



**AMERICAN UNIVERSITY IN BULGARIA**

**CONSOLIDATED FINANCIAL STATEMENTS  
as of and for the year ended June 30, 2020,  
and Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the American University in Bulgaria

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying consolidated financial statements of the American University in Bulgaria (the “University”) and its subsidiary the American University Service Company, AUSC (together “the Group”), which comprise the consolidated statements of financial position as at June 30, 2020 and June 30, 2019, and the consolidated statements of activities, and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at June 30, 2020 and June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America (“US GAAP”).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

The Board of trustees, the Chair of the Board of trustees, and the President of the University (the “Management”) are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with US GAAP, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit committee ("Those charged with governance") is responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte Audit OOD*

Deloitte Audit OOD

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Rositsa Boteva

Statutory manager

Registered Auditor, in charge of the audit

103, Al. Stambolijski Blvd  
1303 Sofia, Bulgaria



September 23, 2020

## Consolidated Statements of Financial Position as of June 30, 2020 and June 30, 2019

	<i>Note</i>	<b>June 30, 2020</b> USD'000	<b>June 30, 2019</b> USD'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	5,519	3,491
Accounts receivable and prepayments	4	318	532
Contributions receivable	5	1,275	1,153
Inventories		179	187
<b>Subtotal current assets</b>		<b>7,291</b>	<b>5,363</b>
<b>Long-term assets</b>			
Long-term contributions receivable	5	627	1,371
Investments	6	25,139	26,026
Property, plant & equipment, and intangible assets	7	28,532	29,647
Other long-term assets	8	310	316
<b>Subtotal long term assets</b>		<b>54,608</b>	<b>57,360</b>
<b>TOTAL ASSETS</b>		<b>61,899</b>	<b>62,723</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Short-term borrowings and current portion of long-term debt	9	2,351	1,965
Accounts payable	10	559	267
Accrued liabilities and current portion of retirement benefits	11	630	643
Deferred revenue and other liabilities	12	802	737
<b>Subtotal current liabilities</b>		<b>4,342</b>	<b>3,612</b>
<b>Long-term liabilities</b>			
Long-term debt	13	1,276	1,561
Retirement benefit provision	14	177	182
<b>Subtotal long-term liabilities</b>		<b>1,453</b>	<b>1,743</b>
<b>TOTAL LIABILITIES</b>		<b>5,795</b>	<b>5,355</b>
<b>Net assets</b>			
Without donor restrictions	15	43,726	43,602
With donor restrictions	16	12,378	13,766
<b>TOTAL NET ASSETS</b>		<b>56,104</b>	<b>57,368</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>61,899</b>	<b>62,723</b>

Signed on behalf of the American University in Bulgaria:


  
Date: September 23, 2020

The accompanying notes form an integral part of these consolidated financial statements.

## Consolidated Statements of Activities for the years ended June 30, 2020 and 2019

	Year ended June 30, 2020			Year ended June 30, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>REVENUES</b>						
<b>UNDERGRADUATE PROGRAM</b>						
Tuition	10,965	-	10,965	10,156	-	10,156
Institutionally-Funded Scholarships	(2,558)	-	(2,558)	(2,065)	-	(2,065)
Externally-Funded Scholarships	(2,026)	-	(2,026)	(2,506)	-	(2,506)
Net Tuition revenues	6,381	-	6,381	5,585	-	5,585
Interest on Student Loans	8	-	8	4	-	4
Other Student Fees, net of 3/5 externally-funded scholarships	598	-	598	568	-	568
<b>SUBTOTAL UNDERGRADUATE PROGRAM</b>	<b>6,987</b>	<b>-</b>	<b>6,987</b>	<b>6,157</b>	<b>-</b>	<b>6,157</b>
<b>CONTRIBUTIONS AND GRANTS</b>						
Federal Grants	-	27	27	-	67	67
Private Gifts and Grants	352	754	1,106	103	596	699
Grants write-offs	-	(7)	(7)	-	(1,088)	(1,088)
Income released for costs Financed from Pooled Endowment	140	(140)	-	179	(179)	-
Release from Restrictions, net	2,092	(2,092)	-	2,475	(2,475)	-
Amortization of capital gifts to construct long-term assets	413	-	413	413	-	413
<b>SUBTOTAL CONTRIBUTIONS AND GRANTS</b>	<b>2,997</b>	<b>(1,458)</b>	<b>1,539</b>	<b>3,170</b>	<b>(3,079)</b>	<b>91</b>
<b>USAID ENDOWMENT INCOME DISTRIBUTED</b>	<b>710</b>	<b>-</b>	<b>710</b>	<b>760</b>	<b>-</b>	<b>760</b>
<b>OUTREACH ACTIVITIES</b>						
English Language Institute	242	(5)	237	338	(40)	298
Conferences and Institutes/ External Events	199	-	199	241	-	241
Elieff Center Services & Executive Education	74	-	74	171	-	171
Center for European Programs and External Projects	9	21	30	4	(1)	3
Graduate Programs	531	-	531	544	-	544
<b>SUBTOTAL OUTREACH ACTIVITIES</b>	<b>1,055</b>	<b>16</b>	<b>1,071</b>	<b>1,298</b>	<b>(41)</b>	<b>1,257</b>
<b>AUXILIARY ACTIVITIES</b>						
Bookstore, net of 1/2 externally-funded scholarships	69	-	69	71	-	71
Residence Life, net of 8/12 externally-funded scholarships	700	-	700	812	-	812
Dining Services, net of 7/11 externally-funded scholarships	419	-	419	538	-	538
<b>SUBTOTAL AUXILIARY ACTIVITIES</b>	<b>1,188</b>	<b>-</b>	<b>1,188</b>	<b>1,421</b>	<b>-</b>	<b>1,421</b>
<b>OTHER REVENUES</b>	<b>50</b>	<b>-</b>	<b>50</b>	<b>88</b>	<b>-</b>	<b>88</b>
<b>TOTAL REVENUES</b>	<b>12,987</b>	<b>(1,442)</b>	<b>11,545</b>	<b>12,894</b>	<b>(3,120)</b>	<b>9,774</b>

