



ROMANIAN – AMERICAN FOUNDATION (“RAF”)  
AND RAF NEW, INC.

# COMBINED FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2023 AND 2022**



# INDEPENDENT AUDITORS' REPORT

## combined statements of financial position

as of December 31, 2023 and 2022

## combined statements of activities

for the years ended December 31, 2023 and 2022

## combined statements of cash flows

for the years ended December 31, 2023 and 2022

## notes to the combined financial statements

for the years ended December 31, 2023 and 2022





## COMBINED STATEMENTS OF

# FINANCIAL POSITION

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### notes to the combined financial statements

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ASSETS	RAF & RAF NEW, INC. COMBINED (\$)	RAF CONSOLIDATED 2022 (\$)
Marketable Investments, at fair value (Notes 3 and 8):		
Public Mutual Funds – Equity	84,582,446	80,962,207
Public Mutual Funds – Fixed Income	28,106,423	26,227,463
Public Mutual Funds – Other	19,997,823	16,863,900
Alternative Investments	25,522,295	21,569,598
Cash and cash equivalents (Notes 3 and 7)	1,039,294	862,909
Program related investments - loans committed, net of allowance for loan losses (Notes 3 and 9)	841,688	234,000
Prepaid expenses and other assets	5,004	1,105
Fixed Assets, net (Note 11)	3,078,595	3,179,332
<b>TOTAL ASSETS</b>	<b>163,173,568</b>	<b>149,900,514</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	263,939	244,695
Program related investments - loans payable (Notes 3 and 9)	350,000	-
Grants payable (Notes 3 and 9)	1,234,479	1,182,186
<b>TOTAL LIABILITIES</b>	<b>1,848,418</b>	<b>1,426,881</b>
<b>NET ASSETS (NOTE 5)</b>		
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Board Designated Endowment Fund (Note 6)	158,209,012	145,623,168
Fixed Assets, Net (Note 11)	3,078,595	3,179,332
Undesignated (Notes 5 and 6)	37,543	(328,867)
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>161,325,150</b>	<b>148,473,633</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>163,173,568</b>	<b>149,900,514</b>

# COMBINED STATEMENTS OF ACTIVITIES

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	RAF & RAF NEW, INC. COMBINED 2023 (\$)	RAF CONSOLIDATED 2022 (\$)
<b>CHANGES IN NET ASSETS</b>		
<b>INCOME</b>		
Interest and dividend income, net (Note 8)	5,867,899	8,459,134
<b>TOTAL INCOME</b>	<b>5,867,899</b>	<b>8,459,134</b>
<b>EXPENSES</b>		
Employee compensation and benefits	851,895	672,773
Occupancy expenses	209,388	181,459
Professional services	782,340	485,539
Trustees' expenses	188,719	160,549
Administrative and other expense	227,144	232,610
Depreciation and amortization	104,239	108,021
<b>TOTAL OPERATING EXPENSES (NOTE 10)</b>	<b>2,363,725</b>	<b>1,840,951</b>
<b>GRANTS CONTRACTED TO OTHER ORGANIZATIONS (NOTE 9)</b>	<b>4,500,787</b>	<b>4,178,124</b>
<b>PROGRAM RELATED INVESTMENTS (DECREASE) / INCREASE OF ALLOWANCE FOR LOAN LOSSES (NOTE 9)</b>	<b>(4,328)</b>	<b>39,000</b>
<b>(DEFICIT) / INCOME IN EXCESS OF GRANTS CONTRACTED, DONATIONS MADE, ALLOWANCE FOR LOAN LOSSES AND OPERATING EXPENSES</b>	<b>(992,285)</b>	<b>2,401,059</b>
Net realized loss on marketable investments (Note 8)	(3,450,160)	(6,606,201)
Net unrealized gain / (loss) on marketable investments (Note 8)	17,290,289	(27,528,188)
Net currency remeasurement (losses) / gains (Notes 3 and 8)	3,673	(72,121)
<b>INCREASE / (DECREASE) IN NET ASSETS</b>	<b>12,851,517</b>	<b>(31,805,451)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>148,473,633</b>	<b>180,279,084</b>
<b>NET ASSETS, END OF THE YEAR</b>	<b>161,325,150</b>	<b>148,473,633</b>





## COMBINED STATEMENTS OF

# CASH FLOWS

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RAF & RAF NEW, INC.  
COMBINED 2023 (\$)

RAF CONSOLIDATED  
2022 (\$)

### CASH FLOWS FROM OPERATING ACTIVITIES

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	12,851,517	(31,805,451)
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### ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED IN OPERATING ACTIVITIES

Net realized loss on marketable investments	3,450,160	6,606,201
Net unrealized (gain) / loss on marketable investments	(17,290,289)	27,528,188
Depreciation and amortization	104,239	108,021
Increase in program related investments, assets	(603,360)	(58,000)
Increase in program related investments, payables	350,000	-
Increase / (Decrease) in program related investments, allowance for loan losses	(4,328)	39,000
Increase / (Decrease) in grants payable	52,293	(228,476)
Decrease / (Increase) in prepaid expenses	(3,899)	5,986
Increase / (Decrease) in accounts payable and accrued expenses	19,244	97,347
<b>NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES</b>	<b>(1,074,423)</b>	<b>2,292,816</b>

### CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of marketable investments	19,724,811	90,996,405
Cost of marketable investments purchased	(18,470,501)	(94,789,315)
Cost of fixed assets	(3,502)	-
<b>NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES</b>	<b>1,250,808</b>	<b>(3,792,910)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>176,385</b>	<b>(1,500,094)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>862,909</b>	<b>2,363,003</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>1,039,294</b>	<b>862,909</b>

# NOTES

## TO THE COMBINED FINANCIAL STATEMENTS

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## 1. ORGANIZATION

The Romanian-American Foundation (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. RAF 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.

