



**AMERICAN UNIVERSITY IN BULGARIA**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**as of and for the year ended June 30, 2019,**  
**and Independent Auditor's Report**

## Consolidated Statements of Financial Position as of June 30, 2019 and June 30, 2018

	Note	June 30, 2019 USD'000	June 30, 2018 USD'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	3,491	3,969
Accounts receivable and prepayments	4	532	523
Contributions receivable	5	1,153	1,150
Inventories		187	219
<b>Subtotal current assets</b>		<b>5,363</b>	<b>5,861</b>
<b>Long-term assets</b>			
Long-term contributions receivable	5	1,371	1,996
Investments	6	26,026	25,850
Property, plant & equipment, and intangible assets	7	29,647	30,777
Other long-term assets	8	316	326
<b>Subtotal long term assets</b>		<b>57,360</b>	<b>58,949</b>
<b>TOTAL ASSETS</b>		<b>62,723</b>	<b>64,810</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Short-term borrowings and current portion of long-term debt	9	1,965	583
Accounts payable	10	267	257
Accrued liabilities and current portion of retirement benefits	11	643	643
Deferred revenue and other liabilities	12	737	841
<b>Subtotal current liabilities</b>		<b>3,612</b>	<b>2,324</b>
<b>Long-term liabilities</b>			
Long-term debt	13	1,561	2,138
Retirement benefit provision	14	182	182
<b>Subtotal long-term liabilities</b>		<b>1,743</b>	<b>2,320</b>
<b>TOTAL LIABILITIES</b>		<b>5,355</b>	<b>4,644</b>
<b>Net assets</b>			
Without donor restrictions	15	43,602	43,771
With donor restrictions	16	13,766	16,395
<b>TOTAL NET ASSETS</b>		<b>57,368</b>	<b>60,166</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>62,723</b>	<b>64,810</b>

Signed on behalf of the American University in Bulgaria:



Date: October 18th, 2019

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

## Consolidated Statements of Activities for the years ended June 30, 2019 and 2018

	Year ended June 30, 2019			Year ended June 30, 2018 (represented)		
	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	10,156	-	10,156	9,837	-	9,837
Institutionally-Funded Scholarships	(2,065)	-	(2,065)	(2,007)	-	(2,007)
Externally-Funded Scholarships	(2,506)	-	(2,506)	(2,240)	-	(2,240)
	5,585	-	5,585	5,590	-	5,590
Interest on Student Loans	4	-	4	5	-	5
Other Student Fees, net of 5/9 externally-funded scholarships	568	-	568	537	-	537
<b>SUBTOTAL UNDERGRADUATE PROGRAM</b>	<b>6,157</b>	<b>-</b>	<b>6,157</b>	<b>6,132</b>	<b>-</b>	<b>6,132</b>
<b>CONTRIBUTIONS AND GRANTS</b>						
Federal Grants	-	67	67	-	71	71
Private Gifts and Grants	103	596	699	101	1,438	1,539
Grants write-offs (see note 16)	-	(1,088)	(1,088)	-	(33)	(33)
Income released for costs Financed from Pooled Endowment	179	(179)	-	165	(165)	-
Release from Restrictions, net	2,475	(2,475)	-	2,588	(2,588)	-
Amortization of capital gifts to construct long-term assets	413	-	413	413	-	413
<b>SUBTOTAL CONTRIBUTIONS AND GRANTS</b>	<b>3,170</b>	<b>(3,079)</b>	<b>91</b>	<b>3,267</b>	<b>(1,277)</b>	<b>1,990</b>
<b>USAID ENDOWMENT INCOME DISTRIBUTED</b>	<b>760</b>	<b>-</b>	<b>760</b>	<b>730</b>	<b>-</b>	<b>730</b>
<b>OUTREACH ACTIVITIES</b>						
English Language Institute	338	(40)	298	341	(56)	285
Conferences and Institutes/ External Events	241	-	241	264	-	264
Elieff Center Services & Executive Education	171	-	171	98	-	98
Center for European Programs and External Projects	4	(1)	3	13	(13)	-
Graduate Programs	544	-	544	710	-	710
<b>SUBTOTAL OUTREACH ACTIVITIES</b>	<b>1,298</b>	<b>(41)</b>	<b>1,257</b>	<b>1,426</b>	<b>(69)</b>	<b>1,357</b>
<b>AUXILIARY ACTIVITIES</b>						
Bookstore, net of 2/2 externally-funded scholarships	71	-	71	87	-	87
Residence Life, net of 12/20 externally-funded scholarships	812	-	812	812	-	812
Dining Services, net of 11/10 externally-funded scholarships	538	-	538	554	-	554
<b>SUBTOTAL AUXILIARY ACTIVITIES</b>	<b>1,421</b>	<b>-</b>	<b>1,421</b>	<b>1,453</b>	<b>-</b>	<b>1,453</b>
<b>OTHER REVENUES</b>	<b>88</b>	<b>-</b>	<b>88</b>	<b>99</b>	<b>-</b>	<b>99</b>
<b>TOTAL REVENUES</b>	<b>12,894</b>	<b>(3,120)</b>	<b>9,774</b>	<b>13,107</b>	<b>(1,346)</b>	<b>11,761</b>