## Consolidated Statements of Activities for the years ended June 30, 2020 and 2019

	Year ended June 30, 2020			Year ended June 30, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>EXPENSES (note 18)</b>						
<b>EDUCATION AND GENERAL</b>						
Instruction and Research	4,047	-	4,047	4,206	-	4,206
Academic Support	1,583	-	1,583	1,748	-	1,748
Student Services	755	-	755	925	-	925
<b>SUBTOTAL EDUCATION AND GENERAL</b>	<b>6,385</b>	<b>-</b>	<b>6,385</b>	<b>6,879</b>	<b>-</b>	<b>6,879</b>
<b>DEVELOPMENT AND UNIVERSITY RELATIONS</b>	<b>423</b>	<b>-</b>	<b>423</b>	<b>507</b>	<b>-</b>	<b>507</b>
<b>INSTITUTIONAL SUPPORT</b>						
Division of Finance	434	-	434	556	-	556
Physical Plant	69	-	69	111	-	111
Operations and Administration	1,767	-	1,767	1,670	-	1,670
<b>SUBTOTAL INSTITUTIONAL SUPPORT</b>	<b>2,270</b>	<b>-</b>	<b>2,270</b>	<b>2,337</b>	<b>-</b>	<b>2,337</b>
<b>OUTREACH ACTIVITIES</b>						
English Language Institute	292	-	292	356	-	356
Conferences and Institutes/ External Events	194	-	194	206	-	206
Elieff Center Services & Executive Education	174	-	174	266	-	266
Center for European Programs and External Projects	11	-	11	6	-	6
Graduate Programs	535	-	535	642	-	642
<b>SUBTOTAL OUTREACH ACTIVITIES</b>	<b>1,206</b>	<b>-</b>	<b>1,206</b>	<b>1,476</b>	<b>-</b>	<b>1,476</b>
<b>AUXILIARY ACTIVITIES</b>						
Bookstore	86	-	86	89	-	89
Residence Life	857	-	857	906	-	906
Dining Services	596	-	596	635	-	635
<b>SUBTOTAL AUXILIARY ACTIVITIES</b>	<b>1,539</b>	<b>-</b>	<b>1,539</b>	<b>1,630</b>	<b>-</b>	<b>1,630</b>
Scholarships for External Graduate Studies	57	-	57	58	-	58
Student Loans/ Fees Reversals	(9)	-	(9)	(8)	-	(8)
Other Expenses (incl. interest expenses)	117	-	117	218	-	218
<b>TOTAL EXPENSES</b>	<b>11,988</b>	<b>-</b>	<b>11,988</b>	<b>13,097</b>	<b>-</b>	<b>13,097</b>
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>999</b>	<b>(1,442)</b>	<b>(443)</b>	<b>(203)</b>	<b>(3,120)</b>	<b>(3,323)</b>
<b>USAID Endowment Income Distributed</b>	<b>(710)</b>	<b>-</b>	<b>(710)</b>	<b>(760)</b>	<b>-</b>	<b>(760)</b>
Investment return, net (incl. FX gains and losses )	257	59	316	1,204	494	1,698
Amortization of capital gifts to construct long-term assets	(413)	-	(413)	(413)	-	(413)
<b>CHANGE IN NET ASSETS before reclassifications</b>	<b>133</b>	<b>(1,383)</b>	<b>(1,250)</b>	<b>(172)</b>	<b>(2,626)</b>	<b>(2,798)</b>
Reclassifications	(9)	(5)	(14)	3	(3)	-
Net assets at beginning of year	43,602	13,766	57,368	43,771	16,395	60,166
Net assets at end of year	43,726	12,378	56,104	43,602	13,766	57,368

The accompanying notes form an integral part of these consolidated financial statements.

## Consolidated Statements of Cash Flows for the years ended June 30, 2020 and 2019

	<b>FY20</b>	<b>FY19</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>Cash flows from operating activities</b>		
Change in net assets	(1,264)	(2,798)
Adjustments to change in net assets:		
Revenue from fund-raising activities	(1,161)	(768)
Grants write-offs	7	1,088
Decrease (Increase) in accounts receivable, prepayments, and inventories	222	23
(Decrease) Increase in current liabilities and retirement benefits	339	(87)
Decrease (Increase) in student loans receivable, net	8	5
Decrease in cash deposits for student loans guarantees	(1)	5
Depreciation and amortization (Note 7)	1,250	1,433
In-kind donation of property, plant and equipment and investment property	(3)	(8)
(Gain) from investing activities	(333)	(1,680)
<b>Net cash used in operating activities other than fund-raising</b>	<b>(936)</b>	<b>(2,787)</b>
Revenue from fund-raising activities	1,161	764
Grants write-offs	(7)	(1,084)
Decrease (Increase) in contributions receivable	622	622
<b>Net cash provided by fund-raising activities</b>	<b>1,776</b>	<b>302</b>
<b>Net cash used in operating activities</b>	<b>840</b>	<b>(2,485)</b>
<b>Cash flows from investing activities</b>		
Construction and purchase of property, plant and equipment (Note 7)	(132)	(295)
(Purchase) of investment securities	(3,063)	(6,372)
Sale of investment securities	4,283	7,876
<b>Cash flow from investing activities</b>	<b>1,088</b>	<b>1,209</b>
<b>Cash flow from financing activities</b>		
Increase in short-term borrowings	385	1,381
(Decrease) in long-term borrowing	(285)	(583)
<b>Cash flow provided by (used in) financing activities</b>	<b>100</b>	<b>798</b>
<b>(Decrease) in cash and cash equivalents for the period</b>	<b>2028</b>	<b>(478)</b>
<b>Cash and cash equivalents at the beginning of the period (Note 3)</b>	<b>3,491</b>	<b>3,969</b>
<b>Cash and cash equivalents at the end of the period (Note 3)</b>	<b>5,519</b>	<b>3,491</b>
	<b>FY20</b>	<b>FY19</b>
Interest payments	103	112

The accompanying notes form an integral part of these consolidated financial statements.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. HISTORY AND NATURE OF THE AMERICAN UNIVERSITY IN BULGARIA**

The American University in Bulgaria (“AUBG” or “the University”) is a not-for-profit organization registered in the State of Maine. The University is exempt from US Federal income tax under Section 501C(3) of the US Internal Revenue Code.

The establishment of the University in 1991 was facilitated through the joint cooperation of the Initiative Committee established by the Republic of Bulgaria, the City of Blagoevgrad, Bulgaria and private and public funding sources. At the time of the establishment of the University, the laws of Bulgaria did not provide for the establishment of private educational institutions; therefore the University was incorporated in the Blagoevgrad Regional Courts as a Bulgarian not-for-profit organization. Legislation was subsequently enacted by the Bulgarian National Assembly recognizing the University as an institution of higher learning. Furthermore, the Bulgarian Ministry of Finance has acknowledged the status of the University as a “budget institution” enjoying exemption from some taxes and duties such as taxes on profits and certain exemptions for Value Added Tax.

The University offers undergraduate and graduate programs. The American University in Bulgaria maintains a campus located in Blagoevgrad. In the academic year 2019-2020, the University enrolled 906 undergraduate students from more than 40 countries.

At the end of 2001, the American University Service Company (AUSC), a wholly-owned subsidiary headquartered in Sofia, Bulgaria, was established. The company’s activity is to organize and conduct educational courses. Currently, this entity is dormant.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1. Basis of preparation**

The consolidated financial statements of the University are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for non-profit organizations. The consolidated statement of activities presents the activities by function and type of net assets related to the reporting periods. As permitted under US GAAP, the University has chosen to present in its statement of activities its operating result as a separate line. The operating result includes all revenue and expenses except: 1. the changes in the fair value of the investments in the endowment; 2. FX gains and losses; and 3. other non-operating items related to long-term assets financed by donors. The drawdowns from the Board-designated Quasi Endowment (USAID) are included in operating revenue as they are intended to finance general operating expenses.

ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and (2) determining whether a contribution is conditional.

The ASU clarifies that a contribution is conditional if the agreement includes both a barrier or barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor’s obligation to transfer assets. The ASU became effective for the University for the year ended June 30, 2020. The University’s adoption of the ASU on a modified prospective basis did not have a material effect on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) that requires, among other things, a lessee to recognize a right-of-use asset representing an entity’s right to use the underlying asset for the lease term and a liability for lease payments on the statement of financial position, regardless of classification of a lease as an operating or finance lease. The standard is deferred and is effective for fiscal years beginning after December 15, 2021. The University has chosen to not early adopt this standard in its current financial statements and is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In May 2014, the FASB issued a standard on *Revenue from Contracts with Customers*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating the transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is deferred for one year and is effective for fiscal years beginning after December 15, 2019. The University has chosen to not early adopt this standard in its current financial statements and is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2021.

In its FY 2018-2019 financial statements the University adopted *ASU 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Main provisions of this guidance include: presentation of two classes of net assets and two types of revenue and expenses (*with donor restrictions and without donor restrictions*) vs. the previously required three (*unrestricted, temporarily restricted and permanently restricted*); release of capital gifts for construction of long-term assets to net assets without donor restrictions when the associated long-term asset is placed in service and subsequently amortized into operations over the estimated useful life of the constructed asset. The guidance also enhances disclosures for board-designated amounts, endowments, liquidity, and expenses by both their natural and functional classification.