RAF is capitalized with an endowment through a grant from the Fund. The Fund paid or transferred to RAF certain “RAEF proceeds”, such payments or transfers constituting in the aggregate the endowment of RAF (see Note 4). The original source of the grant funds provided by the Fund to

RAF is the U.S. Government acting through USAID and the funds provided through RAF are therefore a gift from the American people to the citizens of Romania.

RAF’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. RAF aims to enable people and organizations in Romania to take advantage of the opportunities presented by globalization and membership to the European Union. RAF believes in a more engaged, entrepreneurial, and prosperous society in Romania, in which people think innovatively and responsibly. In the long-term vision of RAF: 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, RAF allocates its resources to support several main program areas: Initiatives in Education, Technology and Innovation; Philanthropy and Civic Engagement; Rural Economy and Entrepreneurship.





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

RAF New, Inc. is a U.S. not-for-profit corporation incorporated in the State of Delaware on June 23, 2023, with the same management and Board of Trustees as RAF. The purposes for which RAF New, Inc. was formed were to take over the operations of RAF as a 501(c)(4) organization. RAF was originally registered with the IRS as a 501(c)(3) organization. In 2017, RAF self-declared itself to the IRS as a 501(c)(4) organization and submitted fiscal declarations (form 990) on that basis from that time forward. However, this change was never properly reflected in the IRS' Business Master File, with the result that RAF has been unable to make electronic filings of its form 990. In order to address this situation, and to ensure that the Business Master File reflects the correct tax classification, RAF New, Inc was set-up directly as a 501(c)(4) non-profit organization, with the view to merge with RAF and continue the charitable operations in the same manner as before.

RAF and RAF New, Inc. maintain offices in New York, NY, U.S.A. and in Bucharest, Romania, with the majority of its operations performed through its employees in Romania. RAF incorporated a Romanian legal entity with its official name Fundatia Romano-Americana ("RAF Romania"). The combined financial statements of RAF and RAF New, Inc. include RAF Romania for the year ended December 31, 2023.

## **2. BASIS OF PREPARATION AND BASIS FOR COMBINED FINANCIAL STATEMENTS**

RAF and RAF New, Inc. (the "Foundations") are both not for profit organizations incorporated in the state of Delaware organized exclusively for charitable and related to social welfare purposes and have been managed together by the same management team as a single economic entity for the entire track record period and have the same Board of Trustees. Therefore, combined financial statements can be and have been prepared for RAF and RAF New, Inc. as they can be seen as one reporting entity. These combined financial statements include the consolidated financial statements of RAF and its subsidiary RAF Romania for the year ended December 31, 2023, and the financial statements of RAF NEW, Inc. for

the period from June 23, 2023 (inception date) to December 31, 2023. All these financial statements have been prepared under US GAAP.

Moreover, subsequent to December 31, 2023 RAF signed a merger agreement with RAF New, Inc. The purpose of the merger was to continue the tax-exempt status for RAF New, Inc. while maintaining the same activities as RAF. The Certificate of Merger was issued on January 01, 2024, the time when the merger became effective and the surviving entity to continue the activity is RAF New, Inc. The purpose of these combined financial statements is to present the combined activities of RAF and RAF New, Inc. as of and for the year ended December 31, 2023, given that the merger was legally finalized after December 31, 2023. The users of these combined financial statements would make decisions and evaluate financial performance based on the combined activity of RAF and RAF New, Inc., given that they have the same charitable objectives and subsequent to the merger the activity of RAF will be fully absorbed by RAF New, Inc., the surviving entity. The comparatives included in these financial statements are the consolidated financial statements of RAF as at 31 December 2022.

During fiscal year 2023, in anticipation of the merger, RAF entered into a donation agreement with RAF New, Inc. According to the terms of the Donation Agreement, the Romanian-American

Foundation donated the property of a building located in Bucharest, Romania to RAF New, Inc. together with the right to use for free the land on which the building is located. The property of the land remained to RAF Romania. The building is exclusively used as offices for both Foundations.

The procedures by which the combined financial statements of RAF and RAF New, Inc were prepared are the normal consolidation procedures, namely:

- settlements and transactions between RAF and RAF New, Inc. are eliminated in the combination process (more specifically, the transfer of building, at cost);
- remaining assets, liabilities, items of income and expenses are added line by line – the only item remaining in RAF New, Inc. after elimination of the transfer is the depreciation expense on the building, which is added to the depreciation expense of the assets still existent in RAF.