## Consolidated Statements of Activities for the years ended June 30, 2019 and 2018

	Year ended June 30, 2019			Year ended June 30, 2018 (represented)		
	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 17)</b>						
<b>EDUCATION AND GENERAL</b>						
Instruction and Research	4,206	-	4,206	3,904	-	3,904
Academic Support	1,748	-	1,748	1,729	-	1,729
Student Services	925	-	925	952	-	952
<b>SUBTOTAL EDUCATION AND GENERAL</b>	<b>6,879</b>	<b>-</b>	<b>6,879</b>	<b>6,585</b>	<b>-</b>	<b>6,585</b>
<b>DEVELOPMENT AND UNIVERSITY RELATIONS</b>	<b>507</b>	<b>-</b>	<b>507</b>	<b>501</b>	<b>-</b>	<b>501</b>
<b>INSTITUTIONAL SUPPORT</b>						
Division of Finance	556	-	556	545	-	545
Physical Plant	111	-	111	415	-	415
Operations and Administration	1,670	-	1,670	1,662	-	1,662
<b>SUBTOTAL INSTITUTIONAL SUPPORT</b>	<b>2,337</b>	<b>-</b>	<b>2,337</b>	<b>2,622</b>	<b>-</b>	<b>2,622</b>
<b>OUTREACH ACTIVITIES</b>						
English Language Institute	356	-	356	358	-	358
Conferences and Institutes/ External Events	206	-	206	245	-	245
Elieff Center Services & Executive Education	266	-	266	265	-	265
Center for European Programs and External Projects	6	-	6	26	-	26
Graduate Programs	642	-	642	627	-	627
<b>SUBTOTAL OUTREACH ACTIVITIES</b>	<b>1,476</b>	<b>-</b>	<b>1,476</b>	<b>1,521</b>	<b>-</b>	<b>1,521</b>
<b>AUXILIARY ACTIVITIES</b>						
Bookstore	89	-	89	96	-	96
Residence Life	906	-	906	808	-	808
Dining Services	635	-	635	621	-	621
<b>SUBTOTAL AUXILIARY ACTIVITIES</b>	<b>1,630</b>	<b>-</b>	<b>1,630</b>	<b>1,525</b>	<b>-</b>	<b>1,525</b>
Scholarships for External Graduate Studies	58	-	58	115	-	115
Student Loans/ Fees Reversals	(8)	-	(8)	(24)	-	(24)
Other Expenses (incl. interest expenses)	218	-	218	157	-	157
<b>TOTAL EXPENSES</b>	<b>13,097</b>	<b>-</b>	<b>13,097</b>	<b>13,002</b>	<b>-</b>	<b>13,002</b>
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>(203)</b>	<b>(3,120)</b>	<b>(3,323)</b>	<b>105</b>	<b>(1,346)</b>	<b>(1,241)</b>
<b>USAID Endowment Income Distributed</b>	<b>(760)</b>	<b>-</b>	<b>(760)</b>	<b>(730)</b>	<b>-</b>	<b>(730)</b>
Investment return, net (incl. FX gains and losses )	1,204	494	1,698	1,588	667	2,255
Amortization of capital gifts to construct long-term assets	(413)	-	(413)	(413)	-	(413)
<b>CHANGE IN NET ASSETS before reclassifications</b>	<b>(172)</b>	<b>(2,626)</b>	<b>(2,798)</b>	<b>550</b>	<b>(679)</b>	<b>(129)</b>
Reclassifications	3	(3)	-	30,812	(30,812)	-
Net assets at beginning of year	43,771	16,395	60,166	12,409	47,886	60,295
Net assets at end of year	43,602	13,766	57,368	43,771	16,395	60,166