**2.2. Use of estimates**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. Estimates are made in the areas of accounts receivable, contributions receivable, inventories, property, plant & equipment and intangible assets, investments, retirement benefits, and litigation risk disclosure.

**2.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of AUBG and AUSC, a wholly-owned subsidiary controlled by AUBG. Control is achieved where AUBG owns the majority voting interest, which is defined as direct or indirect ownership of fifty percent or more of the outstanding voting shares of another company.

Where necessary, adjustments are made to the financial statements of AUSC to bring the accounting policies used in line with those used by AUBG.

All significant inter-company transactions and balances between AUBG and AUSC have been eliminated in the accompanying consolidated financial statements.

**2.4. Types of net assets**

Net assets without donor restrictions are derived from educational and general operations of the University and from appropriations, gifts and grants and may be used at the discretion of the Board of Trustees or their designees to meet current expenditures for any purpose in achieving the primary objectives of the University. These net assets also include the amounts designated by the Board of Trustees to function as endowment as well as previously restricted gifts and grants for buildings that have been placed in service.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net assets with donor restrictions are those subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time. These gifts and grants may be used only to meet current expenditures for the purposes specifically identified by the donors or by sponsoring agencies. This category includes also gifts and grants, which should be invested as endowment funds, and only the income earned from the investment may be used to meet current expenditures for the purposes specifically identified by the donors.

**2.5. Cash and cash equivalents**

Cash includes cash on hand and bank deposits held by financial institutions that can be added to or withdrawn without limitation.

Cash equivalents are short-term, highly-liquid investments that are both readily convertible to known amounts of cash and so near their maturity they present insignificant risk of changes in value because of changes in interest rates.

**2.6. Prepayments and advances**

Prepayments and advances represent payments to suppliers for goods and services, which have not been received by the end of the period.

**2.7. Inventories**

Inventories are recorded at the lower of cost or net realizable value. They predominantly represent supplies at the Bookstore, fuel, and goods and beverages at the canteen and cafeterias. Inventories are expensed applying weighted-average cost method.

**2.8. Student Loans Receivable**

Student Loans Portfolio is valued at market value representing the principal value of student loans less the provision for uncollectible loans. The provision percentage is based on the best management estimate. The interest income is recognized in the period when its collection is most probable.

**2.9. Accounts Receivable**

Accounts receivable represents amounts due from customers arising from transactions in the ordinary course of business. Twice a year, a complete review of all outstanding accounts receivable is made, a determination of doubtful accounts is made and allowance for bad debts is determined. This procedure is applicable to individual receivables or to groups of similar types of receivables.

**2.10. Accounts Payable**

Accounts payable are obligations, the liquidation of which is reasonably expected to require the use of existing resources properly classified as current assets, or the creation of current obligation. Current liabilities include obligations arising from the acquisition of goods and services entering the operating cycle (accounts payable, taxes payable, wages payable and other miscellaneous payables) and other obligations maturing within the current operating cycle to be met through the use of current assets, or an overdraft.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.11. Long-term Debt**

The University's long-term debt is presented under the effective interest method.

Costs incurred for obtaining new loan or refinancing existing loans are deferred and amortized over the term of the respective loan, using the effective interest rate method. For better presentation, the interest expenses and costs associated with the long-term debt are presented as *Other expenses (incl. interest expenses)* in the Consolidated Statement of Activities.

**2.12. Investments**

Investments are carried at market value, and realized and unrealized gains and losses are reflected in the Statement of Activities. In accounting for investments, the University follows the guidance contained in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") #958-320 "Not-for-profit entities – Investments in Debt and Equity Securities" and ASC #820 "Fair Value Measurements". Investments in equities and securities with readily determinable fair values as well as all investments in debt securities are reported at fair value as of the date of the consolidated financial statements in the statement of financial position. Fair value of investments is classified according to the Fair Value Hierarchy at Level 2 - observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities (see Note 6). Gains and losses on investments are reported in the statement of activities as increases or decreases in the respective net assets as per explicit donor stipulations or law.

**2.13. Property, plant and equipment and intangible assets**

Property, plant and equipment and intangible assets are recorded at cost when purchased or constructed, or at fair market value when acquired by gift. Depreciation is recorded on a straight-line basis over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Buildings	40
Office equipment	2 – 6
Vehicles	7 – 12
Furniture and fixtures	3 – 7
Library books	5 – 7
Software	2 – 5

Payments for the maintenance, repairs and minor renewals and replacements are expensed as incurred; major renewals and replacements are capitalized.

**Impairment of long lived assets**

Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recoverable. When such indicators are present, a long-lived asset to be held and used is tested for recoverability by comparing the estimate of future undiscounted net operating cash flows expected to be generated by the use of the long-lived asset over its remaining useful life and its eventual disposition to its carrying amount. Should the carrying value of the long-lived asset exceed its estimated future undiscounted net operating cash flows, impairment is measured based on the excess of the carrying amount over the fair market value of the long-lived asset.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.14. Long-lived assets held and not used**

Property initially recognized as investment property held for sale that no longer meet the criteria as per FASB 360-10-45 are recognized as long-lived assets held and not used. Such assets are acquired through donations and are not used in the University's activities. Management's intention is to sell the properties and is actively marketing them. The aim of the University's management is with focused efforts to realize these properties in order to use the funds for scholarship for students.

**2.15. Contributions, gifts and grants**

The University reports contributions, gifts of cash and other assets as restricted support if they are received with donor stipulations that set purpose and time restrictions on the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. The University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The amounts of capital gifts for construction of long-lived assets are released to net assets without donor restrictions when the associated long-term asset is placed in service and these amounts are subsequently amortized into operations over the estimated useful life of the constructed asset.

The distributed amount (drawdown) of USAID Quasi-Endowment for the period is presented in a separate item within revenues in the statement of activities since it is not donor-restricted and is designated to finance general operating expenses.

The purpose of the drawdown from the Pooled Endowment is to cover the expenses or scholarships associated with the particular endowment fund. When we distribute the scholarships or incur the expenses, the respective amount is released from Net Assets with donor restrictions to Net Assets without donor restrictions at the time of its occurrence and is included in the "Release from Restrictions, net" line in the Statement of Activities. The release is recorded when the purpose restriction of the particular endowment fund is satisfied.

In case a donor revokes a contribution granted previously and the amount has to be refunded or the pledge receivable is cancelled, the grant written off is presented separately in the statement of activities in the period the revocation has occurred.

**2.16. Pension plans**

The government of Bulgaria through its national pension plan is responsible for providing pensions for Bulgarian citizens. A regular contribution is made to the State to fund the plan. In addition, since July 1, 2004, AUBG is making a BGN 40 (USD 23 as of June 30, 2020) monthly contribution for each full-time Bulgarian employee.

**2.17. Retirement benefit provision**

In accordance with the Bulgarian Labor Code, the University owes retirement benefits to its employees. The retirement benefit for employees who have worked for the University for more than 10 years is 6 gross monthly salaries. Employees who have worked for the University for less than 10 years are entitled to 2 gross monthly salaries. The Retirement Benefit Provision represents the present value of the payable of these benefits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.18. Foreign currency translation**

The University receives the majority of its funds and incurs a significant amount of costs in United States Dollars (USD). As a result, the functional currency is considered to be the USD. The University's accounting records in Bulgaria are maintained in dual currency, both in BGN and in USD. The following exchange rates were used to translate monetary assets and liabilities denominated in BGN: BGN to one USD: 1.74659 as at June 30, 2020 and 1.71866 as at June 30, 2019.

Non-monetary assets and liabilities denominated in BGN are measured using historical rates in order to produce the same results in terms of functional currency that would have occurred if those items had been initially recorded in the functional currency.