The combined financial statements are reported on a US dollar basis, the functional and reporting currency of both RAF and RAF New, Inc., rounded to the nearest dollar.

Both RAF and RAF New, Inc. 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.

Both Foundations are required to classify information regarding their financial position and activities into two classes of net assets:

**Net assets with donor restrictions:**

Contributions to the Foundations 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 combined 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. On December 31, 2023 the entire balance of net assets of both Foundations are classified as net assets without donor restrictions.

## Impact of current economic environment on the activity of the Foundation

On 24 February 2022, Russia invaded Ukraine in a major escalation of the Russo-Ukrainian War, which began in 2014. The invasion has likely resulted in tens of thousands of deaths on both sides and caused Europe's largest refugee crisis since World War II, with an estimated 8 million people being displaced within the country. The invasion has also caused global food shortages. Year 2022 saw a rapid increase in food prices and energy prices and shortages of food supplies around the world. The compounding crises in distinct parts of the world was caused by compounding geopolitical and economic crisis. The crises follow food security and economic crises during the COVID-19 pandemic.

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 these events on the activity of the Foundations, agreeing to redirect grants to project-segments of partners affected by the COVID19 outbreak and the Ukraine war. 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 and the war in the neighbor country affect programming, trying to gain an understanding of sponsor reactions, and developing strategies for redress.

The Foundations' Board of Trustees and management are aware of and monitor the volatility of our investment portfolios. We consider the fluctuations 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 monitors the structure of investments and abides by the Investment Policy.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Use of estimates

The preparation of the combined financial statements of RAF, its subsidiary and RAF New, Inc, 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 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 RAF's Bucharest office are primarily managed through a wholly owned and consolidated subsidiary RAF Romania. RAF's consolidated financial statements reflect the consolidation of the accounts of RAF and RAF Romania. All material intercompany transactions and balances have been eliminated in consolidation.

#### Investments, at fair value

RAF engages professional investment managers who make investment decisions according to RAF's investment policy and monitor RAF's investments. RAF's marketable investments were managed through investment management accounts (the "managed accounts") by SEI Investments Management Corporation (the "investment

manager") starting 01 August 2021. Interest and dividend income earned and unrealized and realized gains and losses on investments are reported in the combined statement of activities (see Note 8 for fair value of investments).

#### Investments, at Fair Value, Categorized According to the Fair Value Hierarchy

In 2011 RAF 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;
- **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. Inputs into the determination of fair value require significant judgment. Due to the 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. 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 - Public Mutual Funds:** RAF's marketable investments consist of public mutual funds - equity and fixed income securities, valued using the NAV provided by the administrator of the investment vehicle. The NAV for public mutual funds is a quoted market price, there are no redemption restrictions and, as such, are classified within Level 1 of the fair value hierarchy.
- **Non-Marketable Investments - Partnership Investments:** RAF's non-marketable investments are private investment vehicles valued using the financial information of the partnership and RAF'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.

### Investments, at Fair Value, Measured at Net Asset Value

Investments measured at NAV are valued using the NAV of the investment vehicle as a practical expedient. This applies if the investment does not have a readily determinable fair value and the NAV is communicated to the investor (i.e. to RAF) but is not publicly available. The NAV is based on the value of the underlying assets owned by the investment vehicle, minus its liabilities. The fair value of investments valued using NAV represents

the portion of the NAV owned by RAF and are comprised of Alternative Investments.

**Alternative Investments:** These investments are private investments valued using the NAV provided by the investment manager. Underlying investments that are determined by the investment vehicle manager to be illiquid and / or lacking a readily accessible market value are valued using current estimates provided by the investment vehicle manager. The investment vehicle manager determines valuation inputs and methodologies. The general policy of RAF 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.

### Concentration of risk

RAF's marketable investments were held in managed accounts with 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
<b>TOTAL RETURN ENHANCEMENT</b>	<b>80%</b>	<b>60% - 90%</b>
US Equities		20% - 40%
International Equities		10% - 30%
Liquid Credit		0% - 20%
Directional Hedge Funds		0% - 20%
Global Private Assets		0% - 25%
<b>TOTAL INFLATION PROTECTION</b>	<b>10%</b>	<b>0% - 20%</b>
Multi-Strategy Real Assets		0% - 10%
Private Real Estate		0% - 10%
<b>TOTAL RISK REDUCTION</b>	<b>10%</b>	<b>5% - 45%</b>
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 develops a plan of action to rebalance the portfolio in consultation with the investment managers.

### Cash and cash equivalents

For the purposes of the statements of financial position and of cash flows, the Foundations consider 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.

### Program related investments (PRI)

Program related investments are loans signed with Romanian non-governmental organizations. The PRIs are recorded in the combined 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, RAF generally disburses loans to borrowers over time, without interest or other costs, as funds are required to meet certain contractual clauses. As a result, RAF also records a PRI payable when the agreement is signed as such PRIs could have multiple disbursements.

The loans are presented in the combined statements of financial position as assets net of allowance for loan losses. The allowance for loan losses is maintained at a level determined by RAF's management to adequately absorb potential losses that might occur over the contractual life of each

loan. This determination is based on the exposure to loss related to specific borrower situations, including their financial position, payment history and collateral values, and other relevant factors and estimates which are subject to change over time.

