURN ENHANCEMENT	80%	60% - 90%
US Equities		20% - 40%
International Equities		10% - 30%
Liquid Credit		0% - 20%
Directional Hedge Funds		0% - 20%
Global Private Assets		0% - 25%
TOTAL INFLATION PROTECTION	10%	0% - 20%
Multi-Strategy Real Assets		0% - 10%
Private Real Estate		0% - 10%
TOTAL RISK REDUCTION	10%	5% - 45%
Core Fixed Income		5% - 35%
Other Risk Reduction Fixed Income		0% - 20%

On a periodic basis, the actual allocation is compared to the strategic allocation and the Finance and 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 Finance and Investment Committee of RAF is reported twice a year 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.

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, 2020 there were \$16,500 in one such bank deposit that was denominated in U.S. dollars and bearing interest of 2.45% p.a. During 2021 the cash restricted in the bank deposit was integrally released as unrestricted cash to the operating bank account of RAF. As of December 31, 2021 there were no cash collateral guarantees pledged to the bank and no cash restricted in bank deposits.

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 forextender. 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. FUNDING FROM ROMANIAN-AMERICAN INVESTMENT FOUNDATION “RAIF” (the former Romanian-American Enterprise Fund “RAEF” or “the Fund”)

The Romanian-American Investment Foundation (RAIF), formerly known as the Romanian-American Enterprise Fund, was created in 1994 by the United States Congress for the purpose of promoting the development of the Romanian private sector. It received \$50 million in funding through the U.S. Agency for International Development (USAID). RAIF pioneered a combination of investment and development activities that proved very successful in the Romanian marketplace.

At the end of its mandate in 2009, RAIF began the processing of liquidating its investment portfolio. It committed to repay \$25 million to the U.S. Treasury as a return of capital. RAIF’s Board of Directors, in consultation

with USAID, the U.S. Department of States and the U.S. Congress, decided that all remaining proceeds would be granted to the Foundation in order build upon RAIF’s work in Romania.

RAIF completed its liquidation in 2018 and filed for dissolution. RAIF contributed a total of \$131,122,684 to the Foundation over the course of the liquidation and repaid \$25 million to the U.S. Treasury as a return of capital.

5. NET ASSETS CLASIFICATION

The Foundation did not hold net assets with donor restrictions as of December 31, 2021 and 2020, either by purpose, time or perpetual in nature. The total net assets of the Foundation as of December 31, 2021 and 2020 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).



NET ASSETS	YEAR ENDED DECEMBER 31, 2021	YEAR ENDED DECEMBER 31, 2020
	WITHOUT DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS
CURRENT UNRESTRICTED		
Board Designated Endowment Funds:		
Investment Managed Funds, marketable investments	175,964,645	159,680,915
Investment Managed Funds, non-marketable investments	-	2,231,624
Investment Managed Funds, cash	2	5,016,371
Cash set aside for quasi-endowment investments in following year	-	-
TOTAL QUASI-ENDOWMENT	175,964,647	166,928,910
Fixed Assets, Net	3,287,353	3,377,029
Undesignated	1,027,084	710,128
CURRENT RESTRICTED		
	-	-
TOTAL NET ASSETS	180,279,084	171,016,066

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, 2021 and 2020:

ENDOWMENT NET ASSETS	YEAR ENDED DECEMBER 31, 2021	YEAR ENDED DECEMBER 31, 2020
QUASI-ENDOWMENT FUNDS		
Investment Managed Funds, marketable investments	175,964,645	159,680,915
Investment Managed Funds, non-marketable investments	-	2,231,624
Investment Managed Funds, cash	2	5,016,371
Cash set aside for quasi-endowment investments in following year	-	-
TOTAL QUASI-ENDOWMENT	175,964,647	166,928,910
DONOR-RESTRICTED ENDOWMENT FUNDS	-	-
TOTAL ENDOWMENT	175,964,647	166,928,910

Changes in Endowment Net Assets (all Without Donor Restrictions) for the Fiscal Years Ended December 31, 2021 and 2020:

ENDOWMENT NET ASSETS	YEAR ENDED DECEMBER 31, 2021	YEAR ENDED DECEMBER 31, 2020
QUASI-ENDOWMENT NET ASSETS, BEGINNING OF YEAR	166,928,910	152,913,055
Disposition of marketable investments	170,983,729	38,070,350
Proceeds from sale of non-marketable investments	2,231,624	664,574
Net realized gain/(loss) on sale of non-marketable investments	(1,345,098)	476,490
Purchase of marketable investments	(171,000,057)	(38,299,779)
Net realized FX gain (loss) on non-marketable investments	-	52,804
Net realized gain on marketable investments	10,506,260	2,584,560
Net unrealized appreciation (depreciation) on marketable investments	(12,224,623)	10,869,043
Net unrealized appreciation (depreciation) on non-marketable investments	(2,231,624)	2,231,624
Interest and dividend income, net	17,985,764	3,839,657
Contributions i.e. cash reinvested	16,288	232,170
Appropriation of endowment assets for expenditure (i.e. cash withdrawn)	(5,886,526)	(6,705,638)
QUASI-ENDOWMENT NET ASSETS, END OF YEAR	175,964,647	166,928,910

The Foundation has adopted an investment policy and a spending model 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 in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The

Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The expected return 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 expects its quasi-endowment funds, over time, to provide an average rate of return higher than 4.5% percent over CPI annually. RAF seek to outperform its return target over full market cycles and does not expect that all investment objectives will be attained in each year; actual returns in any given year may vary from this amount. For this reason, investment results achieved are reviewed with 1-, 3-, 5-, and 7-year time horizons.

The annual spending of the Foundation supports both administrative and operational expenses which include grants and Program Related Investments. Generally, the Foundation seek to not exceed a current annual

draw rate from its endowment of 4.5% multiplied by the average of the prior twelve quarter-ending portfolio values. The Board of Trustees sets the spending policy with input from the Finance and Investment Committee. Spending is reviewed annually by the Board of Trustees and adjusted as appropriate according to the needs of the Foundation, the current market climate and opportunities arisen for RAF to expand its mission.

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.

The Foundation had \$178,542,648 in financial assets as of December 31, 2021, 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 in operating bank accounts of \$2,363,001 as of December 31, 2021, for a total available financial assets of \$7,363,001.

As of December 31, 2021, the Foundation held cash and cash equivalents of \$125,370 with two large United States commercial banking institutions and \$2,234,489 with one large European commercial banking institution, which includes cash held in foreign currencies (RON and EUR) valued at \$2,179,587 and the remaining are in USD. In addition, as of December 31, 2021, the Foundation held petty cash valued at \$3,144, out of which cash in foreign currencies (RON and EUR) valued at \$2,733 and the remaining are in USD.

FINANCIAL ASSETS, AT YEAR END	DECEMBER 31, 2021	DECEMBER 31, 2020
Marketable Investments, at fair value	175,964,645	159,680,915
Non-marketable Investments, at fair value	-	2,231,624
Cash and cash equivalents	2,363,003	6,915,198
Cash restricted in bank deposits as collateral for student loans guarantee	-	16,500
Program Related Investments, committed	215,000	155,000
Program Related Investments, payable	-	-
TOTAL FINANCIAL ASSETS, AT YEAR END	178,542,648	168,999,237
Less those unavailable for general expenditures within one year, due to:		
Cash restricted in bank deposits as collateral for student loans guarantee	-	(16,500)
Program Related Investments, net receivables	(215,000)	(155,000)
Board Designations for Quasi-Endowment:		
Marketable & Non-marketable Investments	(175,964,645)	(161,912,539)
Cash held in investment managed accounts	(2)	(5,016,371)
Cash set-aside for investments in following year	-	-
FINANCIAL ASSETS AVAILABLE AT BALANCE SHEET DATE	2,363,001	1,898,827
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	5,000,000
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR EXPENDITURES WITHIN ONE YEAR	7,363,001	6,898,827

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, 2021 and 2020, as well as the accumulated unrealized gains (losses) and net realized gains (losses) for the years ended December 31, 2021 and 2020 are presented in the tables below:

The unrealized gains (losses) on investments for the years-ended December 31, 2021 and 2020 are presented in the table below:

During fiscal year 2021 the investment managers posted tax costs adjustments to prior year period reports for a total of (\$175,857).