**2.19. Revenue Recognition**

Tuition and fees and certain auxiliary activities revenues are recorded as revenues in the year during which the related services are provided. Funds received in advance of services provided are included in Deferred revenue.

Contributions, including unconditional promises to give, are recognized as revenue in the period pledged or received and are reported as increases in the appropriate class of net assets. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate.

Other revenues are recognized at the time of delivery of goods, or providing of services, irrespective of the time when the cash is received.

**2.20. Credit Risk**

Credit risk is the risk that a party involved in a financial instrument may cause financial loss to the other party by non-fulfillment of an obligation. The financial instruments that may expose the University to credit risk are the loans provided to students, as well as the receivables from students, vendors, and donors. The University is exposed to risk that the respective counterparties will not fulfill their obligations.

**Concentration of credit risk**

The University occasionally maintains deposits in excess of the insured limits. FASB ASC #825 "Financial Instruments" identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

**2.21. Exchange Rate Risk**

The exchange rate risk is the risk that the valuation of the University assets and liabilities denominated in foreign currency may change due to a change in the exchange rates of the respective currency against the Bulgarian lev. The University receives most of its donations in US Dollars. Also, major portion of the cash, receivables, liabilities, revenues, and expenses (tuition revenue, expenses for salaries of foreign staff and faculty) are denominated in US Dollars, which exposes the University to a risk related to possible fluctuations in the exchange rate of the US dollar against the Bulgarian lev. The University does not apply any specific financial instruments for exchange rate risk hedging.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.22. Interest Rate Risk**

Interest rate risk is the risk that the value of the received loans may vary due to a change in the market interest rates. The financial instrument that exposes the University to interest rate risk is the Overdraft from Raiffeisen Bank Bulgaria.

**2.23. Concentration Risk**

The University is exposed to dependence on a small group of large donors in respect of externally funded scholarships. The University's Principles of Financial Sustainability aim at expansion of the donor base. As described in Note 15, besides the approved drawdown, the USAID Quasi-Endowment funds may be used for operating or capital needs after Board's approval, in the event of financial distress or an immediate liquidity need.

**2.24. Risk Management**

The University is exposed to various risks of loss: torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of employees and their dependents. The University manages these risks through commercial insurance.

**2.25. Litigation Risk**

The University is a party to certain litigation cases – both as a plaintiff and as a defendant. In the instances where there are cases brought up against the University, AUBG management has considered all available evidence and obtained ample relevant legal advice. In our assessment the risks cannot be quantified at this point in time but Management believes that the probability of a negative outcome is low and that the pending litigations, based on today's assessment, will not materially affect the financial position or the results of the University's operations.

**2.26. Fair Value Measurements**

When assets or liabilities in the financial statements are to be measured at fair value, the University 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. The University has elected not to report any existing financial assets or liabilities at fair value that are not already reported as such.

**2.27. Income tax**

The University has no uncertain tax positions taken or expected to be taken as of June 30, 2020. The University has recognized no interest or penalties related to uncertain tax positions. The University is subject to routine audits by tax authorities.

**2.28. Functional expenses method of allocation**

The expenses in the Statement of Activities are presented by functional classification. It represents grouping of expenses by major classes of program activities (Education and General), and supporting services (Development and University Relations, Institutional Support, Outreach Activities-containing the graduate programs, and Auxiliary Activities). The general facilities overhead expenses (depreciation, consumables, maintenance and etc.) are allocated to each activity/function based on the ratio of the usable sq. m. assigned in this function in proportion to the total usable sq. m. of the respective building.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. CASH AND CASH EQUIVALENTS

	June 30, 2020	June 30, 2019
	USD'000	USD'000
Commonfund/ State Street Institutional US Gov't Money Market	2,821	2,520
Cash on hand/bank deposits	2,252	277
Deposits with restrictions	446	694
<b>Total</b>	<b>5,519</b>	<b>3,491</b>

Deposits with restrictions consist mainly of term deposits and debt service reserve account in relation to long-term debt agreement (details are provided in Note 13). Commonfund/ State Street Institutional US Gov't Money Market is part of the endowment investments and redemption frequency is daily and notice period is 1 day.

## 4. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	June 30, 2020	June 30, 2019
	USD'000	USD'000
Deferred expenses	242	299
Accounts receivable	32	187
Receivables from students, net of USD 24 / 25 thousand allowance	22	23
Prepayments and advances	20	21
Tax receivables	2	2
<b>Total</b>	<b>318</b>	<b>532</b>

Allowances for uncollectible student fees have been calculated as 100% of amounts past due over one year.

## 5. CONTRIBUTIONS RECEIVABLE

Contributions receivable falling due within one year comprise of:

	June 30, 2020	June 30, 2019
	USD'000	USD'000
America for Bulgaria Foundation	865	991
Lacezar Tsotsorkov scholarships	118	58
<i>Gross amount</i>	<i>120</i>	<i>60</i>
<i>Less Discount for time value of money</i>	<i>(2)</i>	<i>(2)</i>
Elvin Guri	100	-
European Union	37	-
Vassil Terziev	24	49
<i>Gross amount</i>	<i>25</i>	<i>50</i>
<i>Less Discount for time value of money</i>	<i>(1)</i>	<i>(1)</i>
Other	131	55
<b>Total</b>	<b>1,275</b>	<b>1,153</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. CONTRIBUTIONS RECEIVABLE (continued)

Long-term contributions receivable comprise of:

	June 30, 2020	June 30, 2019
		USD'000
America for Bulgaria Foundation	480	1,189
<i>Gross amount</i>	491	1,230
<i>Less Discount for time value of money</i>	(11)	(41)
Lacezar Tsotsorkov scholarships	57	113
<i>Gross amount</i>	60	120
<i>Less Discount for time value of money</i>	(3)	(7)
Vassil Terziev endowment	46	69
<i>Gross amount</i>	50	75
<i>Less Discount for time value of money</i>	(4)	(6)
Other	44	-
<i>Gross amount</i>	49	-
<i>Less Discount for time value of money</i>	(5)	-
<b>Total</b>	<b>627</b>	<b>1,371</b>

All amounts are receivable within five years and are discounted using the interest rate for loans to non-profit organizations, for new businesses, up to 1 million Euro, contracted in Euro, published by the Bulgarian National Bank.

## 6. INVESTMENTS

	June 30, 2020 Fair Value USD'000	June 30, 2019 Fair Value USD'000
<b>USAID Quasi – Endowment Fund</b>		
Equity Index Fund	5,525	4,083
High Quality Bond Fund	3,735	2,931
Multi-Strategy Equity Fund	2,978	5,483
SSgA MSCI EAFE Index	2,893	3,251
SSgA MSCI Emerging Markets Fund	885	916
<b>Subtotal USAID Quasi – Endowment Fund:</b>	<b>16,016</b>	<b>16,664</b>
<b>Pooled Endowment Fund</b>		
Multi-Strategy Equity Fund	2,790	3,091
Equity Index Fund	2,196	2,289
High Quality Bond Fund	1,957	1,530
SSgA MSCI EAFE Index	1,482	1,658
SSgA MSCI Emerging Markets Fund	530	548
<b>Subtotal Pooled Endowment Fund:</b>	<b>8,955</b>	<b>9,116</b>
<b>Other Investments:</b>	<b>168</b>	<b>246</b>
<b>Total</b>	<b>25,139</b>	<b>26,026</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**6. INVESTMENTS (CONTINUED)**

Additionally, AUBG invested USD 2,821 thousand as of June 30, 2020 (June 30, 2019: 2,520 thousand) in *State Street Institutional US Government Money Market Fund*, included in Note 3, Cash and Cash Equivalents. The University invests its USAID Quasi-Endowment Fund and Pooled Endowment Fund with Commonfund. The management intends to hold the investments for a period longer than one year.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the University's valuation methodologies for assets and liabilities measured at fair value:

The fair value for Level 1 is based upon quoted prices in active markets that the University has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets and liabilities.