RAF monitors its program related investments portfolio to outstanding borrowers on a semiannual basis to assess risk in its aggregate portfolio based on loan performance, to identify borrowers that are potentially at risk of default which may require additional monitoring or risk-mitigation actions and to identify borrowers that demonstrate high performance and best practices for the purpose of updating RAF's current underwriting and monitoring processes. These risk ratings provide RAF with a regular and systematic strategy, for establishing and adjusting loan loss reserves to ensure they are sufficient and prudent to anticipate potential loan losses and provide effective portfolio management. In assessing the risk rating RAF uses a matrix that specifies the reserves percentages for each risk rating, to be applied against each outstanding loan amount.

RISK RATING	RISK CLASSIFICATION	RESERVE %
1	Low	0%
2	Moderate	5%
3	Average	10%
4	High	20%
5	Workout/Default	100%

Estimating the risk of loss and amount of loss on any loan is subjective and ultimate losses may vary from current estimates. These estimates are reviewed by RAF's management periodically and, as adjustments become necessary, are reported in the periods in which they become known. The allowance for loan losses is increased by provisions for loan losses charged to operations, decreased by recoveries of loans previously provided for in the allowance for loan losses and decreased by write-offs. See Note 9 for Program Related Investments.

### **Support and contribution income**

Amounts received by RAF from the Fund were conditioned on RAF'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 was recognized as unrestricted contributions when received, as management of RAF believed that on receipt it was 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 RAF.

In-kind Contribution received by RAF New, Inc. from RAF was recognized as unrestricted contribution when received, as management of the Foundations believes that the building received as a donation will be exclusively used for the general purposes and programs of the Foundations.

### **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 combined statements of activities and grants payable in the combined 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 (i.e. the parties contracted the grant). In practice, RAF 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 expenses in the combined statements of activities generally does not equal the amount of grants disbursed by RAF in a fiscal period. See Note 9 for Grants and Grants Payable.

### **Foreign currency**

The functional currency of RAF and RAF New, Inc. is the U.S. dollar. The 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 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 combined statements of activities.

### **Donated services**

Members of the Foundations' U.S. Board of Trustees donate significant amounts of their time to the Foundations' work. No amounts have been reflected in the accompanying combined 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 property improvements are recorded at cost. Depreciation of the building is calculated on a straight-line basis over fifteen years, less residual value. Property 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 was





recorded at cost based on the market value when received by donation and is not depreciated. Land and buildings held at cost are periodically tested for impairment; buildings are amortized over 15 years on a straight-line basis, after the salvage value of \$2,213,590 is deducted.

### **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 RAF 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 RAF 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 Foundations RAF and RAF New, Inc. did not hold net assets with donor restrictions as of December 31, 2023, either by purpose, time or perpetual in nature. However, there are several self-imposed limits on the use of resources of RAF (i.e., Board Designated Endowment Funds). Undesignated net assets are also net assets without donor restrictions and represent net assets that are not classified as Board Designated Endowment Funds or "quasi-endowment".

## **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.

RAF's endowment consists of funds designated by the Board of Trustees to function as endowments or the "quasi-endowment". The governing documents of RAF 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 RAF, general economic conditions, the possible effect of the inflation or deflation, the expected total return from income and the appreciation of investments, RAF's other resources, and RAF'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. RAF's Board

of Trustees approves 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, 2023:

ENDOWMENT NET ASSETS	YEAR ENDED DECEMBER 31, 2023	YEAR ENDED DECEMBER 31, 2022
<b>QUASI-ENDOWMENT FUNDS</b>		
Investment Managed Funds, marketable investments	158,208,986	145,623,168
Investment Managed Funds, cash	26	-
<b>TOTAL QUASI-ENDOWMENT</b>	<b>158,209,012</b>	<b>145,623,168</b>
<b>DONOR-RESTRICTED ENDOWMENT FUNDS</b>	<b>-</b>	<b>-</b>
<b>TOTAL ENDOWMENT</b>	<b>158,209,012</b>	<b>145,623,168</b>

Changes in Endowment Net Assets (all Without Donor Restrictions) for the Fiscal Years Ended December 31, 2023 and 2022:

ENDOWMENT NET ASSETS	YEAR ENDED DECEMBER 31, 2023	YEAR ENDED DECEMBER 31, 2022
<b>QUASI-ENDOWMENT NET ASSETS, BEGINNING OF YEAR</b>	<b>145,623,168</b>	<b>175,964,647</b>
Disposition of marketable investments	19,724,811	90,996,405
Purchase of marketable investments	(18,470,501)	(94,789,315)
Net realized loss on marketable investments	(3,450,160)	(6,606,201)
Net unrealized appreciation /(depreciation) on marketable investments	17,290,289	(27,528,188)
Interest and dividend income, net, on a cash basis	5,845,715	8,542,911
Contributions, i.e. cash reinvested / (Redemptions, i.e. cash put aside for withdrawal)	(1,254,310)	3,792,909
Appropriation of endowment assets for expenditure (i.e., cash withdrawn from endowment)	(7,100,000)	(4,750,000)
<b>QUASI-ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>158,209,012</b>	<b>145,623,168</b>

RAF 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 way where investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RAF 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 RAF'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 seeks 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 RAF supports both administrative and operational expenses which include grants and Program Related Investments.



