AMERICA FOR BULGARIA FOUNDATION

INDEPENDENT AUDITOR'S REPORT
AND STANDALONE FINANCIAL STATEMENTS

December 31, 2017

AMERICA FOR
BULGARIA
FOUNDATION

American optimism meets Bulgarian potential

MANAGEMENT'S STATEMENT OF FINANCIAL RESPONSIBILITY

The Management of the America for Bulgaria Foundation (the "Foundation" or "ABF") has responsibility for the preparation, integrity, and reliability of the financial statements and related financial information contained in this Annual Report. The financial statements were prepared in accordance with generally accepted accounting principles and include necessary judgments and estimates by Management.

Management has established and is responsible for maintaining an internal control environment designed to provide reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets, and the prevention and detection of fraudulent financial reporting.

The Board of Directors, primarily through the Audit Committee, oversees the adequacy of the Foundation's control environment. The Committee, whose members are neither officers nor employees of the Foundation, meets regularly with Management and the Foundation's independent auditors, who are selected by the Audit Committee.

The Foundation's financial statements have been audited by Deloitte Audit Ltd. which confirms that its audits were conducted in accordance with generally accepted auditing standards and include such audit procedures as it considers necessary to express the opinion in its report that follows. Deloitte Audit Ltd. has full and free access to the Audit Committee to discuss its audit work, the Foundation's internal controls, and financial reporting matters.

Management recognizes that there are inherent limitations in the effectiveness of any internal control environment. Management believes, however, that as of December 31, 2017 and 2016, the Foundation's internal control environment has provided reasonable assurance as to the integrity and reliability of the financial statements and related financial information.

Nancy L. Schiller
President & Chief Executive Officer

Bojana Kourteva
Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
America for Bulgaria Foundation

We have audited the accompanying standalone financial statements of the America for Bulgaria Foundation (the "Foundation"), which comprise the standalone statement of financial position as of December 31, 2017 and 2016 and the related standalone statement of activities and its standalone statement of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the standalone financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017 and 2016, and the results of its operations its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte Audit OOD

Deloitte Audit OOD

A. Dimov

May 31, 2018
Sofia, Bulgaria

America for Bulgaria Foundation
Standalone Statement of Financial Position
December 31, 2017 and 2016

in USD (000)	*Note*	**2017**	**2016**
Assets			
Cash and cash equivalents	*4a*	13,738	6,779
Investments, at fair value			
ETF and public mutual funds		242,636	227,060
Private mutual funds	*4b,d*	155,351	138,682
Equity investments		3,751	3,632
Bonds		7,239	5,985
Partnership investments	*4b,d*	192	545
Total Investments	*4b*	409,169	375,904
Dividends and interest receivable	*4b*	896	625
Prepaid expenses and other assets		140	128
Fixed assets, net of accumulated depreciation of 537 and 467	*5*	142	218
Intangible assets	*6*	134	122
Investment in subsidiaries	*10*	12,129	17,495
Total Assets		436,348	401,271
Liabilities and Net Assets			
Liabilities			
Grants payable	*7*	8,681	10,084
Accounts payable and accrued payroll		269	122
Total Liabilities		8,950	10,206
Net Assets - Without donor restrictions		427,398	391,065
Total liabilities and net assets		436,348	401,271

See accompanying notes to standalone financial statements

America for Bulgaria Foundation
Standalone Statement of Activities
December 31, 2017 and 2016

in USD (000)	*Note*	Without Donor Restrictions 2017	2016
Change in net assets:			
Contributions received		101	25
Reversed Grants Income		548	903
Other Income / (Loss)		(1)	1
Investment income			
Interest income		2,631	1,966
Dividend income		6,680	6,045
Net realized gain / (loss) on investments	*4b*	7,813	(5,108)
Net unrealized gain / (loss) on investments	*4b*	43,384	27,044
Realized exchange rate gain / (loss)	*4b*	(660)	(63)
Unrealized exchange rate gain / (loss)	*4b*	819	15
Total Investment income/ (loss)		60,667	29,899
Less investment management fees	*4b*	(902)	(769)
Investment income / (loss), net		59,765	29,130
Total Income / (Loss)		60,413	30,059
Grant Expenses	*8*	(13,798)	(16,947)
Program related and donation expenses		(732)	(529)
Management and general expenses		(3,763)	(3,739)
Depreciation and amortization		(101)	(108)
Total Expenses	*9*	(18,394)	(21,323)
Impairment loss on investment in subsidiary	*10b*	(5,686)	-
Total Non-operating Expenses		(5,686)	-
Changes in net assets		36,333	8,736
Net assets, beginning of the year		391,065	382,329
Net assets, end of the year		427,398	391,065