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



## Consolidated Statements of Cash Flows for the years ended June 30, 2019 and 2018

	FY19	FY18
	USD'000	(represented) USD'000
<b>Cash flows from operating activities</b>		
Change in net assets	(2,798)	(129)
Adjustments to change in net assets:		
Revenue from fund-raising activities	(768)	(1,610)
Grants write-offs	1,088	33
Decrease (Increase) in accounts receivable, prepayments, and inventories	23	(180)
(Decrease) Increase in current liabilities and retirement benefits	(87)	210
Decrease (Increase) in student loans receivable, net	5	(7)
Decrease in cash deposits for student loans guarantees	5	6
Depreciation and amortization (Note 7)	1,433	1,493
In-kind donation of property, plant and equipment and investment property	(8)	(5)
(Gain) from investing activities	(1,680)	(2,263)
<b>Net cash used in operating activities other than fund-raising</b>	<b>(2,787)</b>	<b>(2,452)</b>
Revenue from fund-raising activities	764	1,605
Grants write-offs	(1,084)	(28)
Decrease (Increase) in contributions receivable	622	(479)
<b>Net cash provided by fund-raising activities</b>	<b>302</b>	<b>1,098</b>
<b>Net cash used in operating activities</b>	<b>(2,485)</b>	<b>(1,354)</b>
<b>Cash flows from investing activities</b>		
Construction and purchase of property, plant and equipment (Note 7)	(295)	(493)
(Purchase) of investment securities	(6,372)	-
Sale of investment securities	7,876	806
<b>Cash flow from investing activities</b>	<b>1,209</b>	<b>313</b>
<b>Cash flow from financing activities</b>		
Increase in short-term borrowings	1,381	-
(Decrease) in long-term borrowing	(583)	(3,908)
<b>Cash flow provided by (used in) financing activities</b>	<b>798</b>	<b>(3,908)</b>
<b>(Decrease) in cash and cash equivalents for the period</b>	<b>(478)</b>	<b>(4,949)</b>
<b>Cash and cash equivalents at the beginning of the period (Note 3)</b>	<b>3,969</b>	<b>8,918</b>
<b>Cash and cash equivalents at the end of the period (Note 3)</b>	<b>3,491</b>	<b>3,969</b>
	<b>FY19</b>	<b>FY18</b>
Interest payments	112	206

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 2018-2019, the University enrolled 886 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.