The fair value of Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable, as they trade infrequently or not at all.

Fair value level of investments is determined according to Fair Value Hierarchy as follows:

	Fair Value Measurement at Reporting Date				
	Using				Measured
	June 30, 2020 USD'000	(Level 1) USD'000	(Level 2) USD'000	(Level 3) USD'000	at Net asset value *
Multi-Strategy Equity Fund	5,768	-	-	-	5,768
Equity Index Fund	7,721	-	-	-	7,721
High Quality Bond Fund	5,692	-	-	-	5,692
SSgA MSCI EAFE Index	4,375	-	-	-	4,375
SSgA MSCI Emerging Markets Fund	1,415	-	-	-	1,415
Other Investments	168	168	-	-	-
<b>Total:</b>	<b>25,139</b>	<b>168</b>	<b>-</b>	<b>-</b>	<b>24,971</b>
	June 30, 2019				
Multi-Strategy Equity Fund	8,574	-	-	-	8,574
SSgA MSCI EAFE Index	6,372	-	-	-	6,372
High Quality Bond Fund	4,909	-	-	-	4,909
Equity Index Fund	4,461	-	-	-	4,461
SSgA MSCI Emerging Markets Fund	1,464	-	-	-	1,464
Other Investments	246	246	-	-	-
<b>Total:</b>	<b>26,026</b>	<b>246</b>	<b>-</b>	<b>-</b>	<b>25,780</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. INVESTMENTS (CONTINUED)

\* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

AUBG manages its endowment and quasi-endowment funds in a way which protects the real purchasing power of the endowment over time, avoids large or no increases in some years, and preserves and enhances the growth of principal.

	Fair Value June 30, 2020 USD'000	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity Index Fund	7,721	daily	1 business day
Multi-Strategy Equity Fund	5,768	monthly	5 business days
High Quality Bond Fund	5,692	weekly	5 business days
SSgA MSCI EAFE Index	4,375	daily	2 business days
SSgA MSCI Emerging Markets Fund	1,415	daily	2 business days
Other Investments	168		
<b>Total:</b>	<b>25,139</b>		

	Fair Value June 30, 2019 USD'000	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Multi-Strategy Equity Fund	8,574	monthly	5 business days
Equity Index Fund	6,372	daily	1 business day
SSgA MSCI EAFE Index	4,909	daily	2 business days
High Quality Bond Fund	4,461	weekly	5 business days
SSgA MSCI Emerging Markets Fund	1,464	daily	2 business days
Other Investments	246		
<b>Total:</b>	<b>26,026</b>		

AUBG invests in high quality, investment grade securities and maintains a prudent diversification in its portfolios. AUBG's endowment fund is invested according to the following Strategic Asset Allocation (SAA) as of June 30, 2020 and June 30, 2019, approved by the Board of Trustees:

June 30, 2020	Strategic Asset Allocation	of which USD	Int'l
Cash & Money Market	5%	5%	-
Fixed Income	25%	17%	8%
Equities	70%	53%	17%
	<b>100%</b>	<b>75%</b>	<b>25%</b>

  

June 30, 2019	Strategic Asset Allocation	of which USD	Int'l
Cash & Money Market	10%	10%	-
Fixed Income	20%	12%	8%
Equities	70%	53%	17%
	<b>100%</b>	<b>75%</b>	<b>25%</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. INVESTMENTS (CONTINUED)

Any change to the SAA must be approved by the full Board. The Investment Committee is allowed to make tactical changes to the SAA and currency allocation without seeking full board approval as long as these changes remain within the range of +/- 10% of the SAA for each asset class.

At its January 2020 meeting, the Board of Trustees approved the Endowment Spending Policy as follows: FY2021 Endowment drawdown will be based on the average market value of the Endowment for the last 12 quarters ended 31 December 2019 multiplied by 4.25% for the Quasi endowment and 4.00% for the Pooled endowment.

## Long-term investment activity for FY 2019-2020:

	Quasi- Endowment (without donor restrictions)* USD'000	Pooled Endowment (with donor restrictions) USD'000	Total USD'000
Endowment balance at beginning of year	19,078	9,222	28,300
Additions	-	131	131
Drawdowns	(739)	(331)	(1,070)
Investment return, net	279	152	431
<b>Endowment balance at end of year:</b>	<b>18,618</b>	<b>9,174</b>	<b>27,792</b>

\* The Board-designated endowments are included in the "Quasi Endowment" since there are no donor restrictions attached to them. Withdrawals of \$739K include \$710K from USAID endowment and \$29K from Board-designated endowments.

Note 6	USD'000	Statement of Activities	USD'000
Investment return, net (Quasi-Endowment):	279	Investment return, net, without donor restrictions, USAID endowment	266
Investment return, net (Pooled Endowment):	152	Investment return, net, without donor restrictions, Board-designated Endowment	13
	-	Investment return, net, without donor restrictions, other investment income without donor restrictions	5
	-	Investment return, net, with donor restrictions, Pooled endowment	147
<b>Subtotal:</b>	<b>431</b>	<b>Subtotal:</b>	<b>431</b>
	-	Investment return, net, with donor restrictions, Investments in Bulgaria	(89)
	-	FX gains and losses	(26)
<b>Total:</b>	<b>431</b>	<b>Total:</b>	<b>316</b>

## Endowment Net Asset Composition by Type of Fund as of June 30, 2020

	Quasi- Endowment (without donor restrictions) USD'000	Pooled Endowment (with donor restrictions) USD'000	Total USD'000
Board-designated endowment funds	18,618	-	18,618
Donor-restricted endowment funds:			
Original donor-restricted gift amount plus any subsequent additions and amounts required to be maintained in perpetuity by donor	-	6,937	6,937
Accumulated investment gains	-	4,426	4,426
Withdrawals	-	(2,189)	(2,189)
<b>Total funds:</b>	<b>18,618</b>	<b>9,174</b>	<b>27,792</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. INVESTMENTS (CONTINUED)

Long-term investment activity for FY 2018-2019:

	Quasi- Endowment (without donor restrictions)* USD'000	Pooled Endowment (with donor restrictions) USD'000	Total USD'000
Endowment balance at beginning of year	18,659	8,750	27,409
Additions	-	146	146
Drawdowns	(789)	(331)	(1,120)
Investment return, net	1,208	657	1,865
<b>Endowment balance at end of year:</b>	<b>19,078</b>	<b>9,222</b>	<b>28,300</b>

\* The Board-designated endowments are included in the "Quasi Endowment" since there are no donor restrictions attached to them. Withdrawals of \$789K include \$760K from USAID endowment and \$29K from Board-designated endowments.