See accompanying notes to standalone financial statements

America for Bulgaria Foundation
Standalone Statement of Cash Flows
Year ended December 31, 2017 and 2016

in USD (000)	**2017**	**2016**
Cash Flows from Operating Activities		
Contributions received	96	25
Grant payments	(15,956)	(15,653)
Grant refunds	58	856
Cash paid to suppliers and employees	(4,424)	(4,382)
Net cash used in operating activities	**(20,226)**	**(19,154)**
Cash Flows from Investing Activities		
Proceeds from sale of investments	22,425	29,137
Proceeds from dividends	6,412	5,558
Proceeds from interest	2,286	1,632
Proceeds from sale of fixed assets	-	1
Purchase of fixed assets	(17)	(6)
Purchase of intangible assets	(24)	(76)
Purchase of investments	(2,762)	(11,178)
Investments in subsidiaries	(320)	(830)
Investment fees paid	(819)	(855)
Net cash from investing activities	**27,181**	**23,383**
Effect of exchange rate changes on cash	4	(6)
Net increase / (decrease) in cash	6,959	4,223
Cash at the beginning of year	6,779	2,556
Cash at end of year	13,738	6,779

See accompanying notes to standalone financial statements

(1) Nature of Operations

The America for Bulgaria Foundation (the "Foundation", "ABF") is a U.S. not-for-profit incorporated on December 18, 2006 pursuant to an agreement between the Bulgarian-American Enterprise Fund (the "Fund") and the United States of America acting through the U.S. Agency for International Development ("USAID"). The Foundation was created to advance the purposes of Section 201(a) of the Support for East European Democracy Act of 1989 ("SEED Act") and to build upon the programs established by the Fund. The Foundation received its first donation, in the form of a transfer of assets, from the Fund on August 08, 2008.

The America for Bulgaria Foundation assists in strengthening a vibrant market economy and the institutions of democratic society in Bulgaria, helping the country to realize its full potential as a successful, modern European nation.

The America for Bulgaria Foundation seeks to enhance the longstanding legacy of goodwill and friendship between the American and Bulgarian people and through many of its programs, to promote the US – Bulgaria people-to-people contacts and exchange of ideas and resources.

The Foundation represents the generous face of the American people and embodies the highest standards of US ethical conduct, transparency and core values. The Foundation concentrates its efforts in six main program areas: (i) Arts and Culture; (ii) Private Sector Development; (iii) Civil Society and Democratic Institutions; (iv) Economically Disadvantaged; (v) Education; and (vi) Cultural Heritage and Tourism. The Foundation works with various organizations in Bulgaria and the U.S. in conducting its activities and executing the objectives of each individual grant.

Through its registration at the Ministry of Justice of Bulgaria, the Foundation has opened a Branch in Bulgaria (the "Branch") whose purpose is to represent the Foundation in Bulgaria and to engage in activities to promote the Foundation's purposes. The financial position as of and results of operations for the years ended December 31, 2017 and 2016 of the Branch are included in the financial statements of the Foundation. The Branch prepares financial information for statutory purposes only and does not have separate audited financial statements.

(2) Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations, the Foundation is required to classify information regarding its financial position and activities into certain classes of net assets. Pursuant to the Grant Agreement (defined in Note 11(a)), at December 31, 2017 and 2016, the entire balance of net assets was classified as net assets without donor restrictions. Net assets without donor restrictions represent net assets that are restricted neither by donor stipulations, nor by board designations.