Generally, RAF seeks not to 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

RAF'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 RAF 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.

FINANCIAL ASSETS, AT YEAR END	DECEMBER 31, 2023	DECEMBER 31, 2022
Marketable Investments, at fair value	158,208,987	145,623,168
Cash and cash equivalents	1,039,294	862,909
Program Related Investments, loans committed net of allowance for loan losses	841,688	234,000
Program Related Investments, loans payable	(350,000)	-
<b>TOTAL FINANCIAL ASSETS, AT YEAR END</b>	<b>159,739,969</b>	<b>146,720,077</b>
Less those unavailable for general expenditures within one year, due to:		
Program Related Investments, net receivables (i.e. loans committed less loans payable)	(491,688)	(234,000)
Board Designations for Quasi-Endowment:		
Marketable & Non-marketable Investments	(158,208,987)	(145,623,168)
<b>FINANCIAL ASSETS AVAILABLE AT BALANCE SHEET DATE</b>	<b>1,039,294</b>	<b>862,909</b>
Add back amounts available for expenditure in following year, i.e., amounts to be withdrawn from quasi-endowment as per Board approval	7,000,000	7,100,000
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR EXPENDITURES WITHIN ONE YEAR</b>	<b>8,039,294</b>	<b>7,962,909</b>

RAF had \$159,739,969 in financial assets as of December 31, 2023, 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 \$7,000,000 and cash in operating bank accounts of \$1,039,294 as of December 31, 2023, for a total available financial asset of \$8,039,294.

As of December 31, 2023, RAF held cash and cash equivalents of \$108,633 with two large United States commercial banking institutions and \$927,270 with one large European commercial banking institution, which includes cash held in foreign currencies (RON and EUR) valued at \$139,835 and the remaining are in USD. In addition, as of December 31, 2023, RAF held petty cash valued at \$3,391, out of which cash in foreign currencies (RON and EUR) valued at \$3,391.

## 8. INVESTMENTS AT FAIR VALUE

See Note 3 "Investments at Fair Value" for a presentation of the basis for determining the fair value of RAF's investments.

The cost and fair value of RAF's investments at December 31, 2023 and 2022 as well as the accumulated unrealized gains/(losses) and net realized gains/(losses) for the years ended December 31, 2023 and 2022 are presented in the tables below:

The unrealized gains/(losses) on investments for the years ended December 31, 2023 and 2022 are presented in the table below:

Investments as of December 31, 2023

MARKETABLE INVESTMENTS:	COST	FAIR VALUE	ACCUMULATED UNREALIZED GAINS / (LOSSES)	NET REALIZED GAINS / (LOSSES) IN THE YEAR
Mutual Funds – Equity	100,195,985	84,582,446	(15,613,539)	(3,320,426)
Mutual Funds – Fixed Income	33,027,158	28,106,423	(4,920,735)	(129,734)
Mutual Funds – Other	22,506,168	19,997,823	(2,508,345)	-
Alternative Investments	24,942,197	25,522,295	580,098	-
	<b>180,671,508</b>	<b>158,208,987</b>	<b>(22,462,521)</b>	<b>(3,450,160)</b>

Investments as of December 31, 2022

MARKETABLE INVESTMENTS:	COST	FAIR VALUE	ACCUMULATED UNREALIZED GAINS / (LOSSES)	NET REALIZED GAINS / (LOSSES) IN THE YEAR
Mutual Funds – Equity	112,307,411	80,962,207	(31,345,204)	(7,552,011)
Mutual Funds – Fixed Income	32,081,929	26,227,463	(5,854,466)	(831,852)
Mutual Funds – Other	19,674,989	16,863,900	(2,811,089)	1,777,662
Alternative Investments	21,311,650	21,569,598	257,948	-
	<b>185,375,979</b>	<b>145,623,168</b>	<b>(39,752,811)</b>	<b>(6,606,201)</b>

	ACCUMULATED UNREALIZED GAINS / (LOSSES) AS OF DECEMBER 31, 2022	NET UNREALIZED GAINS / (LOSSES) FOR THE YEAR-ENDED DECEMBER 31, 2023	ACCUMULATED UNREALIZED GAINS / (LOSSES) AS OF DECEMBER 31, 2023
Mutual Funds – Equity	(31,345,204)	15,731,665	(15,613,539)
Mutual Funds – Fixed Income	(5,854,466)	933,731	(4,920,735)
Mutual Funds – Other	(2,811,089)	302,744	(2,508,345)
Alternative Investments	257,948	322,149	580,097
	<b>(39,752,811)</b>	<b>17,290,289</b>	<b>(22,462,522)</b>

	ACCUMULATED UNREALIZED GAINS / (LOSSES) AS OF DECEMBER 31, 2021	NET UNREALIZED GAINS / (LOSSES) FOR THE YEAR-ENDED DECEMBER 31, 2022	ACCUMULATED UNREALIZED GAINS / (LOSSES) AS OF DECEMBER 31, 2022
Mutual Funds – Equity	(12,328,830)	(19,016,374)	(31,345,204)
Mutual Funds – Fixed Income	(773,890)	(5,080,576)	(5,854,466)
Mutual Funds – Other	878,097	(3,689,186)	(2,811,089)
Alternative Investments	-	257,948	257,948
	<b>(\$12,224,623)</b>	<b>(\$27,528,188)</b>	<b>(\$39,752,811)</b>