Note 6	USD'000	Statement of Activities	USD'000
Investment return, net (Quasi-Endowment):	1,208	Investment return, net, without donor restrictions, USAID endowment	1,151
Investment return, net (Pooled Endowment):	657	Investment return, net, without donor restrictions, Board-designated Endowment	58
	-	Investment return, net, without donor restrictions, other investment income without donor restrictions	21
	-	Investment return, net, with donor restrictions, Pooled endowment	635
<b>Subtotal:</b>	<b>1,865</b>	<b>Subtotal:</b>	<b>1,865</b>
	-	Investment return, net, with donor restrictions, Investments in Bulgaria	(142)
	-	FX gains and losses	(25)
<b>Total:</b>	<b>1,865</b>	<b>Total:</b>	<b>1,698</b>

## Endowment Net Asset Composition by Type of Fund as of June 30, 2019

	Quasi- Endowment (without donor restrictions) USD'000	Pooled Endowment (with donor restrictions) USD'000	Total USD'000
Board-designated endowment funds	19,078	-	19,078
Donor-restricted endowment funds:			
Original donor-restricted gift amount plus any subsequent additions and amounts required to be maintained in perpetuity by donor	-	6,806	6,806
Accumulated investment gains	-	4,274	4,274
Withdrawals	-	(1,858)	(1,858)
<b>Total funds:</b>	<b>19,078</b>	<b>9,222</b>	<b>28,300</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. PROPERTY, PLANT &amp; EQUIPMENT AND INTANGIBLE ASSETS

	June 30, 2020	June 30, 2019
	USD'000	USD'000
<b>Land</b>	<b>3,022</b>	<b>3,022</b>
Buildings	35,373	35,373
Less: accumulated depreciation	(10,428)	(9,529)
<b>Buildings Net Book Value</b>	<b>24,945</b>	<b>25,844</b>
Office machines and equipment	4,969	5,008
Less: accumulated depreciation	(4,787)	(4,706)
<b>Office Machines and Equipment Net Book Value</b>	<b>182</b>	<b>302</b>
Motor vehicles	90	90
Less: accumulated depreciation	(90)	(90)
<b>Motor Vehicles Net Book Value</b>	<b>-</b>	<b>-</b>
Furniture and fixtures	2,656	2,753
Less: accumulated depreciation	(2,557)	(2,574)
<b>Furniture and Fixtures Net Book Value</b>	<b>99</b>	<b>179</b>
Library books	945	933
Less: accumulated depreciation	(828)	(802)
<b>Library Books Net Book Value</b>	<b>117</b>	<b>131</b>
Other intangible assets	1,333	1,444
Less: accumulated amortization	(1,332)	(1,441)
<b>Other Intangible Assets Net Book Value</b>	<b>1</b>	<b>3</b>
<b>Assets under construction</b>	<b>166</b>	<b>166</b>
<b>Total Book Value</b>	<b>48,554</b>	<b>48,789</b>
<b>Less: Depreciation and Amortization</b>	<b>(20,022)</b>	<b>(19,142)</b>
<b>Total Net Book Value</b>	<b>28,532</b>	<b>29,647</b>
	<b>FY20</b>	<b>FY19</b>
	USD'000	USD'000
<b>Depreciation expenses:</b>		
Property, Plant and Equipment	1,249	1,412
Intangible Assets	1	21
<b>Total</b>	<b>1,250</b>	<b>1,433</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. OTHER LONG-TERM ASSETS

Other long-term assets include:

	June 30, 2020	June 30, 2019
	USD'000	USD'000
Long lived assets held, not used	295	295
Cash deposits for student loans guarantees, net	13	11
Student loans receivable, net	2	10
<b>Total</b>	<b>310</b>	<b>316</b>

## 9. SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM DEBT

	June 30, 2020	June 30, 2019
	USD'000	USD'000
Overdraft/ Raiffeisen Bank (max. amount: USD 2.2 million)	2,059	1,382
Current portion of long-term debt/ DFC (note 13)	292	583
<b>Total</b>	<b>2,351</b>	<b>1,965</b>

The overdraft facility from Raiffeisenbank expires on November 25, 2022. It is secured as follows: 1. 100% pledge over cash in AUBG bank accounts with Raiffeisenbank Bulgaria EAD /USD 685 thousand as of June 30, 2020 and USD 61 thousand as of June 30, 2019/, and 2. Promissory note, issued by AUBG with expiration date one month after the expiration date of the overdraft. As disclosed in Note 19, the used amount from the Overdraft has been repaid in August 2020.

## 10. ACCOUNTS PAYABLE

	June 30, 2020	June 30, 2019
	USD'000	USD'000
Payables to vendors and others	397	52
Tax and social security payables	121	158
Payables to undergraduate students	22	31
DFC loan interest payable	19	26
<b>Total</b>	<b>559</b>	<b>267</b>

## 11. ACCRUED LIABILITIES AND CURRENT PORTION OF RETIREMENT BENEFITS

	June 30, 2020	June 30, 2019
	USD'000	USD'000
Current portion of retirement benefit provision (Note 14)	253	239
Accrued expenses	193	155
Accrued vacation	184	249
<b>Total</b>	<b>630</b>	<b>643</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. DEFERRED REVENUE AND OTHER LIABILITIES

	June 30, 2020	June 30, 2019
	USD'000	USD'000
Deferred revenue from undergraduate students	609	514
Deferred revenue from graduate students	97	65
Advance ELI payments	62	65
Advance payments for seminars	22	93
Other	12	-
<b>Total</b>	<b>802</b>	<b>737</b>

## 13. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30, 2020	June 30, 2019
	USD'000	USD'000
Principal amount	1,583	2,167
Less unamortized cost	(15)	(23)
Less current portion (Note 9)	(292)	(583)
<b>Long-term debt, net</b>	<b>1,276</b>	<b>1,561</b>

Long-term debt represents a loan from the U.S. International Development Finance Corporation (DFC) amounting up to USD 10 million for the construction of AUBG Student Center. As collateral, AUBG pledged 142,000 units in USAID Endowment High Quality Bond Fund at the total amount of USD 1,912 thousand as of June 30, 2020. In addition, AUBG established a Debt Service Reserve Account funded with an amount equal to the aggregate amount of Debt Service for the immediately succeeding six-month period. The loan will be repaid in full by September 2023.

The total amount of interest cost incurred for the year ended June 30, 2020 is USD 75 thousand (year ended June 30, 2019: USD 99 thousand).

The principal and interest amounts payable for each of the following years are as follows:

Year ended	Principal payable (USD '000)	Interests payable (USD '000)
June 30, 2021	292	61
June 30, 2022	583	40
June 30, 2023	583	17
June 30, 2024	125	1

## 14. RETIREMENT BENEFIT PROVISION

The calculations of the Retirement Benefit Provision are based on the following assumptions:

	June 30, 2020	June 30, 2019
	USD'000	USD'000
Discount rate	0.55%	1.63%
(interest rate for 10-year Government Bonds, source: Bulgarian National Bank)	10%	10%
Turnover rate		



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. RETIREMENT BENEFIT PROVISION (CONTINUED)

The Retirement Benefits are expected to be paid:

	June 30, 2020	June 30, 2019
	USD'000	USD'000
<b>Current liability (within 1 year (Note 11))</b>	<b>253</b>	<b>239</b>
<b>Long-term liability:</b>		
2 years	19	36
3 years	18	16
4 years	18	19
5 years	17	16
More than 5 years	105	95
<b>Long-term liability</b>	<b>177</b>	<b>182</b>
<b>Total:</b>	<b>430</b>	<b>421</b>

The expense for retirement benefits recognized in the consolidated statement of activities for FY20 is USD 14 thousand (FY19: USD 26 thousand).

## 15. NET ASSETS WITHOUT DONOR RESTRICTIONS

	June 30, 2020	June 30, 2019
	USD'000	USD'000
<b>Net assets without donor restrictions as of the beginning of the year</b>	<b>43,602</b>	<b>43,771</b>
Reclassifications and corrections	(9)	3
Change in net assets without donor restrictions	133	(172)
<b>Net assets without donor restrictions as of the end of the year</b>	<b>43,726</b>	<b>43,602</b>

Net Assets without donor restrictions as of June 30, 2020 and June 30, 2019 include the following Board-designated endowment funds:

	June 30, 2020	June 30, 2019
	USD'000	USD'000
USAID Quasi-Endowment	17,830	18,274
Panitza Memorial Professorship Endowment	963	950
<b>Total Board-designated endowment funds</b>	<b>18,793</b>	<b>19,224</b>

USAID Quasi-Endowment was funded through a Cooperative Agreement with the United States Agency for International Development (USAID) dated in 2002. The endowment was intended to enable the University to achieve financial sustainability independent of U.S. Government assistance by 2008, which was achieved 2 years earlier, in FY06. Besides the approved drawdown, the funds may be used for operating or capital needs after Board's approval.