(3) Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

b. Basis of Presentation

The accompanying financial statements have been prepared on a standalone basis as at December 31 each year.

c. Measure of Operations

The Foundation has defined a measure of operations that considers all revenue and expenses to be related to operations, except changes in the fair value of subsidiaries.

d. Investments

Investments in equity securities with readily determinable fair values and all debt securities are stated at fair value. Fair value is determined based on quoted market prices and/or other inputs, as described in "Fair Value" below. Unrealized gains or losses on investments resulting from market fluctuations are recorded in the Statement of Activities in the period that such fluctuations occur as well as the reversal of unrealized gains or losses at the time an investment is realized. Realized and unrealized gains or losses on investments are determined by comparison of specific costs of acquisition to proceeds at the time of disposal, or market values at the last day of the fiscal year, respectively, and include the effects of currency translation with respect to transactions and holdings of foreign securities.

Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades. Dividend income is recorded based upon an ex-dividend date, and interest income is recorded as earned on an accrual basis.

e. Fair Value

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

U.S. GAAP also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are as follows:

Level 1 Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets, or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3	Valuation based on inputs that are unobservable for an asset or liability and should be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input, therefore, reflects the entity's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The inputs used in 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 an active market for these assets and liabilities existed.

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation considers observable data to be market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Pursuant to FASB Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, investments measured at Net Asset Value ("NAV") as a practical expedient to estimate fair value are not included in the fair value hierarchy.

Cash, Money Market Funds and Term Deposits – These assets are held either as cash, money market funds, or bank term deposits, which are public investment vehicles, valued using $1 per unit for the net asset value and are classified within Level 1 of the valuation hierarchy.

Public Mutual and Exchange Traded Funds ("ETF") – These assets are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV for public mutual funds and exchange traded funds is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

Private Mutual Funds – These assets are private investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Private mutual funds are classified within the investments measured at NAV category. Financial statements for each of the funds are prepared in accordance with U.S. GAAP, their portfolio is accounted at fair value, the NAV is recalculated monthly and redemptions occur at NAV by contract. The Foundation has no plans to sell investments at amounts different from NAV.

Equity Investments – Equity securities are valued based upon the closing price as quoted on major exchanges. Common and Preferred Stocks and Fixed Income Securities are classified within Level 1 of the valuation hierarchy.

Bonds – These assets are a mix of private and public fixed income investment vehicles valued using the latest trading value of the obligations, if such exists, or prices for similar assets quoted on active markets, if not. This price is classified within Level 2 of the valuation hierarchy because either the instrument has a unit price that is quoted on an active public market or on a private market; or the instrument is issued and guaranteed by an entity that is traded on an active market.

Partnership Investments – These assets are private investment vehicles valued at NAV or its equivalent using the financial information of the partnership and our ownership interest. These assets are classified within the investments measured at NAV category.

Other assets and Liabilities – Due to the short-term nature of cash equivalents, receivables, prepaid expenses and other assets, grants payable, accounts payable and accrued payroll, their fair value approximates carrying value.

f. Grant Expenditures

Grant expenditures are recognized in the period the grant agreement is signed by the Foundation and the grantee, provided the grant is not subject to future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. If payments of the unconditional promise to give are to be made to a recipient over several periods and the recipient is subject only to routine performance requirements, a liability and an expense for the entire amount payable is recognized.

g. Cash and Cash Equivalents

Cash and cash equivalents consist of cash of US and foreign currencies, money market funds, and highly liquid investments with original maturities of three months or less at the date of acquisition.

h. Interest and Dividend Income

Interest and dividend income is recorded when earned.

i. Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

j. Translation of Foreign Currency

The Foundation's functional currency is the U.S. dollar. Revenues and expenses transacted in other currencies are translated into U.S. dollars at rates in effect at the dates of such transactions. Investments and cash equivalents in foreign currencies were translated to U.S. dollars at the year-end exchange rate. The functional currency of the Branch is the Bulgarian Lev. Remeasurement and translation adjustments are reflected in the Statement of Activities.

k. Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Contributions of assets other than cash are measured at their estimated fair values. Unconditional promises to give are recognized as revenue in the period when the promise was made and received. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

l. Investment Expenses

Investment expenses include fees for bank trustees, investment managers and custodians and are recognized as incurred.

m. Depreciation and Amortization

Fixed assets are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets or amortized over the terms of the respective leases, as follows:

Hardware, purchased software and telecommunications	3 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	over the lesser of their useful lives or the term of lease

At the time a fixed asset is acquired, its cost is capitalized unless it has a value of BGN 1 (or its equivalent in USD or EUR) or less in which case the asset is expensed in the period acquired. Amounts paid for property with an estimated useful life of 12 months or less with a value of BGN 1 (or its equivalent in USD or EUR) or less are expensed in the period acquired as well. Management will periodically review these levels and make any modifications necessary.