Set forth in the tables below are RAF's investments as of December 31, 2023 and 2022, at fair value on a recurring basis, by the hierarchy levels described in Note 3:

Investments as of December 31, 2023

MARKETABLE INVESTMENTS:	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	MEASURED AT NET ASSET VALUE	TOTAL
Mutual Funds – Equity	84,582,446	-	84,582,446
Mutual Funds – Fixed Income	28,106,423	-	28,106,423
Mutual Funds – Other	19,997,823	-	19,997,823
Alternative Investments	-	25,522,295	25,522,295
	<b>132,686,692</b>	<b>25,522,295</b>	<b>158,208,987</b>
<b>% TOTAL</b>	<b>84%</b>	<b>16%</b>	<b>100%</b>

Investments as of December 31, 2022

MARKETABLE INVESTMENTS:	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	MEASURED AT NET ASSET VALUE	TOTAL
Mutual Funds – Equity	80,962,207	-	80,962,207
Mutual Funds – Fixed Income	26,227,463	-	26,227,463
Mutual Funds – Other	16,863,900	-	16,863,900
Alternative Investments	-	21,569,598	21,569,598
	<b>124,053,570</b>	<b>21,569,598</b>	<b>145,623,168</b>
<b>% TOTAL</b>	<b>85%</b>	<b>15%</b>	<b>100%</b>

Presented in the table below is information about RAF's investments valued using the NAV of the investment vehicle as a practical expedient, categorized by investment strategy, as of December 31, 2023 and 2022:

Alternative Investments as of December 31, 2023

MARKETABLE INVESTMENTS:	FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Diversified strategy of property funds	8,223,502	-	Quarterly	95 days (a)
Multi-strategy, hedge funds of funds	9,639,380	-	Semi-annual	95 days (b)
Diversified strategy of private equity funds	7,659,413	28,857,803	Not able to redeem	Not applicable (c)
<b>TOTAL</b>	<b>25,522,295</b>	<b>28,857,803</b>		

**a. Diversified strategy of property funds:** This category includes SEI Core Property Fund LP which seeks both current income and long-term capital appreciation principally through investing in pooled investment vehicles that invest in commercial real estate properties and are managed by underlying investment managers.

**b. Multi-strategy, hedge funds of funds:** This category includes SEI Special Situations Fund LTD which seeks to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund will pursue its investment objective by investing primarily in Underlying Funds, consisting primarily of hedge funds, while also opportunistically making other investments.

**c. Diversified strategy of private equity funds:** This category includes SEI Secondary Opportunity Fund I LP and SEI Global Private Assets VI LP which seeks to achieve an attractive risk-adjusted return relative to other asset class alternatives through the identification and selection of a set of private assets managers that manage Underlying funds across a broad spectrum of venture capital, buyouts, debt, real estate, and real asset / infrastructure investments. RAF has committed to invest \$36.2 million in these funds, \$18.1 million to each, and, at December 31, 2023, the Foundation's remaining commitment to SEI Secondary Opportunity Fund I LP was \$13,237,973 and to SEI Global Private Assets VI LP was \$15,619,830.

Alternative Investments as of December 31, 2022

MARKETABLE INVESTMENTS:	FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Diversified strategy of property funds	9,062,482	-	Quarterly	95 days (d)
Multi-strategy, hedge funds of funds	8,776,674	-	Semi-annual	95 days (e)
Diversified strategy of private equity funds	3,730,442	32,488,350	Not able to redeem	Not applicable (f)
<b>TOTAL</b>	<b>21,569,598</b>	<b>32,488,350</b>		

**d. Diversified strategy of property funds:** This category includes SEI Core Property Fund LP which seeks both current income and long-term capital appreciation principally through investing in pooled investment vehicles that invest in commercial real estate properties and are managed by underlying investment managers.

**e. Multi-strategy, hedge funds of funds:** This category includes SEI Special Situations Fund LTD which seeks to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund will pursue its investment objective by investing primarily in Underlying Funds, consisting primarily of hedge funds, while also opportunistically making other investments.

**f. Diversified strategy of private equity funds:** This category includes SEI Secondary Opportunity Fund I LP and SEI Global Private Assets VI LP which seeks to achieve an attractive risk-adjusted return relative to other asset class alternatives through the identification and selection of a set of private assets managers that manage Underlying funds across a broad spectrum of venture capital, buyouts, debt, real estate, and real asset / infrastructure investments. The Foundation has committed to invest \$36.2 million in these funds, \$18.1 million to each, and, at December 31, 2022, the Foundation's remaining commitment to SEI Secondary Opportunity Fund I LP was \$15,337,485 and to SEI Global Private Assets VI LP was \$17,150,865.



## Income from investments

Included in the amount of \$5,867,899 reported as "Interest and dividend income, net" in the combined statements of activities for the year ended December 31, 2023 is interest and dividend income and long-term and short-term capital gains received from the investments, net after custodial and investment management fees of \$623,747. In addition to the custodial and investment management fees charged to the investment account there were SEI sub-advisors fees of \$189,127 taken directly from funds.