Panitza Memorial Professorship Endowment was created by the Board of Trustees to develop and stimulate interdisciplinary research and student interest into the social, cultural, political and economic effects of communist

rule in recent Eastern Europe during the second half of the 20th century and their relevance for democracies in transition. Program activities may include creation of a part-time faculty position or a one-semester appointment, as well as lectures, seminars and research activities. Once the Endowed Fund has reached \$1 million, the University shall appoint an individual, who shall be distinguished in teaching and research in one or more of the interdisciplinary areas pertaining to the study of Communism and post-Communism in Eastern Europe, to hold the Professorship.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. NET ASSETS WITH DONOR RESTRICTIONS

	June 30, 2019 Balance	Contributions for the year	Scholarships	Satisfaction of program restrictions	Satisfaction of equipment acquisition	Program Income (Loss)	Reclass.	June 30, 2020 Balance
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Anna Tchaprachikoff	4,548	-	-	(113)	-	76	-	4,511
Athanas Zamphiroff	2,840	-	(30)	-	-	41	-	2,851
America for Bulgaria Foundation	2,630	30	(1,487)	-	-	(88)	-	1,085
Gifts to the Pooled Endowment	1,693	132	-	-	-	-	-	1,825
OSI Scholarships	427	-	(161)	-	-	-	-	266
Lacezar Tsotsorkov Dist. Scholarship	237	4	(62)	-	-	-	-	179
Stifnung Usine Foundation	236	-	(74)	-	-	-	-	162
Dilian Pavlov Multitalent Quest Scholarship	-	100	-	-	-	-	-	100
Elvin Guri Scholarships	63	100	(12)	-	-	-	-	151
Draganov Family Scholarship	-	100	-	-	-	-	-	100
AUBG Accelerator Fund	60	28	-	(48)	(1)	-	-	39
Other	1,032	310	(222)	(31)	(6)	30	(4)	1,109
<b>Total</b>	<b>13,766</b>	<b>804</b>	<b>(2,048)</b>	<b>(192)</b>	<b>(7)</b>	<b>59</b>	<b>(4)</b>	<b>12,378</b>

Note 16	USD'000	Statement of Activities	USD'000
Scholarships	(2,048)	Release from Restriction, net (Contribution and Grants)	(2,232)
Satisfaction of program restrictions	(192)	Release from Restriction, net (English Language Institute)	(5)
Satisfaction of equipment acquisition	(7)	Release from Restriction, net (CEP and External Projects)	(10)
<b>Total:</b>	<b>(2,247)</b>	<b>Total:</b>	<b>(2,247)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	June 30, 2018 Balance (Temp. & Perm. Restricted)	Reclassifications after the adoption of ASU 2016-14	Revised June 30, 2018 Balance	Contributions for the year	Scholarships	Satisfaction of program restrictions	Satisfaction of equipment acquisition	Program Income (Loss)	Reclass.	June 30, 2019 Balance
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Anna Tchaprachikoff	4,303	-	4,303	-	-	(87)	-	332	-	4,548
Athanas Zamphiroff	2,669	-	2,669	-	(10)	-	-	181	-	2,840
America for Bulgaria Foundation	12,548	(6,917)	5,631	(1,000) *	(1,859)	-	-	(142)	-	2,630
Gifts to the Pooled Endowment	1,588	-	1,588	105	-	-	-	-	-	1,693
OSI Scholarships	710	-	710	-	(282)	(1)	-	-	-	427
Lacezar Tsotsorkov Dist. Scholarship	-	-	-	237	-	-	-	-	-	237
Stiftung Usine Foundation	300	-	300	-	(64)	-	-	-	-	236
Elvin Guri Scholarships	91	-	91	-	(28)	-	-	-	-	63
AUBG Accelerator Fund	-	-	-	60	-	-	-	-	-	60
Other	1,197	(101)	1,096	202	(295)	(80)	(11)	123	(3)	1,032
USAID Quasi - Endowment Fund	17,883	(17,883)	-	-	-	-	-	-	-	-
ASHA Grants	4,208	(4,201)	7	-	-	-	(7)	-	-	-
Board Designated Endowment	893	(893)	-	-	-	-	-	-	-	-
Balkanski Family	729	(729)	-	-	-	-	-	-	-	-
Novartis/ Carl Djerassi naming gift	293	(293)	-	-	-	-	-	-	-	-
Philippe Bertherat	173	(173)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>47,585</b>	<b>(31,190)</b>	<b>16,395</b>	<b>(396)</b>	<b>(2,538)</b>	<b>(168)</b>	<b>(18)</b>	<b>494</b>	<b>(3)</b>	<b>13,766</b>

Note 16	USD '000	Statement of Activities	USD '000
Scholarships:	(2,538)	Release from Restriction, net (Contribution and Grants)	(2,654)
Satisfaction of program restrictions	(168)	Release from Restriction, net (English Language Institute)	(43)
Satisfaction of equipment acquisition	(18)	Release from Restriction, net (CEP and External Projects)	(2)
		Tchaprachikoff-related expenses (included in the contributions revenue)	(25)
<b>Total:</b>	<b>(2,724)</b>	<b>Total:</b>	<b>(2,724)</b>

\* With a letter dated April 9, 2019, ABF requested the return of USD 1,318 thousand as a residual amount after closing Grant EDU 0057 (scholarships for cohorts FY13-FY15, which expired in 2018). Following some discussions and clarifications, the actual amount, verifiable in AUBG books, was agreed as USD 1,062 thousand. This amount was transferred back to ABF in two tranches on May 2 and May 16, 2019. We used our overdraft facility to make the transfer after Board approval.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. CONTINGENT ASSETS

In early 2020, ABF informed AUBG that it will donate to the university an amount equal to the sum of all cash donations effectively paid by AUBG alumni to the university in the period January 1, 2020 – December 31, 2020, provided that the maximum ABF gift will not exceed \$500,000. The disbursement of the ABF gift is subject to AUBG presenting to ABF documentary evidence that ABF may request to satisfy itself that the conditions of the matching gift have been fulfilled. As of June 30, 2020 the total amount of alumni cash donations to the university amount to approximately USD 215,000. AUBG has not reported a corresponding receivable from ABF because we cannot reliably estimate the share of the alumni donation that will satisfy the conditions of the ABF matching gift, and will be paid to AUBG.

## 18. NATURAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural expense categories for the year ended June 30, 2020 consist of the following:

	Supplies and Services	Depreciation	Salaries and social insurance	Other	Total
<b>FY20 (USD'000)</b>					
Education and General	715	218	4,259	104	5,296
Development and University Relations	191	5	184	27	407
Institutional Support	1,514	987	1,730	285	4,516
Outreach Activities	333	11	426	56	826
Auxiliary Activities	421	28	347	3	799
Other	-	-	-	144	144
<b>Total:</b>	<b>3,174</b>	<b>1,249</b>	<b>6,946</b>	<b>619</b>	<b>11,988</b>

Expenses by functional and natural expense categories for the year ended June 30, 2019 consist of the following:

	Supplies and Services	Depreciation	Salaries and social insurance	Other	Total
<b>FY19 (USD'000)</b>					
Education and General	854	317	4,397	160	5,728
Development and University Relations	276	22	163	22	483
Institutional Support	1,534	1,012	1,830	266	4,642
Outreach Activities	515	17	469	72	1,073
Auxiliary Activities	495	65	338	5	903
Other	-	-	-	268	268
<b>Total:</b>	<b>3,674</b>	<b>1,433</b>	<b>7,197</b>	<b>793</b>	<b>13,097</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2020, financial assets and liquidity resources available within one year for general expenditures are as follows:

	June 30, 2020 USD'000	June 30, 2019 USD'000
Financial assets:		
Cash and cash equivalents (for unrestricted use)	1,967	277
Accounts receivable (excl. deferred expenses)	56	212
Contributions receivable within one year	1,275	1,153
FY 2020-2021 endowment drawdown	1,130	1,070
Total financial assets available within one year	4,428	2,712
Available not utilized overdraft limit	141	818
Total financial assets and liquidity resources available within one year	4,569	3,530

The University's cash flows have seasonal variations mainly due to tuition billing. To manage liquidity, the University maintains an overdraft facility at the amount of USD 2,200 thousand.