Intangible assets are measured at acquisition cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated to write off the cost of intangible assets less estimated residual values using the straight-line method over their estimated useful lives, as follows:

Website Development Costs	3 years

The Foundation annually reviews the property and equipment records as well as intangible assets for impairment of value and records any adjustments necessary to reflect material impacts in value.

n. Presentation of Expenses

The cost of providing support to the various programs and other activities have been allocated between grants, charitable donations and direct programmatic support. Other administrative cost related to operational support and activities have been allocated to management and general expenses.

The Foundation does not engage in fundraising activities and, as such, has not incurred any fundraising expenses.

o. *Recent Accounting Pronouncements*

In August 2015, the Financial Accounting Standards Board (FASB) issued guidance to defer the effective date of the new accounting guidance related to revenue recognition by one year to December 15, 2017 for annual reporting periods beginning after that date and permitted early adoption of the standard, but not before fiscal years beginning after the original effective date of December 15, 2016. This new accounting standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Foundation does not expect the adoption of the new standard to have a material effect on its financial statements.

On February 25, 2016, the FASB issued a new standard, *Leases* (ASC 842). Lessees will need to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. It will be critical to identify leases embedded in a contract to avoid misstating the lessee's balance sheet. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. Existing sale-leaseback guidance, including guidance for real estate, is replaced with a new model applicable to both lessees and lessors. ASC 842 is effective for fiscal years beginning after December 15, 2019. The Foundation does not expect the adoption of ASC 842 to have a material effect on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for- Profit Entities*. This ASU revises the current net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. This ASU is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. Management has early adopted this standard during the current reporting period and all changes are presented retrospectively for all periods presented.

ASU 2016-01 *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* requires entities to measure equity investments (except those accounted for under the equity method, those that result in consolidation of the investee and certain other investments) at fair value and recognize any changes in fair value in net income. The standard does not change the guidance for classifying and measuring investments in debt securities or loans. Entities have to record changes in instrument-specific credit risk for financial liabilities measured under the fair value option (FVO) in other comprehensive income. This publication has been updated to address clarifications the FASB issued on transition, application of the measurement alternative and presentation of financial liabilities measured using the FVO. Answers to questions companies have raised have also been updated. The guidance is effective for calendar-year non-public entities for annual periods beginning in 2019.

ASU 2016-15 *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The guidance will generally be applied retrospectively and is effective for non-public entities for fiscal years beginning after 15 December 2018. Early adoption is permitted. Management is evaluating the effect of adopting this new accounting standard on its financial statements.

(4) Cash and Cash Equivalents and Investments

a. Cash and Cash Equivalents

As of December 31, 2017 and 2016, the Foundation's cash and cash equivalents consisted of $13,738 and $6,779, respectively, comprised mainly of money market and checking accounts that were deposited in various financial institutions in the United States and Bulgaria.

b. Investments

Investments activity for the year ended December 31, 2017 and 2016 were as follows:

(in thousands)

	December 31, 2017				December 31, 2016			
	Fair value	Unrealized Gain / (Loss) on Foreign Exchange	Unrealized Gain / (Loss) on Investment	Cost	Fair value	Unrealized Gain / (Loss) on Foreign Exchange	Unrealized Gain / (Loss) on Investment	Cost
ETF and public mutual funds	242,636	-	54,286	188,350	227,060	-	26,613	200,447
Private mutual funds	155,351	-	32,811	122,540	138,682	-	14,517	124,165
Equity investments	3,751	(24)	(1,940)	5,715	3,632	(488)	(1,594)	5,714
Bonds	7,239	(582)	499	7,322	5,985	(1,427)	437	6,975
Partnership Investments	192	(121)	170	143	545	(193)	279	459
	$ 409,169	(727)	85,826	324,070	375,904	(2,108)	40,252	337,760

Net realized gain/(loss) on investments for the year ended December 31, 2017 and 2016 are presented in the table below:

		2017	2016
ETF and public mutual funds	$	7,813	(9)
Private mutual funds		-	(5,099)
	$	7,813	(5,108)

Net unrealized gain/(loss) on investments for the year ended December 31, 2017 and 2016 are presented in the table below:

		2017	2016
ETF and public mutual funds	$	27,672	17,020
Private mutual funds		16,104	8,906
Equity investments		(345)	1,014
Bonds		62	35
Partnership Investments		(109)	69
	$	43,384	27,044

Investments and cash equivalents, held in different currencies are reported at the year-end exchange rates. As a result, a translation adjustment of approximately $159 and $(48) increased/(decreased) the investments and cash equivalents at December 31, 2017 and 2016, respectively, and was recorded in net realized and unrealized exchange rate gain/(loss) in the Statement of Activities for each year.