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 effective for fiscal years beginning after December 15, 2018. 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 2020.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.1. Basis of preparation (continued)

*Below is a recap of the net assets reclassification driven by the adoption of ASU 2016-14 as of June 30, 2018:  
Reclassification in Consolidated Statements of Financial Position:*

Net Assets Classification	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total Net Assets
	USD'000	USD'000	USD'000
As previously presented:			
Unrestricted	12,581	-	12,581
Temporarily Restricted	-	40,699	40,699
Permanently Restricted	-	6,886	6,886
<b>Total Net Assets as previously presented</b>	<b>12,581</b>	<b>47,585</b>	<b>60,166</b>
Reclassifications to implement ASU 2016-14:			
Unamortized capital gifts for construction	12,413	(12,413)	-
Board-designated endowments	18,777	(18,777)	-
<b>Total Net Assets as reclassified</b>	<b>43,771</b>	<b>16,395</b>	<b>60,166</b>

*Reclassifications in the Consolidated Statement of Activities driven by the adoption of ASU 2016-14 for the year ended June 30, 2018:*

Revenues	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total Revenue
	USD'000	USD'000	USD'000
As previously presented:			
Unrestricted	13,107	-	13,107
Temporarily Restricted	-	(2,558)	(2,558)
Permanently Restricted	-	69	69
<b>Total Revenues as previously presented</b>	<b>13,107</b>	<b>(2,489)</b>	<b>10,618</b>
Reclassifications to implement ASU 2016-14:			
Amortization of capital gifts for construction (reclassified to Non-operating activities)	-	413	-
Release of USAID Endowment Income Distributed (reclassified to Non-operating activities)	-	730	-
<b>Total Revenues as reclassified</b>	<b>13,107</b>	<b>(1,346)</b>	<b>11,761</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.1. Basis of preparation (continued)

Non-operating activities and change in Net Assets	ASU 2016-14 Classifications		Total Non-operating activities
	Without donor restrictions	With donor restrictions	
	USD'000	USD'000	USD'000
As previously presented:			
Unrestricted	38	-	38
Temporarily Restricted	-	2,217	2,217
Permanently Restricted	-	-	-
<b>Non-operating activities as previously presented</b>	<b>38</b>	<b>2,217</b>	<b>2,255</b>
Reclassifications to implement ASU 2016-14:			
Investment gains/ losses from USAID Endowment and Board-designated Endowment (reclassified to Net Assets without donor restrictions)	1,550	(1,550)	-
Amortization of capital gifts for construction (reclassified from operating activities)	(413)	-	(413)
Release of USAID Endowment Income Distributed (reclassified from operating activities)	(730)	-	(730)
<b>Total Non-operating activities as reclassified</b>	<b>445</b>	<b>667</b>	<b>1,112</b>

***Reclassifications in the Consolidated Statement of Cash flows for the year ended June 30<sup>th</sup>, 2018:***

Previously, the University presented net investment return as part of the investing activities cash flows in the Statement of Cash flows. In the current year's Statement of Cash flows the net investment return has been presented as an adjustment to net assets included in the Cash flows from operating activities, Net cash used in operating activities other than fund-raising. Comparative data for FY 2018 has been reclassified to be comparable to the changes in the current year's presentation.

	FY 2018 as originally reported	Reclassification	FY 2018 reclassified
Net cash (used in) provided by operating activities other than fund-raising	(189)	(2,263)	(2,452)
Net cash (used in) provided by operating activities	909	(2,263)	(1,354)
Cash flow (used in) provided by investing activities	(1,950)	2,263	313

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

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.

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

**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 active 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	<b>Years</b>
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.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.15. Contributions, gifts and grants (continued)**

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, 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, 2019) 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.

**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: 1.71866 as at June 30, 2019 and 1.67767 as at June 30, 2018.

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.



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

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 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, 2019. 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.