## 20. COVID-19 IMPACT ASSESSMENT

Since early March 2020, the spread of COVID-19 has severely affected many of the economies around the globe. Measures taken by governments to curtail the spread of the virus, including travel restrictions, bans on public gatherings, closures of certain type of activities and services, and quarantines, have caused significant challenges to the operations of many companies as well as not-for-profit entities. Global capital markets have also been volatile, although they have managed to recover most of the losses that were incurred immediately after the start of the pandemic.

The higher education institutions throughout the world were also significantly affected by the COVID-19 crisis. Shortly after the World Health Organization declared COVID-19 as a global pandemic, many universities were forced to close their campuses and switch to online instructions in order to protect the health and safety of their students and employees. AUBG adopted a similar tactics and on March 20, 2020 closed its campus for students<sup>1</sup> and switched entirely to online classes.

The immediate financial impact of COVID-19 on AUBG's operations was moderately positive. On one hand, the negative impact on revenues was limited and related only to partial refunds of housing fees and rollover of unused meal plan deposits. On the other hand, the early closing of the campus led to savings in certain categories of expenses such as utilities, travelling and events-related expenses. As a result, AUBG recorded a significant operating surplus compared to a small deficit in the previous year.

The long-term impact of COVID-19 on AUBG's operations is expected to be less positive, although the exact impact cannot be reliably estimated at this stage. The key risks associated with the crisis and the mitigating measures introduced by management are outlined below:

<sup>1</sup> A small number of international students remained on campus due to inability to travel back to their home countries.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****20. COVID-19 IMPACT ASSESSMENT (CONTINUED)****Enrollment**

The key risk is associated with AUBG's ability to maintain its historical student enrollment of around 900 undergraduate students plus around 25-30 EMBA students. In addition, as a residential university with residence halls, dining and sport facilities, AUBG depends on significant number of these students being present on-campus.

AUBG's Management has taken measures to maintain the student enrollment in FY21. These include but are not limited to the following:

- Introducing a hybrid form of instruction, which gives students the opportunity to take classes both on-campus as well as online, while also providing for social distancing in the classrooms;
- Increasing health & safety measures on campus including temperature monitoring devices, special protocols for physical distancing and requirements for wearing protective gear in public areas, use of UVC air filters, increase hygiene, etc.;
- Awarding additional donation-funded financial aid to students whose families have been affected by the COVID-19 crisis; 78% of all AUBG students receive some form of a scholarship.
- Moving Certain deadlines (including payment deadlines) to give students and their families more flexibility to cope with the financial liabilities;
- Working proactively with key donors to increase the value of donations that AUBG receives annually. The recent appointment of a Special Advisor to the President for Advancement is a yet another step in this direction.

**Tuition and fees**

Approximately 65% of AUBG's unrestricted operating revenues come from tuition and fees that students pay. Maintaining and slightly increasing the level of tuition and fees is essential for the sustainability of AUBG's operations. The COVID-19 pandemic is expected to cause a global recession and increase unemployment, thus making it difficult for some students and their families to pay these fees.

The management's response to this challenge includes:

- AUBG worked with the America for Bulgaria Foundation (ABF) and Tokuda Bank to introduce an innovative loan financing mechanism for Bulgarian nationals. The innovation is associated with the fact that ABF is prepared to repay a part or all of the loan principal on behalf of the student, if he or she fulfills certain requirements, including living and working in Bulgaria a certain number of years after graduation;
- AUBG is currently providing limited options for deferred payment of tuition and fees but management is exploring opportunities for expanding the deferred payment options;
- After successfully raising approximately \$300,000 in donations to fund additional scholarships for students and families adversely affected by COVID-19, the advancement staff will continue to call attention to student need to support attendance in the spring and in academic year 2021-2022.

The enrollment outlook for FY2021 is relatively positive and management does not anticipate a major decline in student enrollment compared to FY2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**20. COVID-19 IMPACT ASSESSMENT (CONTINUED)****Switching to online classes**

There is a risk that, following the start of the academic year, there will be an outbreak of COVID-19 cases, forcing AUBG to switch entirely to online education. It is also possible that government action to control the pandemic could require the campus to close at any point during the academic year. If this were to happen, certain categories of revenues – housing, student activity, dining revenues but not tuition – will be reduced due to the need to provide refunds to students.

AUBG has developed a refund policy of the housing fees, student activity fees and meal plan deposits to students. The refund policy is based on offsetting future fees that students will have to pay to AUBG, thus minimizing the negative effect on the university's liquidity position. In a worst-case scenario (closing the campus during the first week of classes), management expect to refund around \$550,000 of housing fees, student activity fees and meal deposits to students. We do not believe that this scenario is likely, though it is harder to predict what will happen in our months.

**Cost control**

As Covid-19 increases the pressure on tuition fees and enrollment rates, it is important for AUBG to maintain financial discipline and exert control over operating expenses. Starting in March 2020, the management undertook a close review of key expense categories and introduced various measures to keep costs under control. These include but are not limited to significant reduction in travelling and accommodations budgets, hiring freeze (unless a replacement is absolutely needed), managerial pre-approval of expenses that exceed a specific threshold, etc.

**Liquidity**

Lack of liquid resources is a major risk associated with the COVID-19 crisis. AUBG has an overdraft credit facility of USD 2.2 million plus access to liquid resources from the USAID Quasi Endowment. The latter constitutes a "last resort" option and can be used only if approved by the Board of Trustees.

In addition, Management has taken actions to improve AUBG's liquidity position by negotiating a repayment deferral of the University's investment loan from the Development Finance Corporation (DFC) and renegotiating the payment terms under key vendor contracts.

**Financial liabilities**

AUBG's main financial liabilities comprise an investment loan from the DFC and an overdraft facility from a Bulgarian commercial bank. Both loan facilities are being serviced on time and in compliance with the contractual requirements. In July 2020, AUBG obtained approval from DFC to defer the regular principal repayment due on 15 September, which will allow the University to build a liquidity buffer to cover any unforeseen COVID-19-related outflows during FY2021.

**Endowment**

AUBG endowment is invested in a diversified and liquid portfolio of high-quality, publicly-traded financial assets. The start of the COVID-19 pandemic negatively impacted on most capital markets throughout the world. As a result, AUBG's investment portfolio declined in value in February and early March 2020 but since then has been able to recuperate a substantial part of the losses.

Even though COVID-19-induced risks can negatively impact on the market value of AUBG's endowment, this does not carry immediate operational and financial risks for AUBG. This is due to the fact that the cash inflows from the endowment are based on the average market value of the endowment over the last twelve quarters, which means that the effect of any temporary adjustments in the market values – positive or negative – are evened out and do not immediately impact on AUBG's cash flows and liquidity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**21. SUBSEQUENT EVENTS**

The overdraft utilized as of June 30, 2020 at the amount of USD 2,059 thousand was repaid in August 2020.

Subsequent events have been evaluated through September 23, 2020, which is the date the consolidated financial statements were available to be issued and the management has concluded that, except for the repayment of the overdraft discussed above, there were no such events that require adjustment to the consolidated financial statements or disclosure to the notes to the accompanying consolidated financial statements.