## 9. GRANTS CONTRACTED AND PROGRAM RELATED INVESTMENTS

For the year ended December 31, 2023 RAF contracted 32 new grant agreements and amended 30 grant agreements contracted in previous years for a total of \$4,524,106 grants contracted in the focus areas of education, technology innovation, entrepreneurship and community development and civil society. During 2023 RAF reversed \$23,319 of previous years contracted grant awards as the funds were not entirely used by recipients and subsequently cancelled, the grants contracted during the year and recorded through the combined statement of activities amounting to \$4,500,787. The net grants disbursed during the year ended

December 31, 2023 consisted of \$4,448,494 and the outstanding contracted grant agreements not yet disbursed until year end amounted to \$1,234,479.

As of December 31, 2023 the Program Related Investments ("PRIs") consisted of \$876,360 committed funds in loans signed with five Romanian non-governmental organizations as non-bearing interest loans that are disbursed to the borrowers in multiple tranches. As of December 31, 2023 there were \$350,000 of loan tranches due to the borrowers. During 2023 the Foundation signed two PRI loans for a total of \$650,000 and disbursed \$300,000. During 2023 the Foundation collected \$46,640 as repayments of loans. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2023. The total outstanding principal balance of the PRIs was \$491,688 as of December 31, 2023, net of allowance for loan losses of \$34,672.

Changes in RAF's allowance for loan losses for the year ended December 31, 2023 were as follows:

<b>BALANCE, DECEMBER 31, 2022</b>	<b>\$39,000</b>
Additional provision charged to operations	39,000
Recoveries of loans previously provided for in allowance for loan losses	(4,328)
Loans written-off	(0)
<b>BALANCE, DECEMBER 31, 2023</b>	<b>\$34,672</b>

For the year ended December 31, 2022 the Foundation contracted 40 new grant agreements and amended 31 grant agreements contracted in previous years for a total of \$4,199,899 grants contracted in the focus areas of education, technology innovation, entrepreneurship and community development and civil society. During 2022 the Foundation reversed \$21,775 of previous years contracted grant awards as the funds were not entirely used by recipients and subsequently cancelled, the grants contracted during the year and recorded through the combined statement of activities amounting to \$4,178,124. The net grants disbursed during the year ended December 31, 2022 consisted of \$4,406,600 and the outstanding contracted grant agreements not yet disbursed until year end amounted to \$1,182,186.

As of December 31, 2022 the Program Related Investments ("PRIs") consisted of \$273,000 committed funds in loans signed with 3 Romanian non-governmental organizations as non-bearing interest loans that are disbursed to the borrowers in multiple tranches. As of December 31, 2022 there were no loan tranches due to the borrowers. During 2022 the Foundation signed three PRI loans for a total of \$98,000 and disbursed \$98,000. During 2022 the Foundation collected \$40,000 as repayments of loans. Repayments of loans were made according to the repayment schedules and there were no past dues recorded as of December 31, 2022. The total outstanding principal balance of the PRIs was \$234,000 as of December 31, 2022, net of allowance for loan losses of \$39,000.

## 10. STATEMENT OF FUNCTIONAL EXPENSES AND EXPENSE ALLOCATION

The Foundations' combined financial statements as of December 31, 2023 report certain categories of expenses that are attributable to more than one program or supporting function. Therefor 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 based on estimates of time and effort.

The category "Professional fees" includes programmatic services fees of \$165,000 paid by the Foundation to Harvard Graduate School of Education during 2023 and of \$85,000 during 2022 and programmatic services fees of \$174,000 paid to Babson College during 2023 and of \$142,135 paid during 2022.

The following table presents the functional expenses for the year ended December 31, 2023:

	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	305,073	154,152	202,672	661,896	189,999	851,895
Employee business expenses	27,539	10,576	21,129	59,245	5,609	64,854
Occupancy expenses	94,225	39,784	54,441	188,449	20,939	209,388
Professional fees	471,570	23,916	39,465	534,951	247,389	782,340
Trustees' expenses	-	-	-	-	188,719	188,719
Other general and administrative	56,604	24,692	35,239	116,535	45,754	162,290
Depreciation	40,681	17,177	23,505	81,363	22,877	104,239
<b>TOTAL OPERATING EXPENSES</b>	<b>995,692</b>	<b>270,297</b>	<b>376,450</b>	<b>1,642,439</b>	<b>721,286</b>	<b>2,363,725</b>
Grants awarded to other organizations	1,406,146	929,085	2,165,556	4,500,787	-	4,500,787
Decrease of allowances for loan losses	-	-	(4,328)	(4,328)	-	(4,328)
<b>TOTAL EXPENSES</b>	<b>2,401,838</b>	<b>1,199,382</b>	<b>2,537,678</b>	<b>6,138,898</b>	<b>721,286</b>	<b>6,860,122</b>

The following table presents the functional expenses for the year ended December 31, 2022:

	PROGRAM ACTIVITIES (\$)				SUPPORTING ACTIVITIES (\$)	
	EDUCATION, TECHNOLOGY & INNOVATION	PHILANTHROPY, COMMUNITY DEVELOPMENT AND CIVIC ENGAGEMENT	RURAL ECONOMY AND ENTREPRENEURSHIP	PROGRAMS SUBTOTAL	MANAGEMENT AND GENERAL EXPENSES	TOTAL EXPENSES
Employee salaries, taxes and benefits	220,039	125,684	162,675	508,398	164,375	672,773
Employee business expenses	22,685	9,873	11,246	43,803	4,377	48,180
Occupancy expenses	81,656	34,477	47,179	163,313	18,146	181,459
Professional fees	367,254	18,011	25,389	410,653	74,886	485,539
Trustees' expenses	-	-	-	-	160,549	160,549
Other general and administrative	68,504	31,093	40,373	139,970	44,460	184,430
Depreciation	48,609	20,524	28,085	97,219	10,802	108,021
<b>TOTAL OPERATING EXPENSES</b>	<b>808,747</b>	<b>239,662</b>	<b>314,947</b>	<b>1,363,356</b>	<b>477,595</b>	<b>1,840,951</b>
Grants awarded to other organizations	1,546,134	1,042,658	1,589,332	4,178,124	-	4,178,124
Allowance for loan losses	-	-	39,000	39,000	-	39,000
<b>TOTAL EXPENSES</b>	<b>2,354,881</b>	<b>1,282,320</b>	<b>1,943,279</b>	<b>5,580,480</b>	<b>477,595</b>	<b>6,058,075</b>

## 11. PROPERTY, NET

As of December 31, 2023, net property consisted of:

AS OF DECEMBER 31, 2023	COST (\$)	ACCUMULATED DEPRECIATION / AMORTIZATION (\$)	NET BOOK VALUE (\$)
Land	537,273	-	537,273
Office building and improvements	2,886,754	348,467	2,538,287
Automobiles, furniture and equipment	228,851	225,816	3,035
Software	-	-	-
<b>TOTAL</b>	<b>3,652,878</b>	<b>574,283</b>	<b>3,078,595</b>

During 2022 the Foundation wrote off from its records a series of fixed assets scrapped consisting of old computers and server components that have been fully depreciated in previous years. The cost value of these scrap assets and their related depreciation was \$84,375.

AS OF DECEMBER 31, 2022	COST (\$)	ACCUMULATED DEPRECIATION / AMORTIZATION (\$)	NET BOOK VALUE (\$)
Land	537,273	-	537,273
Office building and improvements	3,741,550	1,099,636	2,641,914
Automobiles, furniture and equipment	225,350	225,205	145
Software	-	-	-
<b>TOTAL</b>	<b>4,504,173</b>	<b>1,324,841</b>	<b>3,179,332</b>

## 12. CONTINGENCIES

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 equivalent of USD 180,000. As of December 31, 2023 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. RAF and RAF New, Inc. consider each other a related party and transactions have been eliminated upon combination. The trustees and officers of RAF are the same trustees and officers of RAF New, Inc.

## 14. TAX STATUS

### United States

Both foundations RAF and RAF New, Inc. are exempt from U.S. Federal income taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. In addition, the foundations are exempt from payments of state and local income taxes in the U.S.

On February 12, 2024 the IRS posted the auto-revocation of the RAF's tax-exempt status, retroactively, effective May 15, 2023, for not electronically filing annual tax returns. The situation was created due to a lack of IRS procedures for a 501(c)(3) non-profit changing into a 501(c)(4) nonprofit organization by self-declaring. RAF self-

declared a 501(c)(4) nonprofit organization starting fiscal year 2017. The management believes that RAF fulfilled its legal obligations based on filing annual paper tax returns by postage mailing to the IRS for each consecutive year since 2017. RAF will therefore proceed to an IRS specific procedure for reinstating the tax-exempt status retroactively to cover the gap between May 15, 2023, the date of tax-exempt status auto-revocation, and January 01, 2024, that is the time RAF merged out of existence into RAF New, Inc.

### 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 Foundations have evaluated subsequent events through June 07, 2024, the date the financial statements were authorized to be issued and has determined there were no additional events requiring consideration as adjustments to the combined financial statements for the year ended December 31, 2023.

Subsequent to December 31, 2023 RAF signed a merger agreement with RAF New, Inc. The purpose of the merger was to continue the tax-exempt status for RAF New, Inc. while maintaining the same activities as the Foundation. The Certificate of Merger was issued on January 01, 2024, the time when the merger became effective. According to the Agreement and Plan of Merger, RAF merged

with and into RAF New, Inc. at the effective time of January 01, 2024. By the effect of the merger all assets, property, rights and liabilities belonging to RAF passed on to RAF New, Inc. as the surviving company. RAF, is the not-for-profit entity foundation which ceased to exist at the effective time of January 01, 2024 and all its activities and its objectives were transferred to RAF New, Inc. The surviving foundation of the merger between RAF New, Inc. and RAF was named "Romanian-American Foundation"

As of June 07, 2024 RAF withdrew \$4,000,000 from its investment managed accounts at SEI Investments Management Corporation as a quasi-endowment decrease to cover its expenditures in fiscal year 2024.