## 3. CASH AND CASH EQUIVALENTS

	June 30, 2019	June 30, 2018
	USD'000	USD'000
Commonfund/ State Street Institutional US Gov't Money Market	2,520	1,943
Deposits with restrictions	694	972
Cash on hand/bank deposits	277	1,054
<b>Total</b>	<b>3,491</b>	<b>3,969</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, 2019	June 30, 2018
	USD'000	USD'000
Deferred expenses	299	301
Accounts receivable	187	30
Prepayments and advances	21	87
Receivables from students, net of USD 25 / 21 thousand allowance	23	47
Tax receivables	2	58
<b>Total</b>	<b>532</b>	<b>523</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. CONTRIBUTIONS RECEIVABLE

Contributions receivable falling due within one year comprise of:

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	USD'000	USD'000
America for Bulgaria Foundation	991	991
Lacezar Tsotsorkov scholarships	58	-
Vassil Terziev	49	25
<i>Gross amount</i>	50	-
<i>Less Discount for time value of money</i>	(1)	-
Other	55	134
<b>Total</b>	<b>1,153</b>	<b>1,150</b>

Long-term contributions receivable comprise of:

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
		USD'000
America for Bulgaria Foundation	1,189	1,992
<i>Gross amount</i>	1,230	2,095
<i>Less Discount for time value of money</i>	(41)	(103)
Lacezar Tsotsorkov scholarships	113	-
<i>Gross amount</i>	120	-
<i>Less Discount</i>	(7)	-
Vassil Terziev endowment	69	-
<i>Gross amount</i>	75	-
<i>Less Discount for time value of money</i>	(6)	-
Other	-	4
<i>Gross amount</i>	-	4
<i>Less Discount for time value of money</i>	-	-
<b>Total</b>	<b>1,371</b>	<b>1,996</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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. INVESTMENTS

	June 30, 2019 Fair Value USD'000	June 30, 2018 Fair Value USD'000
<b>USAID Quasi – Endowment Fund</b>		
Multi-Strategy Equity Fund	5,483	9,667
Equity Index Fund	4,083	653
SSgA MSCI EAFE Index	3,251	3,015
High Quality Bond Fund	2,931	2,449
SSgA MSCI Emerging Markets Fund	916	716
Core Equity Fund	-	69
<b>Subtotal USAID Quasi – Endowment Fund:</b>	<b>16,664</b>	<b>16,569</b>
<b>Pooled Endowment Fund</b>		
Multi-Strategy Equity Fund	3,091	4,745
Equity Index Fund	2,289	1,222
SSgA MSCI EAFE Index	1,658	1,015
High Quality Bond Fund	1,530	1,418
SSgA MSCI Emerging Markets Fund	548	436
Core Equity Fund	-	60
<b>Subtotal Pooled Endowment Fund:</b>	<b>9,116</b>	<b>8,896</b>
<b>Other Investments:</b>	<b>246</b>	<b>385</b>
<b>Total</b>	<b>26,026</b>	<b>25,850</b>

Additionally, AUBG invested USD 2,520 thousand as of June 30, 2019 (June 30, 2018: 1,943 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. INVESTMENTS (CONTINUED)

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 at Net asset value *
	June 30, 2019 USD'000	(Level 1) USD'000	(Level 2) USD'000	(Level 3) USD'000	
Multi-Strategy Equity Fund	8,574	-	-	-	8,574
Equity Index Fund	6,372	-	-	-	6,372
SSgA MSCI EAFE Index	4,909	-	-	-	4,909
High Quality Bond 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>
	June 30, 2018				
Multi-Strategy Equity Fund	14,412	-	-	-	14,412
SSgA MSCI EAFE Index	4,030	-	-	-	4,030
High Quality Bond Fund	3,867	-	-	-	3,867
Equity Index Fund	1,875	-	-	-	1,875
SSgA MSCI Emerging Markets Fund	1,152	-	-	-	1,152
Core Equity Fund	129	-	-	-	129
Other Investments	385	385	-	-	-
<b>Total:</b>	<b>25,850</b>	<b>385</b>	<b>-</b>	<b>-</b>	<b>25,465</b>

\* 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. At its January 2019 meeting, the Board of Trustees approved the Endowment Spending Policy as follows: FY2020 Endowment drawdown will be based on the average market value of the Endowment for the last 12 quarters ended 31 December 2018 multiplied by 4.25% for the Quasi endowment and 4.00% for the Pooled endowment.