Investments as of December 31, 2021

MARKETABLE INVESTMENTS:	COST (\$)	FAIR VALUE (\$)	ACCUMULATED UNREALIZED GAINS (LOSSES) (\$)	REALIZED GAINS (LOSSES) (\$)
Mutual Funds – Equity	135,294,250	122,965,420	(12,328,830)	10,791,966
Mutual Funds – Fixed Income	36,790,718	36,016,828	(773,890)	(102,084)
Mutual Funds – Other	16,104,300	16,982,397	878,097	(203,863)
Tax costs adjustments and wash sales	-	-	-	20,241
Non-Marketable Investments: Partnership investments	-	-	-	(1,345,098)
	188,189,268	175,964,645	(12,224,623)	9,161,162

Investments as of December 31, 2020

MARKETABLE INVESTMENTS:	COST (\$)	FAIR VALUE (\$)	ACCUMULATED UNREALIZED GAINS (LOSSES) (\$)	REALIZED GAINS (LOSSES) (\$)
Mutual Funds – Equity	67,810,419	88,061,516	20,251,097	2,579,325
Mutual Funds – Fixed Income	47,336,070	48,717,546	1,381,477	57,016
Mutual Funds – Other	21,652,673	22,901,852	1,249,179	(87,766)
Tax costs adjustments and wash sales	-	-	-	35,984
Non-Marketable Investments: Partnership investments	-	2,231,624	2,231,624	476,490
	136,799,162	161,912,539	25,113,377	3,061,050

	ACCUMULATED UNREALIZED GAINS (LOSSES) AS OF DECEMBER 31, 2019	UNREALIZED GAINS (LOSSES) FOR THE YEAR ENDED DECEMBER 31, 2020	ACCUMULATED UNREALIZED GAINS (LOSSES) AS OF DECEMBER 31, 2020
Mutual Funds – Equity		(32,579,927)	(12,328,830)
Mutual Funds – Fixed Income		(2,155,367)	(773,890)
Mutual Funds – Other		(371,082)	878,097
Partnership Investments		(2,231,624)	-
Tax costs adjustments		175,857	-
	24,937,520	(37,162,143)	(12,224,623)
Tax costs adjustments posted to prior year		(175,857)	-
	25,113,377	(37,337,999)	(12,224,623)



Set forth in the table below are the Foundation's investments as of December 31, 2021 and 2020, at fair value on a recurring basis, by the hierarchy levels described in Note 3:

Investments as of December 31, 2021

	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	122,965,420	-	-	122,965,420
Mutual Funds – Fixed Income	36,016,828	-	-	36,016,828
Mutual Funds – Other	11,201,029	5,781,368	-	16,982,397
Partnership investments	-	-	-	-
	\$170,183,277	\$5,781,368	\$0	\$175,964,645
% TOTAL	96.71%	3.29%	0%	100%

Investments as of December 31, 2020

	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	88,061,516	-	-	88,061,516
Mutual Funds – Fixed Income	48,717,546	-	-	48,717,546
Mutual Funds – Other	22,901,852	-	-	22,901,852
Partnership investments	-	-	2,231,624	2,231,624
	\$159,680,915	0	\$2,231,624	\$161,912,539
% TOTAL	98.62%	0%	1.38%	100%

The Foundation has reassessed the classification of certain instruments which were considered as Level 1 as of the year ended December 31, 2020 to Level 2 as of the year ended December 31, 2021 (i.e. Marshal Wace Eureka Fund of \$5,781,368) as it believes a more faithful representation is achieved. The opening balance was not affected in this respect, as the reclassification was not deemed qualitatively material to the financial statements as a whole or quantitatively material by reference to the portfolio of financial instruments held.

A summary of Level 3 activity for the year ended December 31, 2020 and 2021 is as follows:

BALANCE, DECEMBER 31, 2019	611,770
Hurdle amounts received from BAF under liquidation	(1,141,064)
Realized gain (loss) on sales of investments	476,490
Unrealized gain (loss) on partnership investment	2,231,624
Realized Exchange Rate gain (loss)	52,804
BALANCE, DECEMBER 31, 2020	2,231,624
Hurdle amounts received from BAF under liquidation	(886,526)
Realized gain (loss) on sales of investments	(1,345,098)
BALANCE, DECEMBER 31, 2021	0

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.