(in thousands)

Bonds are valued at $5,089 and $4,416 with accrued interest receivable in the amount of $2,150 and $1,569 as of December 31, 2017 and December 31, 2016, respectively.

Dividends and interest receivable of $896 and $625 at December 31, 2017 and 2016, respectively, represent dividends and interest income earned but not received.

Investment expenses for the year ended December 31, 2017 and 2016 were $902 and $769, respectively.

c. *Fair Value of Financial Instruments*

See "Fair Value" in Note 3(e), above, for discussions of the methodologies and assumptions used to determine the fair value of the Foundation's financial instruments.

Below are the Foundation's financial instruments carried at fair value on a recurring basis by U.S. GAAP hierarchy levels described in Note 3(e):

At December 31, 2017

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Total
Cash and cash equivalents	$	13,738	-	-	13,738
ETF and public mutual funds		242,636	-	-	242,636
Private mutual funds		-	-	155,351	155,351
Equity investments		3,751	-	-	3,751
Bonds		-	7,239	-	7,239
Partnership Investments		-	-	192	192
	$	260,125	7,239	155,543	422,907
		61.51%	1.71%	36.78%	100%

(in thousands)

At December 31, 2016

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Total
Cash and cash equivalents	$	6,779	-	-	6,779
ETF and public mutual funds		227,060	-	-	227,060
Private mutual funds		-	-	138,682	138,682
Equity investments		3,632	-	-	3,632
Bonds		-	5,985	-	5,985
Partnership Investments		-	-	545	545
	$	237,471	5,985	139,227	382,683
		62.06%	1.56%	36.38%	100%

d. Investments measured at NAV

As of December 31, 2017 and 2016, the Foundation's investments measured at NAV include investments in private mutual funds, as well as partnership investments.

The following table represents the liquidity and redemption restrictions on the above investments that do not have a readily determinable fair value or utilize net asset value per share (or equivalent) to determine fair value as of December 31, 2017:

At December 31, 2017

		Fair Value at Year End	Redemption Frequency	Redemption Notice Period
International Equity	$	68,401	Monthly	30 Days
Global Bonds		32,326	Monthly	30 Days
U.S. Treasury Inflation Protected		21,704	Monthly	30 Days
Multi-strategy		32,920	Monthly	30 Days
International Private Equity		192	(1)	(1)
	$	155,543		

(1) No limited partner shall have the right to withdraw prior to the completion of the winding up of the Fund. The termination date of the fund is March 31, 2018 and the estimated liquidation period is through December 2020.

International Equity funds' goals are to achieve long-term growth principally by investing in a diversified portfolio of equity securities of companies ordinarily located in any country other than the United States and Canada. As many companies have multinational operations, a company's location will be determined primarily by its jurisdiction of incorporation. To achieve their objectives, the funds generally seek to invest in a portfolio of securities that possesses fundamental investment value.

Global Bond fund's investment strategy is to maximize total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing principally in a portfolio of fixed or floating rate debt securities and debt obligations issued by government or government-related issuers worldwide.

U.S. Treasury Inflation Protected strategy's goal is to track the investment results of an index composed of inflation protected U.S. treasury bonds.

Multi-strategy fund of funds' strategy is to seek positive total return not "relative" return. The fund gains its investment exposures primarily by investing in Implementation Fund. It seeks annualized returns of 5% (net of fees) above the Consumer Price Index and annualized volatility (standard deviation) of 5-10%, each over a complete market cycle.

e. Partnership Investments

The partnership investments line item consists of one investment, which is in the process of liquidation with a termination date of March 31, 2018. As at December 31, 2017 this investment is presented at liquidation value, based on the Partnership's Financial Statements as of December 31, 2017.