	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 day
SSgA MSCI EAFE Index	4,909	monthly		5 business days
High Quality Bond Fund	4,461	weekly		5 business days
SSgA MSCI Emerging Markets Fund	1,464	monthly		5 business days
Other Investments	246			
<b>Total:</b>	<b>26,026</b>			

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. INVESTMENTS (CONTINUED)

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 at June 30, 2019, approved by the Board of Trustees:

	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>

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.

## 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>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. INVESTMENTS (CONTINUED)

## 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, 2019 USD'000	June 30, 2018 USD'000
<b>Land</b>	<b>3,022</b>	<b>3,022</b>
Buildings	35,373	35,373
Less: accumulated depreciation	(9,529)	(8,630)
<b>Buildings Net Book Value</b>	<b>25,844</b>	<b>26,743</b>
Office machines and equipment	5,008	4,813
Less: accumulated depreciation	(4,706)	(4,439)
<b>Office Machines and Equipment Net Book Value</b>	<b>302</b>	<b>374</b>
Motor vehicles	90	90
Less: accumulated depreciation	(90)	(86)
<b>Motor Vehicles Net Book Value</b>	<b>-</b>	<b>4</b>
Furniture and fixtures	2,753	2,763
Less: accumulated depreciation	(2,574)	(2,428)
<b>Furniture and Fixtures Net Book Value</b>	<b>179</b>	<b>335</b>
Library books	933	903
Less: accumulated depreciation	(802)	(773)
<b>Library Books Net Book Value</b>	<b>131</b>	<b>130</b>
Other intangible assets	1,444	1,454
Less: accumulated amortization	(1,441)	(1,431)
<b>Other Intangible Assets Net Book Value</b>	<b>3</b>	<b>23</b>
<b>Assets under construction</b>	<b>166</b>	<b>146</b>
<b>Total Book Value</b>	<b>48,789</b>	<b>48,564</b>
<b>Less: Depreciation and Amortization</b>	<b>(19,142)</b>	<b>(17,787)</b>
<b>Total Net Book Value</b>	<b>29,647</b>	<b>30,777</b>
	<b>FY19</b>	<b>FY18</b>
	USD'000	USD'000
<b>Depreciation expenses:</b>		
Property, Plant and Equipment	1,412	1,436
Intangible Assets	21	57
<b>Total</b>	<b>1,433</b>	<b>1,493</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**8. OTHER LONG-TERM ASSETS**

Other long-term assets include:

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	USD'000	USD'000
Long lived assets held, not used	295	295
Cash deposits for student loans guarantees, net	11	16
Student loans receivable, net	10	15
<b>Total</b>	<b>316</b>	<b>326</b>

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

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	USD'000	USD'000
Overdraft/ Raiffeisen Bank (max. amount: USD 2.2 million)	1,382	-
Current portion of long-term debt/ OPIC (note 13)	583	583
<b>Total</b>	<b>1,965</b>	<b>583</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, 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 2019.

**10. ACCOUNTS PAYABLE**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	USD'000	USD'000
Tax and social security payables	158	169
Payables to vendors and others	52	44
Payables to undergraduate students	31	11
OPIC loan interest payable	26	33
<b>Total</b>	<b>267</b>	<b>257</b>

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

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	USD'000	USD'000
Accrued vacation	249	223
Current portion of retirement benefit provision (Note 14)	239	213
Accrued expenses	155	207
<b>Total</b>	<b>643</b>	<b>643</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. DEFERRED REVENUE AND OTHER LIABILITIES

	June 30, 2019	June 30, 2018
	USD'000	USD'000
Deferred revenue from undergraduate students	514	642
Advance payments for seminars	93	82
Deferred revenue from graduate students	65	55
Advance ELI payments	65	62
<b>Total</b>	<b>737</b>	<b>841</b>