During fiscal year 2020 an amount of EUR 545,400 or USD 664,574 equivalents has been released from the escrow account and refunded to RAF as part of the total hurdle amounts distributed to RAF of \$1,141,064. 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. Based on the liquidator's report and on the current market climate in the Balkans region the management of RAF considered that the value of EUR 1,817,600 or \$2,231,624 is a reasonable market fair value as of 31 December 2020 for the remaining liquidation proceeds on BAF investment. RAF recorded in fiscal year 2020

the amount of \$2,231,624 as unrealized capital gain on non-marketable investments, i.e. on BAF partnership investment.

During fiscal year 2021 RAF received the final tranche of hurdle amounts from BAF of EUR 727,200 or USD 886,526 equivalent and recorded realized losses from sale of non-marketable investments of \$1,345,098.

INCOME FROM INVESTMENTS

Included in the amount reported as "Interest and dividend income, net" is interest and dividend income and long-term and short-term capital gains distributions in the consolidated statements of activities for the year ended December 31, 2021 is \$17,968,338 that represents interest, dividend income and long-term and short-term capital gains received from the investments, net after custodial fees of \$404,040. Interest earned on operating bank accounts as of the year ended December 31, 2021 was \$86.

Included in the amount reported as interest and dividend income

in the consolidated statements of activities for the year ended December 31, 2020 is \$3,839,316 that represents amounts received from the Foundation's various mutual fund investments as interest and dividend income, net after custodial fees of \$384,324. Interest earned on operating bank accounts as of the year ended December 31, 2020 was \$341.

Included in the amount reported as realized loss on sales of investments in the consolidated statements of activities for the year ended December 31, 2021 is \$1,345,098 that represents the loss recorded after the last hurdle amounts have been received from Balkan Accession Fund as distribution of proceeds from BAF 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, 2020 is \$476,490 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, 2021 the Foundation signed 23 new grant agreements and amended 40 grant agreements signed in previous years for a total of \$4,114,390 grant awards in the focus areas of education, technology innovation, entrepreneurship and community development and civil society. During 2021 the Foundation reversed \$18,664 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 \$4,095,726. The net grants disbursed during the year ended December 31, 2021 consisted of \$3,909,226 and the outstanding signed grant agreements not yet disbursed until year end amounted to \$1,410,662.

As of December 31, 2021 the Program Related Investments (“PRIs”) consisted of \$215,000 committed funds in loans signed with 2 Romanian non-governmental organizations as non-bearing interest loans that are disbursed to the borrowers in multiple tranches. As of December 31, 2021 there were no loan tranches due to the borrowers. During 2021 the Foundation signed one PRI loan of \$195,000 and disbursed \$195,000. During 2021 the Foundation collected \$135,000 as repayments of loans. The total outstanding principal balance of the PRIs was \$215,000 as of December 31, 2021. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2021.

For the year ended December 31, 2020 the Foundation signed

37 new grant agreements and amended 26 grant agreements signed in previous years for a total of \$3,795,486 grant awards in the focus areas of education, technology innovation, entrepreneurship and community development and civil society. During 2020 the Foundation reversed \$9,777 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 \$3,785,709. The net grants disbursed during the year ended December 31, 2020 consisted of \$4,029,691 and the outstanding signed grant agreements not yet disbursed until year end amounted to \$1,224,162.

As of December 31, 2020 the Program Related Investments (“PRIs”) consisted of \$155,000 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, 2020 there were

no loan tranches payable to the borrowers. During 2020 the Foundation signed one PRI loan of \$40,000, decreased with \$50,000 a previous year loan committed and disbursed \$40,000. During 2020 the Foundation collected \$83,449 as repayments of loans. The total outstanding principal balance of the PRIs was \$155,000 as of December 31, 2020. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2020.

10. STATEMENT OF FUNCTIONAL EXPENSES AND EXPENSE ALLOCATION

The Foundation’s consolidated financial statements as of December 31, 2021 and 2020 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, 2021:

	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	226,406	152,279	90,005	468,690	164,949	633,639
Employee business expenses	21,527	5,754	5,291	32,571	1,289	33,860
Occupancy expenses	75,132	31,722	43,409	150,264	16,696	166,960
Professional fees	104,072	18,304	79,670	202,046	91,386	293,432
Trustees' expenses	-	-	-	-	563	563
Other general and administrative	43,233	21,593	25,697	90,523	38,595	129,118
Depreciation	52,041	21,973	30,068	104,081	11,565	115,646
TOTAL OPERATING EXPENSES	522,410	251,625	274,140	1,048,175	325,043	1,373,218
Grants awarded to other organizations	1,655,468	1,419,809	1,020,449	4,095,726	-	4,095,726
TOTAL EXPENSES	2,177,878	1,671,434	1,294,589	5,143,901	325,043	5,468,944