As of December 31, 2017 and 2016, there is a liability based on the performance of this investment estimated at $83 and $0.

Subsequent to December 31, 2017 based on the Partnership Investment Liquidation plan the liquidation value of the investment as at termination date of March 31, 2018 is estimated at €143 ($171). The fair value has decreased by €17 ($21). According to the Liquidation plan it is anticipated that the liquidation process shall be fully completed by December 31, 2021.

f. Concentration of risk

The Foundation maintains commercial accounts in two U.S.banks and one Bulgarian bank. Accounts at the U.S. banks are insured by the Federal Deposit Insurance Corporation ("FDIC") and at the Bulgarian accounts are insured by the Deposit Investment Fund ("DIF").

At December 31, 2017 and 2016, the Foundation had amounts that were in excess of the insurance limits. The Foundation performs ongoing evaluations of commercial banks to limit its concentration of credit risk exposure. The Foundation has not sustained a loss of funds maintained in commercial banks.

The Foundation holds investments in U.S. Government securities, mutual funds and corporate debt, and equity issues which are managed by outside investment advisors. These balances are insured up to $500 by the Securities Investor Protection Corporation (SIPC).

The Foundation has invested $151,489 or 34.3% of its assets in two investment funds with a single investment manager, and $35,439 or 8.0% in three investment funds with another manager. This represents an insignificant holding compared to the investment managers' and the funds' asset size. All five funds are Level 1 and highly liquid.

The Foundation's investment portfolio is reviewed at least quarterly by the Investment Committee of the Board of Directors of the Foundation. During this review the concentration of risk as well as the performance of all investments is assessed. All new investments of the Foundation are pre-approved by the Investment Committee. In addition, the Foundation uses external investment managers and advisors to manage the risk of the portfolio.

g. Liquidity

The Foundation has $411,725 of financial assets within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of $13,738 and liquid investments of $397,987. The liquid investments include ETF and public mutual funds of $242,636 and private mutual funds of $155,351. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Foundation has a goal to maintain financial assets, which consist of cash and liquid investments, on hand to meet 90 days of normal operating expenses.

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(5) Fixed Assets

At December 31, 2017 and 2016, net fixed assets consisted of the following:

(in thousands)

		2017	2016
Leasehold improvements	$	104	104
Furniture and fixtures		144	144
Hardware, purchased software and telecommunications		249	255
Vehicles		182	182
		679	685
Less accumulated depreciation		(537)	(467)
	$	142	218

(6) Intangible Assets

At December 31, 2017 and 2016, intangible assets consisted of the following:

		2017	2016
Website development costs	$	37	37
Work in progress - Internal-use software		109	85
		146	122
Less accumulated amortization		(12)	-
	$	134	122

(in thousands)

(7) Grants payable

Grants payable totaling $8,681 and $10,084 at December 31, 2017 and 2016, respectively consisted of approved grant commitments for unconditional grants or conditional grants for which the grantee has met the conditions of the grant.

As of December 31, 2017 and 2016, respectively based on the specific grant agreements, grants payable are expected to be paid in the following years:

		2017	2016
2017	$	-	7,861
2018		6,237	1,901
2019		2,206	322
2020		238	-
	$	8,681	10,084

The schedule below reconciles grant activity throughout the year ended December 31, 2017:

Grants payable, 2017 beginning balance	$	10,084
New and supplemental grants		13,798
Grant payments		(15,956)
Repurposed grant residuals		(316)
Grant amendments		(173)
Realized FX on grants paid		683
Unrealized FX on grants		561
Grants payable, 2017 ending balance	$	8,681

(8) Grant Expenses

The Foundation makes grants in its main six program areas, described in Note 1 "Nature of Operations." For the years ended December 31, 2017 and 2016, grant expenses to recipient entities were recognized under the following programs:

(in thousands)

		2017	2016
Arts and Culture	$	1,250	1,798
Private Sector Development		668	609
Civil Society and Democratic Institutions		1,615	4,678
Economically Disadvantaged		1,600	2,323
Education		8,665	7,286
Cultural Heritage and Tourism			253
	$	13,798	16,947

(9) Classification of Expenses

At December 31, 2017 and 2016, the Foundation's classification of expenses was as follows:

	2017			2016		
	Program expenses	Support expenses	Total expenses	Program expenses	Support expenses	Total expenses
Grant Expenses (Note 8)	13,798	-	13,798	16,947	-	16,947
Charitable Donations	154	-	154	99	-	99
Direct Programmatic Support	578	-	578	430	-	430
Payroll and benefits	1,231	527	1,758	1,272	545	1,817
Travel and related expenses	95	7	102	111	14	125
Occupancy and telecommunications	-	187	187	-	202	202
General and administrative	-	382	382	-	130	130
Professional fees	46	492	538	141	457	598
Directors expenses	127	596	723	132	661	793
Insurance	-	73	73	-	74	74
Depreciation and amortization	-	101	101	-	108	108
	$ 16,029	2,365	18,394	19,132	2,191	21,323

The financial statements present certain categories of expenses that are attributable to program and management functions of ABF. Those expenses are allocated based on estimates of time and effort of the employees, management, and directors involved.

The Foundation has not incurred any fundraising expenses during the years ending December 31, 2017 and 2016.

(10) Investment in subsidiaries

a. Subsidiaries

At December 31, 2017 and 2016, the Foundation has two subsidiaries Muzeiko EOOD and ABF Property EOOD. The Foundation is a sole owner and ultimate controlling party of Muzeiko EOOD and ABF Property EOOD.

Muzeiko EOOD, a for-profit company primarily involved in the performance of activities, related to the construction and the management of a children center named "Muzeiko - the Children's museum of Sofia" ("Muzeiko"). As at December 31, 2017 and 2016, respectively the investment of the Foundation in Muzeiko was $12,128 and $17,494. During 2017 and 2016 respectively, capital contributions at the amount of $320 and $830 were distributed to Muzeiko.

ABF Property EOOD, a for-profit company registered to perform real estate transactions, and all other activities, permitted by Bulgarian laws. As at both December 31, 2017 and 2016, respectively the investment of the Foundation in ABF Property EOOD was $1.

b. Impairment on investment in Muzeiko

Management has assessed for impairment the investment in subsidiary Muzeiko EOOD, and an impairment loss of $5,686 has been recorded in the Statement of Activities as at December 31, 2017. As the fair value of the investment is not readily determinable, the calculation assumes that the net assets of the subsidiary totaling $12,128 are sufficiently close to and represent the fair value of these assets, as the fixed and intangible assets of the subsidiary are relatively new and are in operations from the end of 2015, and therefore, their depreciated replacement cost would closely approximate their current carrying amount (cost less accumulated depreciation). The subsidiary does not have other significant non-monetary items recorded as assets and liabilities. Management considers this approach as appropriate due to the lack of active market for similar assets and considers that the obtained value represents reliable fair value approximation as of December 31, 2017, to be used in making the accounting estimate of the recoverable amount of the investment. Due to the inherent uncertainty of this estimate, these values may differ materially from the values that would have been used had an active market for these assets existed.

(11) Related Party Transactions

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. The Foundation considers as a related party Bulgarian-American Enterprise Fund (the Fund), Muzeiko EOOD, ABF Property EOOD, Muzeiko Foundation, ERG Captial 3 – ADSIP and Braykov's Legal Office.

Transactions with related parties:

a. Grants Received

Pursuant to an agreement signed in 2007 between the Fund and the USAID in 2008, the Fund returned to the U.S. Treasury $27,500 of the original USAID grant out of the Fund's assets and, as of December 31, 2015, contributed $390,000 to the Foundation. Of the total amount contributed by the Fund, $15,500 was in the form of bonds, $175,100 in term deposits, $600 in partnership investments, $6,200 in equity investments, and the remainder in cash.

As of September 30, 2015, the Fund was dissolved and, accordingly, there are likely to be no more material contributions by the Fund to the Foundation. There are no transactions between the Foundation and the Fund in 2017 and 2016.

According to the terms of the grant agreement between the Fund and the Foundation (the "Grant Agreement"), the Foundation shall be operated as a perpetual endowment and the Foundation Board shall invest the Foundation's assets in financial instruments and securities in a manner consistent with its fiduciary duties and with the Foundation's financial needs to carry out its planned program of grant-making activities.

b. Grants Paid

There are no outstanding grant liabilities payable to Muzeiko Foundation as at December 31, 2017 and 2016.

c. Payables and Receivables

At December 31, 2017 and 2016, respectively the America for Bulgaria Foundation has no amounts payable to any related party.