## 13. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30, 2019	June 30, 2018
	USD'000	USD'000
Principal amount	2,167	2,750
Less unamortized cost	(23)	(29)
Less current portion (Note 9)	(583)	(583)
<b>Long-term debt, net</b>	<b>1,561</b>	<b>2,138</b>

Long-term debt represents a loan from the Overseas Private Investment Corporation (OPIC) amounting up to USD 10 million for the construction of AUBG Student Center. As collateral, AUBG pledged 7,000 units in USAID Endowment Multi-Strategy Equity Fund and 30,000 units in USAID Endowment High Quality Bond Fund at the total amount of USD 3,261 thousand as of June 30, 2019. 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 2025.

The total amount of interest cost incurred for the year ended June 30, 2019 is USD 99 thousand (year ended June 30, 2018: USD 148 thousand).

The amounts payable for each of the following five years are as follows:

Year ended	Principal payable (USD '000)	Interests payable (USD '000)
June 30, 2020	583	76
June 30, 2021	317	57
June 30, 2022	317	45
June 30, 2023	317	32
June 30, 2024	317	19

## 14. RETIREMENT BENEFIT PROVISION

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

	June 30, 2019	June 30, 2018
	USD'000	USD'000
Discount rate		
(interest rate for 10-year Government Bonds, source: Bulgarian National Bank)	1.63%	1.78%
Turnover rate	10%	10%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. RETIREMENT BENEFIT PROVISION (CONTINUED)

The Retirement Benefits are expected to be paid:

	June 30, 2019	June 30, 2018
	USD'000	USD'000
<b>Current liability (within 1 year (Note 11))</b>	<b>239</b>	<b>213</b>
Long-term liability:		
2 years	36	34
3 years	16	29
4 years	19	13
5 years	16	15
More than 5 years	95	91
<b>Long-term liability</b>	<b>182</b>	<b>182</b>
<b>Total:</b>	<b>421</b>	<b>395</b>

The expense for retirement benefits recognized in the consolidated statement of activities for FY19 is USD 26 thousand (FY18: USD 60 thousand).

## 15. NET ASSETS WITHOUT DONOR RESTRICTIONS

	June 30, 2019	June 30, 2018
	USD'000	USD'000
<b>Net assets without donor restrictions as of the beginning of the year</b>	<b>43,771</b>	<b>12,409</b>
Reclassifications and corrections	3	30,812
Change in net assets without donor restrictions	(172)	550
<b>Net assets without donor restrictions as of the end of the year</b>	<b>43,602</b>	<b>43,771</b>

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

	June 30, 2019
	USD'000
USAID Quasi-Endowment	18,274
Panitza Memorial Professorship Endowment	950
<b>Total Board-designated endowment funds</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, 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
Stifung 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.

## 17. NATURAL CLASSIFICATION OF EXPENSES

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

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

## 18. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures are as follows:

	<b>June 30, 2019</b>
	<b>USD'000</b>
Financial assets:	
Cash and cash equivalents (for unrestricted use)	277
Accounts receivable (excl. deferred expenses)	212
Contributions receivable within one year	1,153
FY 2019-2020 endowment drawdown	1,070
<b>Total financial assets available within one year</b>	<b>2,712</b>
Available overdraft	2,200
<b>Total financial assets and liquidity resources available within one year</b>	<b>4,912</b>

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.

## 19. SUBSEQUENT EVENTS

The overdraft utilized as of June 30, 2019 at the amount of USD 1,382 thousand was repaid in August 2019.

Subsequent events have been evaluated through October 17<sup>th</sup>, 2019, 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.

## 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, 2019 and June 30, 2018, 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, 2019 and June 30, 2018, and its financial performance and its cash flows for the years 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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



Rositsa Boteva  
Statutory Manager  
Registered Auditor

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October 21, 2019