The following table presents the functional expenses for the year ended December 31, 2020:

	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	217,552	170,520	90,780	478,853	168,446	647,299
Employee business expenses	9,760	3,172	3,527	16,458	1,185	17,643
Occupancy expenses	73,935	31,217	42,718	147,870	17,458	165,328
Professional fees	116,828	21,387	81,950	220,165	81,183	301,348
Trustees' expenses	-	-	-	-	38,916	38,916
Other general and administrative	47,914	21,137	26,619	95,670	39,442	135,111
Depreciation	45,538	19,227	26,310	91,076	10,120	101,196
TOTAL OPERATING EXPENSES	511,527	266,661	271,905	1,050,093	356,749	1,406,842
Grants awarded to other organizations	1,668,822	1,022,396	1,094,491	3,785,709	-	3,785,709
TOTAL EXPENSES	2,180,349	1,289,057	1,366,396	4,835,802	356,749	5,192,551



11. PROPERTY, NET

As of December 31, 2021 and 2020, net property consisted of:

AS OF DECEMBER 31, 2021	COST (\$)	ACCUMULATED DEPRECIATION/ AMORTIZATION (\$)	NET BOOK VALUE (\$)
Land	537,273	-	537,273
Office building and improvements	3,741,550	995,239	2,746,311
Automobiles, furniture and equipment	309,725	305,956	3,769
Software	-	-	-
TOTAL	4,588,549	1,301,195	3,287,353

AS OF DECEMBER 31, 2020	COST (\$)	ACCUMULATED DEPRECIATION/ AMORTIZATION (\$)	NET BOOK VALUE (\$)
Land	537,273	-	537,273
Office building and improvements	3,715,580	891,492	2,824,088
Automobiles, furniture and equipment	309,725	294,057	15,668
Software	-	-	-
TOTAL	4,562,579	1,185,550	3,377,029

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.

During fiscal year 2020 the reconciliation procedure did not conclude with any agreement between parties. RAF initiated by its own costs the protective construction works to its building in July 2020, finished all such works by October 31, 2020 and claimed in court related costs in an aggregate amount of EUR 95,000. As of December 31, 2021 there were no court decisions that would entitle RAF to receive any of such claims and the litigation procedure continued by following the appropriate legal actions in Romanian courts.

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. During the fiscal years 2021 and 2020 the Foundation has not been involved in any transaction with related parties.

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 23, 2022, 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, 2021.

On 21 February 2022, the Russian Federation officially recognised two breakaway regions in eastern Ukraine and authorised the use of military force in those territories. On 24 February 2022, Russian troops invaded Ukraine and commenced military operations in multiple locations. These ongoing operations have led to casualties, significant dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. In response, multiple jurisdictions, including the EU, the UK, Switzerland, the US, Canada, Japan and Australia have announced initial tranches of

economic sanctions on Russia (and in certain cases Belarus).

The broader worldwide economic impacts of the conflict could include: significant disruption to businesses operating in Ukraine, Russia and Belarus, Liquidity challenges, significant increases in commodity prices, including crude oil and natural gas; metals including nickel, iron ore, aluminium and palladium; mineral products such as potash, and agricultural crops, in particular, wheat (with Russia and Ukraine together producing around 30% of global wheat supply); increased global economic uncertainty and suspended trading in Russian securities, rising borrowing costs and risk premiums, and rising inflation and higher interest rates; and business disruption caused by cyber-attacks carried out against Russia, as well as jurisdictions that have imposed sanctions, or which are providing assistance to Ukraine or Russia/Belarus.

The Foundation considers that the measures adopted at international level and/or the context created by the conflict between the Russian Federation and Ukraine or the

inflationary pressure will not affect its activity. The Foundation does not have and has not had business relationships with resident / registered suppliers in the two states, which could be affected both by the measures adopted internationally and by the events that took place, but it monitors the geopolitical and macroeconomic evolution in order to anticipate the potential effects on the operational activity.

As of May 23, 2022 the Foundation withdrew \$1,250,000 from its investment managed accounts at SEI Investments Management Corporation as a quasi-endowment decrease to cover its expenditures in fiscal year 2022.