At December 31, 2017 and 2016, respectively the America for Bulgaria Foundation has no receivables from any related parties.

d. Directors

Through September 30, 2015, when the Bulgarian-American Enterprise Fund dissolved and its board disbanded, the Fund and the America for Bulgaria Foundation had five directors in common. As of September 30, 2015, the current President of the Foundation was appointed to act as the authorized representative of the Fund during its liquidation period. The President of the Foundation served in this role throughout 2017 and 2016 and will continue to do so until final liquidation which is expected to be completed on September 30, 2018.

Members of the Board of Muzeiko Foundation are part of America for Bulgaria Foundation's management in 2017 and 2016.

e. Investments

On January 19, 2015 the Foundation, as successor of the Fund's assets, subject to the Fund's principles and policies, received a contribution from the Fund of 1,037 shares representing a 49.4% ownership in ERG Capital 3 – ADSIP whereas the control of ERG Capital 3 – ADSIP remained in BAEF (and ABF has no control in ERG Capital 3 – ADSIP). The shares are valued at $3,751 and $3,632 as of December 31, 2017 and 2016, respectively. In addition, the Foundation is an owner of a bond issued by the ERG Capital 3 – ADSIP valued at $3,466 and $3,046 with accrued interest receivable in the amount of $2,132 and $1,554 as of December 31, 2017 and 2016, respectively. In the fourth quarter of 2017 the final maturity of the bond was extended by three years until February 2021 and the interest rate of the bond was reduced from 10.5% to 9.5%, effective from February 21, 2018.

f. Legal fees

Braykov's Legal Office provides legal advice to the Foundation. Valentin Braykov, owner of the Braykov's Legal Office, is a member of the Board of Directors of the Foundation. Total legal fees paid to the Braykov's Legal Office and to Valentin Braykov personally as a legal advisor in 2017 and 2016 amount to $23 and $1, respectively.

g. Subsequent events with related parties

Subsequent to December 31, 2017 through April 30, 2018 the Foundation made a capital contribution to Muzeiko EOOD in the total amount of $420.

(12) Market risk

a. Currency Risk

The Foundation is exposed to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

(in thousands)

The investments held by the Foundation denominated in foreign currency at December 31 2017 and 2016, respectively are presented below:

	2017	2016
Equity investments in EUR	3,751	3,632
Bonds in EUR	7,239	5,985
Partnership Investments in EUR	192	545

b. Price Risk

The Foundation is exposed to market price risks related to its investments. As a result of the global financial crisis the financial markets, remain volatile, which may lead to change in the valuation of investments and causes uncertainty regarding the accounting estimates in future periods.

(13) Commitments and contingencies

a. Grants

The Foundation has signed certain conditional grant agreements, or conditionally approved grants, for which the grantee has not met the grant conditions and the amount of the grant has not been included in grant expense. The amount of such grants at December 31, 2017 is $32,070. As of December 31, 2017 conditional grant liabilities are expected to be paid in the following years:

2018	$	16,625
2019		9,222
2020		6,223
	$	32,070

b. Lease Commitments

In May 2013, the Foundation entered into a lease agreement for office space for the Bulgarian branch expiring in June 2018. Future annual rental payments are approximately $41 in 2018.

Variances due to exchange rate fluctuations are possible.

Rent expense is recognized on a straight-line basis and it totaled $152 and $154 in 2017 and 2016, respectively.

(14) Tax Status

a. United States

The Foundation is exempt from U.S. Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("the Code") and has been classified as an organization that is not a private foundation as defined in Section 509(a)(1) of the Code. In addition, the Foundation is exempt from payments of state and local income taxes. The Foundation had no uncertain tax positions for the years ended December 31, 2017 and 2016.

b. Bulgaria

Pursuant to a bilateral agreement between the Government of the United States of America and the Government of the Republic of Bulgaria regarding cooperation to facilitate the provision of assistance, the Foundation is exempt from taxation on income received in connection with implementation of the U.S. assistance programs.

(15) Subsequent Events

The Foundation evaluated subsequent events through April 30, 2018, which is the date the financial statements were available to be issued.

No subsequent events other than those disclosed above were identified that require adjustment to or disclosure within the financial statements.